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 2007

* for identification purpose only

Contents

Corporate Profile

Samson Holding Ltd. is one of the leading wholesalers in the U.S. residential furniture industry. We distinguish ourselves in our industry through our vertically-integrated U.S. wholesaler and Chinese manufacturer business model. This business model provides us with the competitive advantage of large-scale and cost-effective manufacturing facilities in China to support our U.S. branded products business. Our vertically-integrated business model is further enhanced by our comprehensive logistics and delivery capabilities that provide our customers with the flexibility to mix different furniture collections in their respective shipments.

We produce and market a wide range of high quality residential furniture at mid to high price points for the U.S. wholesale market under our own brand names, "Universal Furniture", "Legacy Classic" and "Craftmaster". We are committed to offering quality furniture with a high degree of perceived value at attractive prices, combined with comprehensive customer service. In addition to our powerful and trusted brands, our manufacturing division in China, operating under the name of Lacquer Craft, is the preferred original equipment manufacturer to many leading furniture brands and private label retailers in the North America and the rest of the world.

Corporate Information

Executive Directors

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

Non-executive Directors

Mr. Sheng Hsiung PAN
Mr. Yuang-Whang LIAO

Independent Non-executive Directors

Ms. Huei-Chu HUANG
Mr. Ming-Jian KUO
Mr. Siu Ki LAU

Audit Committee

Mr. Siu Ki LAU *(Chairman)*
Ms. Huei-Chu HUANG
Mr. Sheng Hsiung PAN

Remuneration Committee

Mr. Ming-Jian KUO *(Chairman)*
Ms. Huei-Chu HUANG
Mr. Sheng Hsiung PAN

Company Secretary

Ms. Pik Yuk CHENG

Authorized Representatives

Ms. Yi-Mei LIU
Ms. Pik Yuk CHENG

Registered Office

Scotia Centre, 4th Floor
P.O. Box 2804, George Town
Grand Cayman, KY1-1112
Cayman Islands

Stock Code

The Stock Exchange of Hong Kong Limited: 531

Websites

http://www.samsonholding.com/
http://www.universalfurniture.com/
http://www.legacyclassic.com/
http://www.legacyclassickids.com/
http://www.cmfurniture.com/

Principal Places of Business

China:

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

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

Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

United States of America:

6530 Judge Adams Road, Suite 106
Whitsett, NC 27377
USA

4190 Eagle Hill Drive
High Point, NC 27265
USA

221 Craftmaster Road
Hiddenite, NC 28636
USA

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

Bank SinoPac
Chinatrust Commercial Bank
Fubon Bank (Hong Kong) Limited
Wachovia Bank, National Association

Share Registrars and Transfer Offices

Principal:

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town, Grand Cayman
Cayman Islands

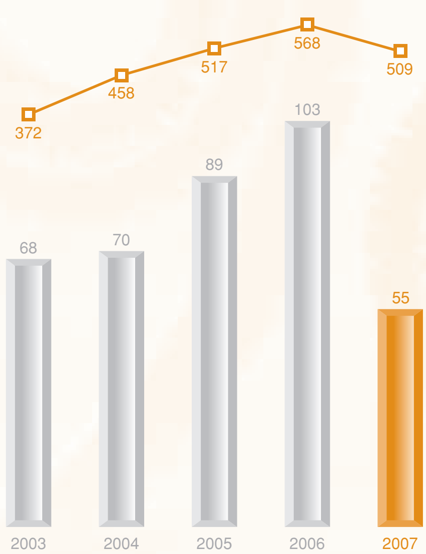
Hong Kong Branch:

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

Financial Highlights

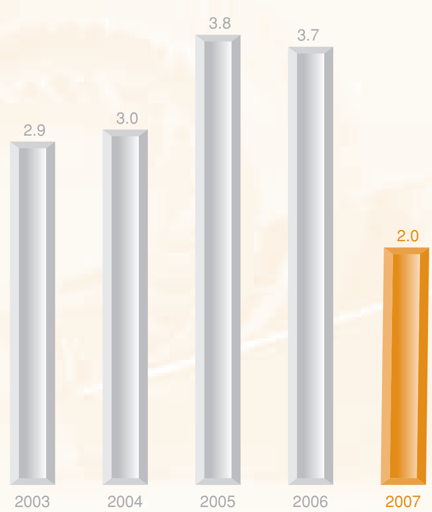
	2007 US$'000	2006 US$'000	2007 HK$'000*	2006 HK$'000*
Operating results				
Turnover	**508,710**	568,415	**3,967,938**	4,433,637
Earnings before interest and tax	**56,355**	107,843	**439,569**	841,175
Profit for the year	**55,001**	103,052	**429,008**	803,806
Earnings per share *(US/HK cents)*	**2.0**	3.7	**15.60**	28.9
Financial position				
Total assets	**577,368**	552,179	**4,503,470**	4,306,996
Net current assets	**273,787**	237,233	**2,135,539**	1,850,417
Shareholders' equity	**489,159**	439,311	**3,815,440**	3,426,626
Return on equity** (%)	**11.85%**	25.5%	**11.85%**	25.5%

Turnover & Profit for the year
(US$ MN)



Turnover
Profit for the year

Earnings per share
(US cents)



* exchange rate: US$1 to HK$7.8 (for reference only)
** profit for the year/average shareholders' equity

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 of Samson Holding Ltd. (the "Company"), I am pleased to present to the shareholders the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

Results

Mainly due to the depressed U.S. housing market that seriously affected the furniture business, turnover was US$508.7 million in 2007, a 10.5% decline over the same period of 2006; and profit for the year of the Group was US$55.0 million in 2007, a 46.6% decrease over the same period of 2006. The unsatisfactory profit of the year was mainly due to increased overhead after we completed our capacity expansion in 2006, sharply appreciated RMB, increased China labor costs, and decreased VAT refund rate. Nevertheless, the 10.8% net profit margin that the Group made in such a severe environment demonstrates the Group's ability to weather economic downturn before us.

Business Development and Outlook

The U.S. housing market is in its worst state for 30 years. The number of single family new housing starts is currently running only at $^1/_3$ of 2 years ago. Coupled with the increased costs in labor and materials, the sharp appreciation in RMB, and aggressive competitions from China and Vietnam, the Group's operating margins was down from US$99.6 million in 2006 to US$46.4 million in 2007.

The question of whether the U.S. is in a recession – or in the process of sliding into this direction – dominates economic analysis and financial reporting views. This sentiment surely will affect the prospect of the furniture industry in 2008. On the other hand, we expect that consolidation in the residential furniture industry will accelerate since the industry-wide slowdown does not appear to has hit the bottom. Nevertheless, we believe the Group's unique business model provides a solid foundation to outperform the competitors during the consolidation. Through our vertically-integrated U.S. wholesaler and Chinese manufacturer business model, the Group possesses the competitive advantage of large-scale and cost-effective manufacturing facilities in China to support our U.S. branded-products business as well as to serve our original equipment manufacturers ("OEM") customers. Craftmaster's upholstery business has been performed satisfactorily after the Company's acquisition in 2006. We also successfully integrated Universal upholstery into Craftmaster in March 2008. We are now one upholstery company. These strategies enable us 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.

We realize that the 2008 outlook for U.S. housing market will be gloomy and consumer spending will be weak. We will try our best with every measure to keep our competitiveness so as to maintain the performance level that we achieved in 2007.

Here are the progress made on our principal strategies:

1. Cultivating our branded business by expanding our product offerings and raising brand awareness

With the successful program of Better Homes and Gardens launched last summer, we believe our sales from Better Homes and Garden will continue to grow in 2008. Our vertically-integrated business model provides us with a key competitive advantage for the sales of furniture under our Universal Furniture, Legacy Classic and Craftmaster brands. We continued to perform well in the youth and upholstery product segments. Our youth collection has been widely recognized by our customers because of its quality, value and service. The growth in Craftmaster upholstery was mainly attributable to the renowned reputation for quality and service; offering customers unique order options to fulfill each customer's decor desire. We do expect this product line will continue to grow in 2008. We are planning to move part of the cut and sew activities for upholstery products to China to enhance the competitive edge of this product line.

We participated in the Koln Show in Germany at the end of 2007 to explore and develop our business in Europe. We work closely with designer of products that specifically fit the European market. We expect the efforts will materialize during the second half of 2008.

2. Continuing to focus on our OEM business

With outstanding product quality and logistic services as well as on time delivery, we have been highly recognized by our OEM customers. In view of the increasing trend of outsourcing from Asia by U.S. furniture companies, we aim to develop more OEM business opportunities by our innovative product development and persistent quality endeavor. We are confident that we are the first choice as an OEM manufacturing suppliers for premium residential furnitures.

3. Creating shareholders' value through acquisition strategies

In September 2007, Universal Furniture acquired Pennsylvania House brand. Pennsylvania House is a quality brand with outstanding consumer recognition. That recognition combined with the exceptional factory support provides us with a unique opportunity to meet the changing needs of our customers. Universal Furniture plans to reintroduce the Pennsylvania House brand name with new products in summer of 2008.

In February 2008, the Company purchased the 6,255,860 shares and 149,513 shares of Furniture Brands International Inc. held by Sun Fortune Investments Limited and Trade Decade Limited (collectively the "Sellers") respectively. Prior to these acquisitions, the Company held 816,000 shares in Furniture Brands International Inc. as an attractive strategic investment given that Furniture Brands International Inc. is in a business that is complementary to our businesses. As we would better position ourselves to explore the potential for long-term value creation of this strategic investment, we believed it to be in the Company's best interest to consolidate the aggregate of 6,405,373 shares held by Sun Fortune Investments Limited and Trade Decade Limited into a single holding of 7,221,373 shares. We funded this transaction through the issue of new consideration shares to the Sellers in order to optimize our financial flexibility. We endeavour to ensure that the Company continues to drive its organic growth through ongoing investment in its businesses.

With sound financial standing, we are well positioned to take advantage of any acquisition opportunities by leveraging our previous experience in successfully acquiring and integrating Universal Furniture and Craftmaster. We will select our targets prudently to create the greatest value to the shareholders.

4. Improving operational efficiency and rationalizing costs

Although our cost of manufacturing increased in 2007 which was due to the completion of our capacity expansion at the end of 2006 and rising costs in China, we continue to enhance our production efficiency in materials utilization and labor productivity. We also actively cooperate with our major raw materials suppliers to increase our procurement efficiencies and to improve our supply chain management. These efforts have resulted in a timely delivery of raw materials and outsourced products and a more efficient control of our inventory levels.

We further shorten product development cycle and streamline production process by collaborating closely among our engineering, design, and sales/marketing teams; thus further improving efficiency and reducing costs. We also refine our new products quotation flow to reflect the dynamic market reality and to offer our customers with competitive pricing.

5. Recruiting and training skilled personnel to enhance our team

We believe that the ability to grow as a successful business depends on the quality of our management and employees. We are committed to recruiting, training and retaining skilled and experienced people throughout our operations globally to better serve our customers.

Shareholders' Value and Corporate Governance

The management is committed to continuously enhancing shareholders' value. The Group puts great emphasis on managing the tough market by enhancing operation efficiency and cost reduction to generate cash flow and earning to invest in the future. The superior financial results and shareholders' value will be achieved without compromising integrity and business ethics. By working with the board of directors (the "Board") and external advisers, the Group will continue to promote transparency and enhance corporate governance.

Appreciation

Finally, I would like to take this opportunity to express my gratitude to my fellow directors, management team and employees for their contributions and dedication to the Group and my deep thanks to our shareholders, customers, suppliers and business partners for their continued supports.

Shan Huei KUO
Chairman
16 April 2008

Business Review

The U.S. furniture industry has been sluggish since the second half of 2006 because of the weak housing market, sub-prime mortgage problem and increase in oil price. The overall U.S. furniture industry environment is tough and did not have any improvement in 2007. On manufacturing side, every Chinese manufacturer is facing pressure from increases in labor and other operating costs and appreciation of Renminbi. As we produce 100% of our products in China and export more than 90% of our output to U.S. our performance in 2007 was therefore severely affected.

To preserve our brand value, we decided to sustain our selling price at the expense of decrease in sales volumes. Still, we successfully maintained the margin of our case goods during this challenging business environment. We believe this is a right marketing strategy. During the period under review, we further expanded our business in upholstery products through the acquisition of Craftmaster in May 2006. Although the margin of upholstery products is lower than that of case goods, we actually create better value for our customers by offering wider range of product categories and comprehensive services.

Even the market demand is soft, we continue pursuing our long term goal persistently 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 in both branded and original equipment manufacturer businesses.

The U.S. economy may not hit the bottom in a short period of time. We will focus on cost saving and efficiency enhancement to go through the winter. To boost our branded business, we debuted the Better Homes and Gardens collection in July 2007. The collection is a result of the collaborative effort between the designers and craftsmen at Universal Furniture and the editors of Better Homes and Gardens, billed as "America's largest home enthusiast magazine, with a circulation of 7.6 million and a readership of nearly 40 million." The rollout will be one of the largest in the industry's history with hundreds of stores to feature the collection in the coming months. So far, the program has been successful. We believe the launch of this collection will help to boost our branded business as we have successfully achieved in the youth collection program. With strong financial position, efficient and low cost production facilities in China, good logistic system, and excellent management team, the Company is in the best position to expand its business through organic growth and acquisitions.

Turnover and Profit

Net sales for 2007 were US$508.7 million compared to US$568.4 million in 2006, a decrease of US$59.7 million or 10.5%. The decrease in sales was mainly attributable to the weak retail demand caused by the poor home market and sub-prime mortgage crisis in U.S. To overcome the market challenges and competitions, we committed to delivering excellent value for our customers by offering more product categories and enhancing the logistics services. Nevertheless, the turnover was hit by the weak consumer demand due to continued economic concerns.

Gross profit margin decreased to 27.9% in 2007 from 32.4% in 2006, mainly due to the lower sales amount, reduced factory capacity utilization, and the increase in production costs in China.

Total operating expenses increased to US$95.5 million in 2007 from US$84.4 million in 2006. The increase was primarily attributable to the increase in selling and marketing expenses for both developing new market in Las Vegas and launching new project for Better Home and Garden.

Profit for the year decreased to US$55.0 million in 2007 from US$103.1 million in 2006. Net profit margin decreased to 10.8% in 2007 from 18.1% in 2006.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2007, the Group's cash and cash equivalents increased by US$33.4 million to US$169.0 million from US$135.6 million as at 31 December 2006. The bank borrowings decreased from US$46.9 million as at 31 December 2006 to US$36.5 million at the end of 2007. The gearing ratio (total bank borrowings/shareholders' equity) improved from 10.7% as at 31 December 2006 to only 7.4% as at 31 December 2007.

Cash and cash equivalents held by the Group were mainly denominated in United States dollars, Renminbi and Hong Kong dollars. The bank borrowings were denominated in United States dollars, carrying floating interest rates and are repayable within five years.

Our sources of liquidity included cash and cash equivalents, cash from operations and general banking facilities granted to the Group. The Group intends to maintain strong and prudent liquidity for day-to-day operations and business development.

As substantially all of our turnover and most of our cost of sales were denominated in US dollars, we have not had any material foreign exchange gains or losses in connection with our operations. In order to minimize our foreign exchange exposure on appreciation of Renminbi, the Group has entered into foreign exchange forward contracts. As at 31 December 2007, there was outstanding forward exchange contract amounting to US$32.0 million (31 December 2006: US$24.0 million).

The Group's current assets increased by 3.4% to US$360.7 million compared to US$348.9 million in 2006 and the Group's current liabilities decreased by 22.1% to US$86.9 million compared with US$111.7 million in 2006. The current ratio (current assets/current liabilities) therefore improved to 4.2 times from 3.1 times in 2006.

Pledge of Assets

As at 31 December 2007, the Group's inventories of approximately US$33.6 million (2006: US$10.8 million), trade and other receivables of approximately US$75.0 million (2006: US$52.8 million), fixed asset of approximately US$38.8 million (2006: nil), and pledged bank deposits of approximately US$0.9 million (2006: nil) had been pledged to banks to secure the general banking facilities granted to the Group.

Capital Expenditure

Capital expenditures which decreased to US$14.4 million in 2007 from US$65.2 million in 2006 comprised the purchase of property, plant and equipment and other intangible assets. The decrease was mainly due to the completion of expansion of our China production and warehouse capacities at Dongguan and Jiashan during 2006.

Dividends

The Board does not recomment the payment of final dividend for the year ended 31 December 2007 and proposes that the profit for the year be retained.

Employees and Emolument Policy

As at 31 December 2007, the Group employed approximately 11,500 full-time employees in China, U.S. and Taiwan.

The Company believes that the ability to grow as a successful business depends on the quality of our management and employees. The Company is committed to recruiting, training and retaining skilled and experienced people 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 on the basis of their merit, qualifications and competence. The emoluments of the directors and senior management of the Company are decided by 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 52, is an Executive Director, Chairman of our board of directors and Chief Executive Officer of Lacquer Craft Mfg. Co., Ltd (Dongguan) ("Lacquer Craft (Dongguan)") and Lacquer Craft Mfg. Co., Ltd (Zhejiang) ("Lacquer Craft (Zhejiang)") (hereinafter collectively referred to as "Lacquer Craft"). 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 20 years of experience in the furniture business in Taiwan, the PRC and the USA. Mr. Kuo is also the former Chairman of the Taiwan Businessmen's Association Dongguan, which has over 3,400 members. 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.

Yi-Mei LIU, also known as Grace Liu, aged 50, is an Executive Director and our Deputy Chairman. Ms. Liu is, together with her husband, Mr. Shan Huei Kuo, one of the founders of our business. Ms. Liu has over 20 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.

Mohamad AMINOZZAKERI, also known as Mohamad Amini, aged 46, is an Executive Director. He is 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. Amini owned and operated furniture retail stores in California and Arizona for 6 years before that. Mr. Amini has over 20 years of experience in the furniture industry. Mr. Amini obtained a Bachelor of Science degree in Mechanical Engineering from California State University in Long Beach in 1983.

Non-executive Directors

Sheng Hsiung PAN, also known as William Pan, aged 52, is a Non-Executive Director. He is the Chief Executive Officer of Tai-Chuan Wooden MFG Co., Ltd, a cue manufacturer. Mr. Pan has over 20 years of experience in sales, marketing, manufacturing, and product development in the cue industry and sales and marketing in billiard cue and related accessories. Mr. Pan obtained a Bachelor of Arts degree in Economics Development from Tamkang University in 1979.

Yuang-Whang LIAO, also known as Daniel Liao, aged 38, is a Non-Executive Director. Mr. Liao is currently an Executive Director of China LotSynergy Holdings Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Mr. Liao had been 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. Prior to joining our Group, Mr. Liao held the position of Director in the Private Equity of Citibank Hong Kong. Mr. Liao previously held positions ranging from financial officer and risk analyst to Vice-President of Private Equity at Citibank, Taipei. Mr. Liao has more than 10 years of experience in banking and finance. Mr. Liao holds a Bachelor of Arts degree in Management Science from National Chiao Tung University and an M. Phil in Management from Cambridge University. Mr. Liao is also an Independent Non-Executive Director of Unimicron Technology Corp., a company listed on Taiwan Stock Exchange Corporation.

Independent Non-executive Directors

Huei-Chu HUANG, also known as Laura Huang, aged 52. Ms. Huang has over 19 years of experience in corporate finance, financial advisory and management and capital markets, with an extensive track record of executing international offerings for Taiwanese companies. Ms. Huang is Executive Vice President and Head of Investment Banking at China Development Financial Holding Corporation, Taiwan since January 2006. Prior to this, Ms. Huang was Managing Director and the Head of Taiwan Investment Banking at Merrill Lynch from 2002 to 2005. Prior to joining Merrill Lynch, Ms. Huang spent six years as Global Head of Corporate Finance at Barits Securities, Taiwan where Ms. Huang was in charge of all capital markets transactions, with a focus on Taiwan, China and Hong Kong. Previously, Ms. Huang spent 8 years as Senior Vice President in the Capital Markets Department and International Department of Grand Cathay Securities, responsible for capital markets business. Ms. Huang received a Master of Business Administration degree from the University of Missouri and a Bachelor of Business Administration degree from Fu Jen Catholic University, Taipei, Taiwan.

Ming-Jian KUO, also known as Andrew Kuo, aged 46, is 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 has been responsible for the firm's banking business and all investment banking activities in Taiwan. Mr. Kuo is also Vice Chairman of the Greater China Operating Committee of JPMorgan Chase, and since April 2005 he has been responsible for JPMorgan's Financial Sponsor Industry of Asia, ex-Japan. Mr. Kuo has 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 is a member of the Youth Presidents' Organization and the Advisory Committee of the Hong Kong Monetary Authority. Mr. Kuo obtained a Bachelor degree with a major in Business Administration from Fu-Jen Catholic University in 1983 and an Master of Business Administration degree from City University of New York in 1989.

Siu Ki LAU, also known as Kevin Lau, aged 49. With over 25 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. Mr. Lau is also a consultant to the corporate finance division of PCP CPA Limited, a medium-sized certified public accountants firm in Hong Kong. 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. Mr. Lau has been elected as a member of the world council of ACCA since 2002. Mr. Lau has also served on the executive committee of the Hong Kong branch of ACCA (ACCA Hong Kong) since 1995, and was the chairman of ACCA Hong Kong in 2000/2001. Mr. Lau also serves as an independent non-executive director of eight other listed companies in Hong Kong. Mr. Lau graduated from The Hong Kong Polytechnic in 1981.

Senior Management

Samson Marketing

Kevin M. O'CONNOR, aged 62, is President and Chief Executive Officer of Samson Marketing. Mr. O'Connor has been with our Group since March 1999, and prior to his current position, he was previously President/CEO of Legacy Classic Furniture, Inc. ("Legacy Classic"). Before joining our Group, Mr. O'Connor held the top executive position of Master Design Furniture, Inc. and Hyundai Furniture, and also held senior management positions at Lea Industries, Burlington Furniture and Ethan Allen Furniture. Mr. O'Connor has over 35 years of experience in the furniture industry. Mr. O'Connor obtained a Bachelor of Arts degree in Psychology from Seton Hall University in 1968 and a Master of Science Degree in Business Administration from Columbia University in 1978.

Chou-Li HSU, also known as Victor Hsu, aged 41, is Vice President and Chief Financial Officer of Samson Marketing, and also serves as Corporate Secretary of our member companies in the US. Prior to his current position, Mr. Hsu was previously VP/CFO of Universal Furniture International Inc. ("Universal Furniture"), and held senior positions at Legacy Classic and Lacquer Craft since June 1998. Mr. Hsu has more than 13 years of related working experiences in Taiwan, Hong Kong, China and US. Mr. Hsu obtained a Bachelor of Science degree in Industrial Engineering from the National Tsing Hwa University in 1989 and was awarded a Master's degree in Business Administration in Finance from the University of Illinois at Urbana-Champaign in May 1994.

Richard M. MIHALIK, aged 64, is Vice President and Chief Operating Officer of Samson Marketing. Prior to his current position, he was previously Vice President of Operations of Legacy Classic and has been with our Group since March 1999. Mr. Mihalik previously held senior management positions at companies such as Master Design Furniture, Inc., Cardinal Tables of California, Inc., B.P. John Furniture Co. and Hyundai Furniture Co. Inc. Mr. Mihalik has over 30 years of experience in the furniture industry. He obtained a Bachelor of Arts degree in Education from Seton Hall University in 1969.

William Frank NORTON, aged 38, is Vice President of Mass Merchandise Division (d.b.a. Samson International) of Samson Marketing since his rejoining our Group in August 2007 followed by a short-period away. Mr. Norton once held the position of Vice President of Merchandising of Universal Furniture. Prior to this, Mr. Norton held the positions of General Manager of Snavely Forest Products and Sun River Furniture and as Buyer at IKEA North America, Inc. Mr. Norton has more than 17 years of experience in the furniture industry and obtained a Bachelor of Science degree in Furniture Manufacturing and Management from North Carolina State University in 1991.

Universal Furniture

Randolph V. CHRISLEY, aged 60, is President and Chief Executive Officer of Universal Furniture and has been with our Group since November 2001. Prior to becoming Chief Executive Officer, he was Universal Furniture's Senior Vice President of Sales and Marketing. Mr. Chrisley was previously Senior Vice President of Sales at Pulaski Furniture Corporation, where he held management positions from 1970. Mr. Chrisley has over 30 years of experience in the furniture industry. Mr. Chrisley received a Bachelor of Science degree in Business Administration from Virginia Tech in 1970.

Yao-Yu CHIEN, also known as Eric Chien, aged 41, is Vice President and Chief Financial Officer of Universal Furniture, and prior to his current position, he was previously CFO of Legacy Classic and has been with our Group since July 2001. Prior to joining our Group, he was Vice President of Corporate/Personal Banking at ABN AMRO Bank, Taichung, Taiwan. He has also worked for Credit Agricole Indosuez and the Taiwan International Securities Corporation. Mr. Chien has more than 13 years of experience in finance. Mr. Chien received a Bachelor of Arts degree in Cooperative Economics from the National Chung Hsing University, Taipei in 1989 and a Master's degree in Business Administration from the University of Southern California in 1994.

David L. PINAMONTI, aged 62, is Senior Vice President of Sales and Marketing of Universal Furniture. Before joining Universal Furniture in early 2007, he was Senior Vice President of Worldwide Sales, Gallery and Dedicated Store Distribution at Broyhill Furniture. Mr. Pinamonti has more than 30 years of experiences in home furnishing industry. He previously held different management positions at A-America, Stanley, and Hunter-Douglas. Mr. Pinamonti received a Bachelor of Science and Management degree from Southern Utah University in 1969.

Stephen B. GILES, aged 46, is Senior Vice President of Merchandising of Universal Furniture and has been with our Group since October 2001. Before joining our Group, Mr. Giles was Vice President of Merchandise at Lane Furniture Company. Mr. Giles has previously held management positions at Henredon Furniture Industries, Century Furniture Industries and Lane Furniture Company. Mr. Giles has over 15 years of experience in the furniture industry. Mr. Giles received a Bachelor of Science degree in Physics from Davidson College in 1984 and obtained a Master's degree in Business Administration from the Executive Program from Wake Forest University in 1999.

David E. YELVERTON, aged 51, is Vice President of Operations of Universal Furniture and has been with the Group since January, 2003. Prior to becoming Vice President of Operations earlier in 2007, he was Vice President of Sales Administration. Mr. Yelverton has more than 20 years of experiences in different management positions with LifeStyle Worldwide Marketing, Mainland-Smith and Hickory White. Mr. Yelverton received a Bachelor of Science degree from the University of North Carolina at Chapel Hill in 1978 and a Masters in Business Administration degree from Duke University in 1987.

Legacy Classic

D. Lee BOONE, aged 45, is President of Legacy Classic and has been with our Group since June 2003. Prior to this, Mr. Boone held positions including General Manager of the Youth Division of Legacy Classic (Legacy Classic Kids), Vice President of Sales at Lea Industries and Vice President of National Accounts at Universal Furniture. Mr. Boone has more than 19 years of experience in the furniture industry. Mr. Boone was awarded a Bachelor of Science degree in Engineering with a Minor in Economics from the United States Military Academy at West Point in May 1984.

Shing-Huei LI, also known as Elliott Li, aged 37, is Vice President and Chief Financial Officer of Legacy Classic and has been with our Group since December 2006. Prior to joining our Group, Mr. Li held financial management positions at Guardian Life Insurance and AT&T in the U.S., as well as a sales position 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 in 1999.

Gerald E. SAGERDAHL, aged 57, is Executive Vice President of Sales of Legacy Classic and has been with our Group since March 1999. Mr. Sagerdahl has 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 30 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.

Michael H. HARRIS, aged 43, is Vice President of Sales of Legacy Classic and has been with our Group since October 2006. Mr. Harris has previously held the positions of President and Partner at Kevin Charles Fine Furniture, Sales Manager for Palliser Furniture, and worked as an Independent Manufacturer's Representative. Mr. Harris has more than 20 years of experience in the furniture industry. Mr. Harris obtained a Bachelor of Arts degree in Economics from University of North Carolina at Chapel Hill in 1987.

Christopher Scott SMITH, aged 40, is Vice President of Merchandising of Legacy Classic and has been with our Group since September 2003. Prior to this Mr. Smith had held the position of Vice President of Sales at Drexel Heritage Furniture. Mr. Smith previously held sales and marketing management positions at Davis Furniture, Lexington Furniture and Singer Furniture. Mr. Smith has more than 11 years of experience in the furniture industry. Mr. Smith was awarded a Bachelor of Arts degree in Accounting from North Carolina State University in May 1990.

Larry CRYAN, aged 52, is Vice President of Operations of Legacy Classic and has been with our Group since July 1999. Mr. Cryan has previously held the positions of Corporate Manager of Administration with Hyundai Furniture and Credit Manager at Ladd Furniture. Mr. Cryan has over 24 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.

Karen L. KNOCH, aged 41, is Vice President of Merchandising for Legacy Kids and Everyday Dining divisions and joined our Group in October 2007. Prior to this, Ms. Knoch was Merchandise Manager at Magnussen Home Furnishings and has held buying positions for several large regional retailers including City Furniture, Seaman Furniture, and Breuners Home Furnishings. She has 19 years experience in the furniture industry. Ms. Knoch has a Bachelor of Arts degree in Finance from Huntingdon College and Master of Business Administration degree from Florida Atlantic University.

Craftmaster Furniture, Inc. ("Craftmaster Furniture")

Roy R. CALCAGNE, aged 49, is President and CEO 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

Chen-Kun SHIH, also known as Anderson Shih, aged 38, is Vice President and Chief Financial Officer of Craftmaster Furniture since July 2006, prior to his current position; Mr. Shih has more than 10 years of related working experiences in Taiwan, China and US. Mr. Shih began his career at Ernst & Young. He obtained a bachelor's degree in Accounting from the National Chung Hsing University in 1993, and was awarded a Master's degree in Business Administration in Finance from the State University of New York at Buffalo in May 1999. Mr. Shih became a Certified Internal Auditor in 2000 and also passed the Certified Public Accountants examinations of the United States in 2006.

Tom LITTLE, aged 46, is Vice President of Sales for Craftmaster Furniture and has been with the Group since May 2006. Mr. Little has over 20 years of experience in the furniture industry. Mr. Little has been with Craftmaster Furniture since 1994 in Sales Management and Marketing. Prior to joining Craftmaster Furniture in 1994, Mr. Little worked previously with Acacia Furniture and Bassett Upholstery in both Sales Management and as a Sales Representative in the state of Florida. Mr. Little received a Bachelor of Science degree in Marketing from Radford University in 1982.

Jack K. STOKES III, aged 33, is Vice President of Sales for Craftmaster Furniture Estate division and Better Homes and Gardens program. Mr. Stokes has worked with Craftmaster Furniture since June 1997, and was promoted to Vice President of Sales in 2007. Prior to the new position, Mr. Stokes held the position of Director of Marketing with Craftmaster Furniture while filling in many sales roles including Markets and Merchandising for over 10 years. Mr. Stokes received Bachelor of Science in Business Administration degree major in Marketing from Western Carolina University, in 1997.

Lacquer Craft

En-Kwang YANG, also known as Bob Yang, aged 60, is Executive Vice President of Lacquer Craft and has been with our Group since September 1999. Prior to becoming Executive Vice President, Mr. Yang was Vice President of Manufacturing of Lacquer Craft. Mr. Yang previously held management positions at Mississippi Plant of Master Design Furniture Company Limited, Johnson Wood Working Manufacturing Company, Shin Shin Wood Working Manufacturing Company Limited and Wood Working Plant of East-West High Way Forest Development. Mr. Yang obtained a Bachelor of Science degree in Forestry from the National Taiwan University in June 1969.

Fred Rong LIN, also known as Fred Lin, aged 52, is the Chief Operation Officer and Chief Financial Officer ("CFO") of the Group. He joined our Group in October 2007. Mr. Lin was CFO for Lite-On Technology Corporation from 1989 to 2002; and co-found a flat-panel TV company – VIZIO in California, USA in 2002, serving as Chief Operating Officer & CFO from 2002 to 2005. After that, he served as Senior Vice President & Chief Strategic Officer ("CSO") for Taiwan Cement Corporation. Most recently, Mr. Lin was CSO for Yageo Corporation, and Acting President for Yageo's affiliated company – Teapo Electronic Co., Ltd. Mr. Lin received the award as one of the best CFOs in Taiwan in 1998. Mr. Lin received a Master of Business Administration degree from University of Toledo, Ohio, USA in 1981 and a Bachelor of Arts degree from Fu Jen Catholic University, Taipei, Taiwan in 1978.

Chi Yin LIN, also known as Anderson Lin, aged 43, is Vice President of Manufacturing for Lacquer Craft (Dongguan) and has been with our Group since October 1995. Prior to joining our Group, Mr. Lin held positions in production control, furniture drawing and manufacturing at various furniture companies. Mr. Lin has over 20 years of experience in furniture manufacturing. Mr. Lin obtained a Diploma in Mechanical Engineering from the Industrial College of Nan Yang in 1984.

Yue-Jane HSIEH, also known as Irene Hsieh, aged 37, 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. Shan Huei 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 six years of experience in accounting. Ms. Hsieh obtained a Bachelor of Science degree in Accounting from Tunghai University in June 1993.

Company Secretary

Pik Yuk CHENG, also known as Patsy Cheng, aged 50, was appointed the company secretary of our Company on 24 October 2005. Ms. Cheng is a Corporate Services Director of Tricor Services Limited. Prior to joining the Tricor Group in 2000, she was the departmental manager of the corporate secretarial and share registration department of Deloitte Touche Tohmatsu, and provided corporate secretarial and statutory compliance services to their clients. Ms. Cheng has worked in the corporate secretarial departments of a number of international accounting firms and has over 25 years of experience in the company secretarial field. She has been providing corporate secretarial support services to many listed clients. Ms. Cheng is a Fellow Member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Cheng graduated from The Hong Kong Polytechnic in 1980.

Qualified Accountant

Alfred Lee Ming SUNG, aged 50, is our qualified accountant and has joined the Group in April 2008. Mr. Sung has over 20 years of experience in public accounting. Mr. Sung graduated with a Bachelor of Economics degree from La Trobe University of Australia in 1984 and is a member of CPA (Australia) and member of the Institute of Chartered Accountants in Australia. Mr. Sung is also a Practicing member of Hong Kong Institute of Certified Public Accountants.

The Board is committed to maintaining the highest standard of corporate governance. The Board believes that good corporate governance assists the Board and management to pursue objectives that are in the interests of the organization and its shareholders, facilitates effective monitoring and encourages the Company to use its resources more efficiently.

The Company has applied the principles of and complied with the Code on Corporate Governance Practices ("Code") as set out in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year.

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 meets regularly and at least four times a year.

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 and the Audit Committee.

The Chairman of the Company 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, Samson Marketing, Universal Furniture and Craftmaster are Mr. Shan Huei Kuo, Mr. Kevin M. O'Connor, Mr. Randolph V. Chrisley and T. Steven Lackey respectively. The Presidents of Lacquer Craft and Legacy Classic are Mr. Mohamad Aminozzakeri and Mr. Donald Lee Boone respectively.

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 segregation of the 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.

During the year, the Board held four regular meetings to discharge its responsibilities including approval of interim/annual results and review of the Group's strategic business direction and financial performance. The Board also reviewed the Group's internal control system and was satisfied with its effectiveness.

As at 31 December 2007, the Board comprised eight directors, including the Chairman, the Deputy Chairman, one Executive Director, two Non-executive Directors and three Independent Non-executive Directors 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 10 to 11. 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 to be independent in accordance with the Listing Rules and unrelated in every aspect including financial, business, or family.

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.

The Board considers a balance of skills and experience for the requirements of the business and character of candidates for directorship on the Board and has power at any time and from time to time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the Board. During the year, Mr. Yuang-Whang LIAO, a former member of the senior management of the Company, was appointed as director as an addition to the Board and he is subject to retirement at the 2008 annual general meeting and eligible for re-election thereat.

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

Directors' Securities Transactions

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules.

All directors have confirmed that they have complied with the Model Code during the year. The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions of the relevant employees, who are likely to be in possession of unpublished price-sensitive information of the Group.

No incident of non-compliance of the guidelines of securities transactions by relevant employees 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 and Audit 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. The terms of reference of the Remuneration Committee and the Audit Committee are posted on the Company's website (www.samsonholding.com) and are made available on request. The composition of the Remuneration Committee and the Audit Committee are as follows:

Remuneration Committee	**Audit Committee**
Mr. Ming-Jian KUO *(Chairman)*	Mr. Siu Ki LAU *(Chairman)*
Ms. Huei-Chu HUANG	Ms. Huei-Chu HUANG
Mr. Sheng Hsiung PAN	Mr. Sheng Hsiung PAN

The Remuneration Committee is primarily responsible for making recommendations to the Board on the Company's policy and structure for all remuneration packages of the directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy, determining the specific remuneration packages of all Executive Directors and senior management and to make recommendations to the Board of the remuneration of Non-executive Directors and reviewing and approving any performance-based remuneration offered by the Group with reference to corporate goals and objectives resolved by the Board from time to time.

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. The Audit Committee members have substantial experience in management, corporate finance, financial advisory and management, accounting and auditing.

During the year, the Audit Committee has discharged its responsibilities and reviewed and discussed the interim and annual financial results and approved the remuneration and terms of engagement of the external auditors. In addition, the Audit Committee has reviewed and is satisfied with the effectiveness of the Group's internal controls system.

During the year, the Group paid to external auditors for the services below:

	US$'000
Audit	638
Taxation	88
Others	11

Board and Committee Attendance

	Number of meetings held
Board	4
Remuneration Committee	0*
Audit Committee	2

* No remuneration committee meeting was held in 2007 as there was no major change on the remuneration policy in 2007.

Individual attendance of each director is as follows:

Directors	No. of meetings attended/held during the tenure of directorship		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Mr. Shan Huei KUO *(Chairman)*	4/4	N/A	N/A
Ms. Yi-Mei LIU *(Deputy Chairman)*	4/4	N/A	N/A
Mr. Mohamad AMINOZZAKERI	4/4	N/A	N/A
Non-executive Directors			
Mr. Sheng Hsiung PAN	3/4	2/2	0
Mr. Yuang-Whang LIAO (appointed on 17 September 2007)	1/1	N/A	N/A
Independent Non-executive Directors			
Ms. Huei-Chu HUANG	4/4	2/2	0
Mr. Ming-Jian KUO	4/4	N/A	0
Mr. Siu Ki LAU	4/4	2/2	N/A

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.

Board papers together with all appropriate information are sent to all directors at least 3 days before each Board meeting or committee meeting 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(s) or any other associations have a material interest.

Internal Controls

The Audit Committee has full access to the executive directors and the senior management for any information relating to the Company's financial performance, financial reporting system, internal control system and risk management system to facilitate the process of making appropriate recommendations and proposals. The Board has reviewed the Group's internal control system and was satisfied with its effectiveness.

Directors' and Auditor's 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 the reporting responsibilities in the Independent Auditor's Report on the financial statements is set out on pages 27 and 28.

Directors' Report

The directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 29. The directors do not recommend the payment of final dividend and propose that the profit for the year be retained.

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 78 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2007, the Company's reserves available for distribution to shareholders were as follows:

	2007	2006
	US$'000	*US$'000*
Share premium	**135,570**	135,570
Contributed surplus	**80,186**	80,186
Accumulated profits	**74**	20,600
	215,830	236,356

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

Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Sheng Hsiung PAN
Mr. Yuang-Whang LIAO (appointed on 17 September 2007)

Independent Non-executive Directors

Ms. Huei-Chu HUANG
Mr. Ming-Jian KUO
Mr. Siu Ki LAU

In accordance with the provisions of the Company's articles of association (the "Articles"), Mr. Yuang-Whang LIAO retires pursuant to article 114 of the Articles and Messrs. Mohamad AMINOZZAKERI, Ming-Jian KUO and Siu Ki LAU retire by rotation pursuant to article 130 of the Articles at the forthcoming annual general meeting. All the retiring directors, being eligible, offer themselves for re-election thereat.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 24 October 2005 (the "Share Option Scheme"). Particulars of the Company's share option scheme are set out in note 27 to the consolidated financial statements.

Details of movements in the Company's share options during the year were as follows:

					Number of share options			
	Date of Grant	Exercise Price *HK$*	Vesting Date	Exercise Period	As at 1.1.2007	Granted during the year	Cancelled during the year	As at 31.12.2007
Director:								
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.2	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	4.2	6.2.2007	6.2.2007 – 16.11.2015	3,155,000	–	(1,280,351)	1,874,649
			6.2.2008	6.2.2008 – 16.11.2015	3,155,000	–	(1,280,351)	1,874,649
			6.2.2009	6.2.2009 – 16.11.2015	3,155,000	–	(1,280,351)	1,874,649
					9,465,000	–	(3,841,053)	5,623,947
Total					9,715,000	–	(3,841,053)	5,873,947

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debt securities, including debenture, of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(1) Shares of the Company

Long positions:

Name of director	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Shan Huei KUO	Held by controlled corporations *(note)*	1,966,500,000	71.25%
Ms. Yi-Mei LIU	Held by controlled corporations *(note)*	1,966,500,000	71.25%

Note: Comprised 1,842,500,000 shares held by Advent Group Limited ("Advent") and 124,000,000 shares held by Elite Management Global Limited ("Elite Management"). The shares of the Company held by Elite Management are attributable to Advent as a result of a shareholders' agreement between Advent and the individual shareholders of Elite Management, pursuant to which Advent has the right of first refusal to acquire such shareholders' shares in the event they wish to transfer their shareholdings to a third party or their employment with the Group is terminated.

Mr. Shan Huei KUO and Ms. Yi-Mei LIU each hold 50% of the equity interest in Magnificent Capital Holding Limited ("Magnificent"). Magnificent owns 70% of the issued share capital of Advent. Therefore, Mr. Shan Huei KUO and Ms. Yi-Mei LIU are deemed or taken to be interested in the shares of the Company which are owned by Advent and Elite Management.

Mr. Shan Huei KUO and Ms. Yi-Mei LIU are husband and wife.

(2) Share options of the Company

The interests of the directors of the Company in the share options of the Company are detailed in "Share Option Scheme" above.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2007.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the interests or short positions of the substantial shareholders (other than the interests disclosed above in respect of certain directors who are also substantial shareholders of the company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long Positions:

Name of shareholder	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Daniel Saul Och	Held by controlled corporations *(note)*	163,352,000	5.92%
Och-Ziff Capital Management Group LLC	Held by controlled corporations	163,352,000	5.92%

Note: These shares were held through controlled corporations including Och-Ziff Capital Management Group LLC.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2007.

CONNECTED TRANSACTIONS

During the year, the Group paid Uson Enterprises Limited ("Uson") US$775,000 for its transportation logistics services. The charge is based on the cost incurred by Uson plus a fixed annual service fee. Uson is wholly-owned by Mr. Shan Huei KUO and Ms. Yi-Mei LIU.

Pursuant to Rule 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the board of directors has engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the board of directors. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Group in the ordinary course of its business, on terms no less favourable to the Company than terms available from independent third parties, in accordance with the terms of the agreements governing such transactions that are fair and reasonable and have not exceeded the cap disclosed in the prospectus of the Company as well as in the interest of the shareholders of the Company as a whole.

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 transactions are regarded as 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 38 to the consolidated financial statements.

Other than as disclosed above, no contracts of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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.

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	7%
– five largest customers	30%
– the largest supplier	11%
– five largest suppliers	36%

As at 31 December 2007, Sun Fortune Investments Limited and Trade Decade Limited collectively held 13.2% equity interest in Furniture Brands International Inc., a major customer of the Group. The equity interest in Sun Fortune Investments Limited is held in equal shares by Mr. Shan Huei KUO and Ms. Yi-Mei LIU whereas Trade Decade Limited is wholly owned by Mr. Shan Huei KUO. Both Mr. Shan Huei KUO and Ms. Yi-Mei LIU are directors and controlling shareholders of the Company.

Saved as disclosed above, none of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, 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, there was a sufficient prescribed public float of the issued shares of the Company throughout the year.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date is set out in note 37 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately US$115,000.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Shan Huei KUO
Chairman
The People's Republic of China
16 April 2008

Deloitte.
德勤

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

We have audited the consolidated financial statements of Samson Holding Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 77, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 US$'000	2006 US$'000
Turnover		**508,710**	568,415
Cost of sales		**(366,728)**	(384,464)
Gross profit		**141,982**	183,951
Other income		**9,916**	8,256
Distribution costs		**(20,993)**	(20,460)
Sales and marketing expenses		**(40,581)**	(31,815)
Administrative expenses		**(33,969)**	(32,089)
Finance costs	5	**(1,939)**	(1,637)
Profit before taxation		**54,416**	106,206
Taxation	6	**585**	(3,154)
Profit for the year	7	**55,001**	103,052
Dividends	9	**20,523**	40,150
Earnings per share, in US$			
– Basic	10	**0.020**	0.037

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 US$'000	2006 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**178,763**	174,661
Lease premium for land – non-current portion	12	**9,944**	11,379
Goodwill	13	**11,475**	11,475
Other intangible assets	14	**1,687**	25
Available-for-sale investments	16	**8,209**	–
Cash surrender value of life insurance	17	**712**	572
Deferred tax assets	25	**5,878**	5,154
		216,668	203,266
CURRENT ASSETS			
Inventories	18	**91,946**	98,441
Trade and other receivables	19	**95,570**	112,727
Lease premium for land – current portion	12	**243**	266
Tax recoverable		**1,531**	1,817
Derivative financial instruments	20	**1,443**	84
Pledged bank deposits	21	**978**	–
Cash and cash equivalents	21	**168,989**	135,578
		360,700	348,913
CURRENT LIABILITIES			
Trade and other payables	22	**49,530**	62,868
Tax payable		**883**	1,807
Derivative financial instruments	20	**–**	132
Bank borrowings – due within one year	23	**36,500**	46,873
		86,913	111,680
NET CURRENT ASSETS		**273,787**	237,233
TOTAL ASSETS LESS CURRENT LIABILITIES		**490,455**	440,499

	Notes	2007 US$'000	2006 US$'000
NON-CURRENT LIABILITIES			
Deferred compensation	24	**812**	672
Deferred tax liabilities	25	**484**	516
		1,296	1,188
		489,159	439,311
CAPITAL AND RESERVES			
Share capital	26	**138,000**	138,000
Share premium and reserves		**351,159**	301,311
		489,159	439,311

The consolidated financial statements on pages 29 to 77 were approved and authorised for issue by the Board of Directors on 16 April 2008 and are signed on its behalf by:

Shan Huei KUO
Director

Mohamad AMINOZZAKERI
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Merger reserve US$'000 (Note 28)	Statutory reserve US$'000 (Note 29)	Exchange reserve US$'000	Investment revaluation reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2006	138,000	135,570	–	1,581	747	2,942	–	89,806	368,646
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	7,333	–	–	7,333
Profit for the year	–	–	–	–	–	–	–	103,052	103,052
Total recognised income for the year	–	–	–	–	–	7,333	–	103,052	110,385
Recognition of equity-settled share-based payments	–	–	430	–	–	–	–	–	430
Dividend paid	–	–	–	–	–	–	–	(40,150)	(40,150)
Transfer to statutory reserve	–	–	–	–	388	–	–	(388)	–
At 31 December 2006 and 1 January 2007	138,000	135,570	430	1,581	1,135	10,275	–	152,320	439,311
Loss on changes in fair value of available-for-sale investments	–	–	–	–	–	–	(836)	–	(836)
Exchange differences on translation of foreign operations	–	–	–	–	–	16,145	–	–	16,145
Net income (expense) recognised directly in equity	–	–	–	–	–	16,145	(836)	–	15,309
Profit for the year	–	–	–	–	–	–	–	55,001	55,001
Total recognised income for the year	–	–	–	–	–	16,145	(836)	55,001	70,310
Recognition of equity-settled share-based payments	–	–	61	–	–	–	–	–	61
Dividend paid	–	–	–	–	–	–	–	(20,523)	(20,523)
Transfer to statutory reserve	–	–	–	–	39	–	–	(39)	–
Transfer to accumulated profits	–	–	(81)	–	–	–	–	81	–
At 31 December 2007	138,000	135,570	410	1,581	1,174	26,420	(836)	186,840	489,159

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 US$'000	2006 US$'000
OPERATING ACTIVITIES			
Profit before taxation		**54,416**	106,206
Adjustments for:			
Allowance (reversal of allowance) for inventories		**935**	(729)
Amortisation of club debenture		**7**	8
Depreciation of property, plant and equipment		**14,952**	11,427
Dividend income		**(163)**	–
(Gain) loss on changes in fair value of derivative financial instruments		**(1,491)**	48
Gain on disposal of lease premium for land		**(64)**	–
Impairment loss on trade receivables		**5,156**	1,752
Interest expense		**1,939**	1,637
Interest income		**(3,202)**	(3,639)
Loss on disposal of property, plant and equipment		**664**	132
Release of lease premium for land		**230**	243
Share-based payment expense		**61**	430
Operating cash flows before working capital changes		**73,440**	117,515
Decrease (increase) in inventories		**10,305**	(10,831)
Decrease in trade and other receivables		**12,001**	12,780
Decrease in trade and other payables		**(13,274)**	(9,474)
Cash generated from operations		**82,472**	109,990
PRC Foreign Enterprise Income Tax paid		**(280)**	(735)
Overseas tax paid		**(559)**	(9,161)
NET CASH FROM OPERATING ACTIVITIES		**81,633**	100,094
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(12,766)**	(65,168)
Purchase of available-for-sale investments		**(9,045)**	–
Purchase of other intangible assets		**(1,669)**	–
Increase in pledged bank deposits		**(978)**	–
Interest received		**3,202**	3,639
Proceeds from disposal of property, plant and equipment		**2,314**	75
Proceeds from disposal of lease premium for land		**2,008**	–
Dividend received		**163**	–
Acquisition of business	30	**–**	(19,375)
Payments for lease premium for land		**–**	(99)
NET CASH USED IN INVESTING ACTIVITIES		**(16,771)**	(80,928)

Consolidated Cash Flow Statement (cont'd)

For the year ended 31 December 2007

	Note	**2007** **US$'000**	2006 US$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(25,000)**	(32,920)
Dividend paid		**(20,523)**	(40,150)
Interest paid		**(1,939)**	(1,637)
New bank borrowings raised		**14,627**	79,793
Repayment to related companies		**–**	(8)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(32,835)**	5,078
NET INCREASE IN CASH AND CASH EQUIVALENTS		**32,027**	24,244
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**135,578**	110,589
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,384**	745
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by		**168,989**	135,578
Bank balances and cash		**124,534**	120,387
Deposits placed in a financial institution		**44,455**	15,191
		168,989	135,578

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability in the Cayman Islands under the Companies Law (2006 Revision) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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. The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The consolidated financial statements are presented in United States dollar, which is the same as the functional currency of the Company.

The Company acts as an investment holding. Particulars of the principal activities of its subsidiaries are set out in note 40.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The Group has not early applied the following new or revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) – INT 12	Service Concession Arrangements[4]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *HKFRS 3 Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting period or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose other than freehold land and construction in progress are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than freehold land and construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

Freehold land is stated at cost less accumulated impairment loss.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other year and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of the individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollar using exchange rates prevailing at the balance sheet date and income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income form operating leases is recognised in the consolidated income statement on a straight line basis over the terms of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

Rentals payables under operating leases are charged to profit or loss on a straight line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease terms on a straight line basis.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, bank balances, deposits placed in a financial institution and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities include trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives not designated into an effective hedge relationship are deemed as held for trading and are classified as a current asset or a current liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SEGMENTAL INFORMATION

Business and Geographical segments

The Group is principally engaged in the manufacturing and trading of furniture and over 90% of the Group's sales are made to customers in the United States of America (the "U.S."). Accordingly, no business and geographical segment information is presented.

The Group's operations are located in the People's Republic of China (the "PRC"), Taiwan and the U.S..

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and other intangible assets, analysed by geographical area in which the assets are located.

	Carrying amount of segment assets		Addition to property, plant and equipment and other intangible assets	
	2007	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*
The PRC	**221,587**	228,034	**5,346**	49,473
Taiwan	**21,981**	8,720	**31**	42
The U.S.	**146,772**	172,792	**9,058**	20,849
	390,340	409,546	**14,435**	70,364

5. FINANCE COSTS

	2007	2006
	US$'000	*US$'000*
Interest on bank borrowings wholly repayable within five years	**1,939**	1,637

6. TAXATION

	2007	2006
	US$'000	*US$'000*
Tax (credit) charge represents:		
Current tax:		
PRC Foreign Enterprise Income tax ("FEIT")	**421**	595
U.S. income tax (credit) charge	**(252)**	4,786
Taiwan income tax	**2**	4
	171	5,385
Deferred tax credit *(note 25)*	**(756)**	(2,231)
	(585)	3,154

No provision of Hong Kong Profits Tax has been made as the Group's profit neither arises in, nor is derived from, Hong Kong during both years.

Pursuant to the relevant laws and regulations in the PRC, Lacquer Craft Mfg. Co., Ltd. (Dongguan) ("LCDG") and Lacquer Craft Mfg. Co., Ltd. (Zhejiang) ("LCZJ"), both subsidiaries of the Company, are entitled to the exemptions from the FEIT for two years starting from its first profit-making year and to a 50% relief from the FEIT for the following three years ("Tax Exemptions"). After offsetting the accumulated tax losses, LCZJ has entered into its first profit-making year in 2007. Accordingly, no provision for the FEIT has been made on LCZJ. LCDG's first profit-making year was the year ended 31 December 2000. Accordingly, LCDG is subject to a 50% relief from the FEIT for each of the three years ended 31 December 2004. For the year ended 31 December 2007, LCDG still remained entitled to 50% relief from the FEIT as all of its sales were exported according to the relevant laws and regulations in the PRC. Applying this 50% relief, the income tax rate applicable to LCDG for the year ended 31 December 2007 was 12%.

On 16 March 2007, the President of the PRC promulgated Order No. 63 – Law of the PRC on Enterprise Income Tax (the "New Law"). On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and the Implementation Regulations will change the statutory tax rate from 33% to 25% for certain subsidiaries from 1 January 2008 onwards. The Tax Exemptions mentioned above will continue on the implementation of the New Law. However, the 50% relief from the FEIT for LCDG has been removed. Accordingly, the income tax rate applicable to LCDG will be 25% from 1 January 2008 onwards.

6. TAXATION (continued)

U.S. income tax charge comprises federal income tax calculated at 34% and state income tax calculated at various rates on the estimated assessable profits of subsidiaries of the Company which were incorporated in the U.S.. Pursuant to the Internal Revenue Code of the U.S., U.S. taxpayers are entitled either to claim a tax refund or enjoy a tax credit to reduce further tax liability, given that tax loss occurred during the year and tax payment had been made in previous years. During the year, two U.S. subsidiaries of the Company should be entitled to claim the aforesaid tax credit and a tax credit is recognised in the consolidated financial statements.

Taiwan income tax is calculated at 25% of the deemed assessable profits of the branch of Samson International Enterprises Limited, a subsidiary of the Company, established in Taiwan.

The tax (credit) charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007	2006
	US$'000	*US$'000*
Profit before taxation	**54,416**	106,206
Taxation at the U.S. federal income tax rate of 34%	**18,501**	36,110
U.S. state income tax at various rates	**(62)**	278
Tax effect of income not taxable for tax purpose	**(903)**	(1,699)
Tax effect of expenses not deductible for tax purpose	**2,425**	2,442
Tax effect of utilisation of tax losses previously not recognised	**(964)**	(2,781)
Effect of tax holidays granted to PRC subsidiaries	**(157)**	(552)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(19,425)**	(30,644)
Tax (credit) charge for the year	**(585)**	3,154

Details of the deferred taxation are set out in note 25.

7. PROFIT FOR THE YEAR

	2007	2006
	US$'000	*US$'000*
Profit for the year has been arrived at after charging:		
Staff costs	**65,266**	59,446
Share-based payment expense	**61**	430
Retirement benefit scheme contributions	**965**	769
Total staff costs including directors' remuneration *(note 8)*	**66,292**	60,645
Allowance for inventories	**935**	–
Amortisation of club debenture	**7**	8
Auditor's remuneration	**737**	802
Cost of inventories recognised as an expense	**366,728**	385,193
Depreciation of property, plant and equipment	**14,952**	11,427
Impairment loss on trade receivables	**5,156**	1,752
Loss on changes in fair value of derivative financial instruments	**–**	48
Loss on disposal of property, plant and equipment	**664**	132
Net exchange loss	**1,056**	–
Release of lease premium for land	**230**	243
and after crediting:		
Bank interest income	**3,202**	3,639
Dividend income from available-for-sale investments	**163**	–
Gain on changes in fair value of derivative financial instruments	**1,491**	–
Gain on disposal of lease premium for land	**64**	–
Gain on disposal of investments held for trading	**3,691**	2,158
Net exchange gain	**–**	111
Reversal of allowance for inventories*	**–**	729

* The reversal was the results of the utilisation of slow-moving raw materials during the year ended 31 December 2006.

8. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

The emoluments paid or payable to each of the 8 (2006: 7) directors of the Company were as follows:

2007

	Shan Huei KUO US$'000	Yi-Mei LIU US$'000	Mohamad AMINOZZAKERI US$'000	Sheng Hsiung PAN US$'000	Yuang Whang LIAO US$'000	Huei-Chu HUANG US$'000	Ming-Jian KUO US$'000	Siu Ki LAU US$'000	Total US$'000
Fees	31	31	31	15	4	31	31	31	205
Other emoluments									
Salaries and other benefits	912	652	370	-	-	-	-	-	1,934
Share-based payment expense	-	-	3	-	-	-	-	-	3
Total emoluments	943	683	404	15	4	31	31	31	2,142

2006

	Shan Huei KUO US$'000	Yi-Mei LIU US$'000	Mohamad AMINOZZAKERI US$'000	Sheng Hsiung PAN US$'000	Huei-Chu HUANG US$'000	Ming-Jian KUO US$'000	Siu Ki LAU US$'000	Total US$'000
Fees	31	31	31	15	31	31	31	201
Other emoluments								
Salaries and other benefits	1,150	806	397	–	–	–	–	2,353
Share-based payment expense	–	–	11	–	–	–	–	11
Total emoluments	1,181	837	439	15	31	31	31	2,565

Of the five individuals with the highest emoluments in the Group, three (2006: three) are the directors of the Company whose emoluments are included above. The emoluments of the remaining two (2006: two) individuals are as follows:

	2007 ***US$'000***	2006 *US$'000*
Basic salaries and allowances	**1,041**	845
Retirement benefit scheme contributions	**15**	11
Share-based payment expense	**7**	29
	1,063	885

8. DIRECTORS' AND EMPLOYEES' REMUNERATIONS (continued)

Their emoluments were within the following bands:

	2007 Number of employees	2006 Number of employees
HK$3,000,001 to HK$3,500,000	**1**	2
HK$5,000,001 to HK$5,500,000	**1**	–
	2	2

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

9. DIVIDENDS

	2007 ***US$'000***	2006 *US$'000*
Dividends recognised as distributions during the year:		
Interim – Nil (2006: HK$0.058)	**–**	20,600
Final – HK$0.058 per share (2006: HK$0.055)	**20,523**	19,550
	20,523	40,150

No dividend was proposed during 2007, nor has any dividend been proposed since the balance sheet date (2006: HK$0.058).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the following data:

	2007 ***US$'000***	2006 *US$'000*
Profit for the year and earnings for the purposes of basic earnings per share	**55,001**	103,052
Weighted average number of shares for the purposes of basic earnings per share	**2,760,000,000**	2,760,000,000

No diluted earnings per share has been presented because the adjusted exercise price of the share option granted as determined in accordance with HKFRS 2 "Share-based Payment" is higher than average market price of shares for both years.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Plant and machinery	Leasehold improvements	Motor vehicles	Furniture, fixture and equipment	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST								
At 1 January 2006	2,932	51,426	47,384	5,722	1,129	20,290	8,304	137,187
Exchange adjustments	–	1,437	1,644	198	39	388	288	3,994
Additions	3,976	1,541	12,560	222	229	1,154	45,486	65,168
Acquisition of business	650	3,332	825	–	294	95	–	5,196
Transfer	–	2,725	3,962	287	–	1,067	(8,041)	–
Disposals	–	–	(88)	–	–	(13)	(135)	(236)
At 31 December 2006	7,558	60,461	66,287	6,429	1,691	22,981	45,902	211,309
Exchange adjustments	–	3,744	4,940	485	94	1,233	1,288	11,784
Additions	1,318	5,463	2,061	161	51	1,628	2,084	12,766
Transfer	–	21,473	8,161	792	–	6,365	(36,791)	–
Disposals	–	(1,022)	(118)	–	(33)	(64)	(2,315)	(3,552)
At 31 December 2007	**8,876**	**90,119**	**81,331**	**7,867**	**1,803**	**32,143**	**10,168**	**232,307**
DEPRECIATION								
At 1 January 2006	–	3,709	11,377	739	707	7,870	–	24,402
Exchange adjustments	–	122	492	36	28	170	–	848
Provided for the year	–	2,793	4,717	483	201	3,233	–	11,427
Eliminated on disposals	–	–	(21)	–	–	(8)	–	(29)
At 31 December 2006	–	6,624	16,565	1,258	936	11,265	–	36,648
Exchange adjustments	–	409	1,395	113	68	533	–	2,518
Provided for the year	–	3,487	6,468	610	224	4,163	–	14,952
Eliminated on disposals	–	(412)	(74)	–	(31)	(57)	–	(574)
At 31 December 2007	**-**	**10,108**	**24,354**	**1,981**	**1,197**	**15,904**	**-**	**53,544**
CARRYING AMOUNTS								
At 31 December 2007	**8,876**	**80,011**	**56,977**	**5,886**	**606**	**16,239**	**10,168**	**178,763**
At 31 December 2006	7,558	53,837	49,722	5,171	755	11,716	45,902	174,661

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The following rates per annum are used for the depreciation of property, plant and equipment:

Buildings	5%
Plant and machinery	10%
Leasehold improvements	10%
Motor vehicles	20%
Furniture, fixture and equipment	20%

12. LEASE PREMIUM FOR LAND

	2007 **US$'000**	2006 US$'000
The Group's lease premium for land under operating lease is analysed as follows:		
Medium-term land use rights situated in the PRC	**10,187**	11,645
Analysed for reporting purposes as:		
Current asset	**243**	266
Non-current asset	**9,944**	11,379
	10,187	11,645

13. GOODWILL

	US$'000
COST	
Acquisition of business and 31 December 2006 and 2007	11,475

Particulars regarding impairment testing on goodwill are disclosed in note 15.

14. OTHER INTANGIBLE ASSETS

	Club debenture *US$'000*	Trademark *US$'000*	Total *US$'000*
COST			
At 1 January 2006 and 31 December 2006	40	–	40
Additions	–	1,669	1,669
At 31 December 2007	**40**	**1,669**	**1,709**
AMORTISATION			
At 1 January 2006	7	–	7
Provided for the year	8	–	8
At 31 December 2006	15	–	15
Provided for the year	7	–	7
At 31 December 2007	**22**	**–**	**22**
CARRYING AMOUNTS			
At 31 December 2007	**18**	**1,669**	**1,687**
At 31 December 2006	25	–	25

The above intangible asset other than trademark has definite useful life and is amortised on a straight line basis over its estimated useful life of 5 years.

Intangible asset with indefinite useful life

The trademark has an indefinite legal life but is renewable 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 indefinitely. 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. Particulars of the impairment testing are disclosed in note 15.

15. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSET WITH INDEFINITE USEFUL LIFE

For the purposes of impairment testing, goodwill and trademark with indefinite useful life set out in notes 13 and 14 have been allocated to two individual cash generating units ("CGUs"). The carrying amounts of goodwill and trademarks as at 31 December 2007 allocated to these units are as follows:

	Goodwill		**Trademark**	
	2007	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*
Upholstery business	**11,475**	11,475	**–**	–
Residential furniture business	**–**	–	**1,669**	–
	11,475	11,475	**1,669**	–

During the year ended 31 December 2007, management of the Group determined that there was no impairment of its CGU containing goodwill or trademark with indefinite useful life. The basis of the recoverable amount of the above CGUs and their major underlying assumptions are summarised below:

Upholstery business

The recoverable amount of this unit has been determined based on a value in use calculation. The Group expects the upholstery business would have 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 7.00% (2006: 7.68%). Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the upholstery business to exceed the aggregate recoverable amount of the upholstery business.

15. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSET WITH INDEFINITE USEFUL LIFE (continued)

Residential furniture business

The recoverable amount of this unit has been determined on the basis of value in use calculations. The Group expects the residential furniture business would have an indefinite useful life and the calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 7.00% with a steady 10% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin have been determined based on 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 residential furniture business to exceed the aggregate recoverable amount of residential furniture business.

16. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2007	2006
	US$'000	*US$'000*
Equity securities listed in the U.S.	**8,209**	–

17. CASH SURRENDER VALUE OF LIFE INSURANCE

Amount under deferred compensation plan (note 24) has been invested in an insurance policy in accordance with the terms of the deferred compensation plan. The Group is the beneficiary of such investments. As at 31 December 2007, the carrying amount represents the cash surrender value of the policy and approximates its fair value.

18. INVENTORIES

	2007	2006
	US$'000	*US$'000*
Raw materials	**30,033**	38,172
Work in progress	**12,768**	11,695
Finished goods	**49,145**	48,574
	91,946	98,441

19. TRADE AND OTHER RECEIVABLES

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

The aged analysis of the Group's trade receivables net of allowance as at the balance sheet date are as follows:

	2007	2006
	US$'000	*US$'000*
Trade receivables:		
0 – 30 days	**43,141**	41,245
31 – 60 days	**24,623**	38,671
Over 60 days	**15,088**	14,004
	82,852	93,920
Other receivables	**12,718**	18,807
	95,570	112,727

Most of the Group's trade receivables are denominated in the United States dollar, which is the same as functional currency of the relevant subsidiaries of the Company.

Before accepting any new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$15,088,000 (2006: US$14,004,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2007	2006
	US$'000	*US$'000*
Over 60 days	**15,088**	14,004

19. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts

	2007	2006
	US$'000	*US$'000*
Balance at beginning of the year	**9,908**	8,156
Impairment losses recognised on trade receivables	**5,156**	1,752
Written off as uncollectible	**(5,023)**	–
Balance at end of the year	**10,041**	9,908

In determining the recoverability of a trade receivable, the Group consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. When a trade receivable is considered uncollectible as a result of liquidation, it is written off as uncollectible against the allowance amount. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$10,041,000 (2006: US$9,908,000) which have either been placed under liquidation or in severe financial difficulties. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount. The Group does not hold any collateral over these balances.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2007	2006
	US$'000	*US$'000*
Derivative financial assets – current		
Foreign currency forward contracts	**1,443**	84
Derivative financial liabilities – current		
Foreign currency forward contracts	**–**	132

The Group entered into a variety of foreign currency forward contracts to manage of its exchange rate exposures.

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Details of the outstanding foreign currency forward contracts to which the Group is committed is as follows:

As at 31 December 2007

Notional amount	Maturity	Exchange rates
Sell US$3,000,000	2 June 2008	RMB/US$7.3243
Sell US$3,000,000	2 July 2008	RMB/US$7.3045
Sell US$3,000,000	4 August 2008	RMB/US$7.2852
Sell US$5,000,000	11 August 2008	RMB/US$7.2888
Sell US$5,000,000	9 September 2008	RMB/US$7.2634
Sell US$8,000,000	22 September 2008	RMB/US$7.3033
Sell US$5,000,000	9 October 2008	RMB/US$7.2466

As at 31 December 2006

Notional amount	Maturity	Exchange rates
Sell US$5,000,000	22 January 2007	RMB/US$7.8342
Buy US$5,000,000	22 January 2007	RMB/US$7.8420
Sell US$4,000,000	16 February 2007	RMB/US$7.8726
Buy US$4,000,000	16 February 2007	RMB/US$7.8550
Sell US$3,000,000	16 March 2007	RMB/US$7.8552
Buy US$3,000,000	16 March 2007	RMB/US$7.8353

21. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group, short-term bank deposits and deposits placed in a financial institution with an original maturity of three months or less.

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to US$978,000 (2006: nil) have been pledged to secure bank borrowings.

The balances of cash and cash equivalents held in the PRC of US$55,499,000 (2006: US$19,989,000) are subject to foreign exchange control.

The balances of cash and cash equivalents includes deposits placed in a financial institution amounting to US$44,455,000 (2006: US$15,191,000). The effective interest rate for cash placed in financial institution and banks is 4.65% (2006: 3.7%) per annum.

22. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade payables as at the balance sheet date are as follows:

	2007	2006
	US$'000	*US$'000*
Trade payables:		
0 – 30 days	**14,789**	19,649
31 – 60 days	**5,842**	5,536
Over 60 days	**3,815**	6,479
	24,446	31,664
Other payables	**25,084**	31,204
	49,530	62,868

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

23. BANK BORROWINGS

All of the Group's borrowings were secured and denominated in the United States dollar, which is the same as the functional currency of the relevant subidiaries of the Company.

The average effective interest rate on bank borrowings approximated 5.92% (2006: 5.59%).

The Group has the following bank loans:

	2007	2006
	US$'000	*US$'000*
Revolving line of credit from a bank secured by substantially all of the assets of four subsidiaries of the Company and interest bearing at the 30 days London Interbank Offered Rate Market Index rate ("LIBOR") plus 0.65%	**36,500**	21,873
Term note with interest bearing at the 30 days LIBOR plus 0.25%, repaid in 2007	**–**	25,000
Total	**36,500**	46,873

24. DEFERRED COMPENSATION

The Group has adopted deferred compensation plan for a key executive. Under the terms of this plan, the executive may defer a discretionary annual amount up to US$100,000 of compensation 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 (note 17). The balance is stated at fair value at the balance sheet date.

25. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the year:

	Accelerated tax depreciation *US$'000*	**Others** *(Note)* *US$'000*	**Total** *US$'000*
At 1 January 2006	933	(3,340)	(2,407)
Credit to consolidated income statement for the year *(note 6)*	(168)	(2,063)	(2,231)
At 31 December 2006 and 1 January 2007	765	(5,403)	(4,638)
Charge (credit) to consolidated income statement for the year *(note 6)*	513	(1,269)	(756)
At 31 December 2007	**1,278**	**(6,672)**	**(5,394)**

Note: The amounts represent deferred tax on temporary differences on trade receivables, inventories and accrued expenses.

At 31 December 2006, the Group had unused tax losses of US$2,835,000 available to offset against future profits in Lacquer Craft Mfg. Co., Ltd. (Zhejiang) ("LCZJ"). No deferred tax asset had been recognised in respect of such tax losses due to the unpredictability of future profit streams of LCZJ. All tax losses was utilized during the year ended 31 December 2007.

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

	2007 ***US$'000***	2006 *US$'000*
Deferred tax liabilities	**484**	516
Deferred tax assets	**(5,878)**	(5,154)
	(5,394)	(4,638)

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$51,135,000 (2006: US$52,975,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

26. SHARE CAPITAL

	Number of shares	Nominal value US$'000
Ordinary shares of US$0.05 each		
Authorised:		
At 1 January 2006, 31 December 2006 and 2007	6,000,000,000	300,000
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and 2007	2,760,000,000	138,000

27. SHARE OPTION SCHEME

On 24 October 2005, a share option scheme (the "Share Option Scheme") was approved by a resolution of the shareholders and adopted by a resolution of the board of directors of the Company (the "Board"). The purpose of the Share Option Scheme is to attract skilled and experienced personnel, to incentives them to remain with the Group and to give effect to the Group's customer-focused corporate culture, and to motivate them to strive for the future development and expansion of the Group, by providing them with the opportunity to acquire equity interests in the Group. The Board may, at its absolute discretion, offer any employee, management member or director of the Group and third party service providers options to subscribe for shares on the terms set out in the Share Option Scheme.

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

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

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

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the share for the five business days immediately proceeding the date of grant; and (iii) the nominal value of the Company's share.

During the year ended 31 December 2006, an aggregate of 10 million share options were granted, representing approximately 0.36% of the issued share capital of the Company.

27. SHARE OPTION SCHEME (continued)

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

	Date of Grant	Exercise Price HK$	Vesting Date	Exercise Period	Number of share options: As at 1.1.2006	Granted during the year	Cancelled during the year	As at 31.12.2006	Granted during the year	Cancelled during the year	As at 31.12.2007
Director:											
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.2	6.2.2007	6.2.2007 – 16.11.2015	–	83,333	–	83,333	–	–	83,333
			6.2.2008	6.2.2008 – 16.11.2015	–	83,333	–	83,333	–	–	83,333
			6.2.2009	6.2.2009 – 16.11.2015	–	83,334	–	83,334	–	–	83,334
					–	250,000	–	250,000	–	–	250,000
Other employees:											
In aggregate	6.2.2006	4.2	6.2.2007	6.2.2007 – 16.11.2015	–	3,250,000	(95,000)	3,155,000	–	(1,280,351)	1,874,649
			6.2.2008	6.2.2008 – 16.11.2015	–	3,250,000	(95,000)	3,155,000	–	(1,280,351)	1,874,649
			6.2.2009	6.2.2009 – 16.11.2015	–	3,250,000	(95,000)	3,155,000	–	(1,280,351)	1,874,649
					–	9,750,000	(285,000)	9,465,000	–	(3,841,053)	5,623,947
Total					–	10,000,000	(285,000)	9,715,000	–	(3,841,053)	5,873,947
Exercisable at the end of the year								–			1,957,982

The exercise price of share options granted was fixed at the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant. The closing price of the shares of the Company immediately before the date of options granted on 6 February 2006 was HK$4.225.

The Company has used the Black-Scholes pricing model (the "Model") to value the share options granted during the period under review. In current year, an amount of share-based payment expense of US$61,000 (2006: US$430,000) has been recognised.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 42% of options granted prior to completion of vesting period and accordingly the share-based payment expense has been adjusted.

27. SHARE OPTION SCHEME (continued)

The Model is one of the commonly used models to estimate the fair value of the option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Details of the fair values of share options determined at the date of grant using the Model with the inputs are as follows:

Date of grant	**6 February 2006**
Closing share price as at the date of grant	HK$4.2
Exercise price	HK$4.2
Risk-free interest rate	3.67% – 3.82%
Expected volatility *(Note)*	31%
Expected life of options	1 – 3 years
Expected dividend yield	3.8%

Note: Expected volatility was estimated by the annualised standard deviations of the continuously compounded rates of return on the comparable furniture companies in Hong Kong and the U.S.

28. MERGER RESERVE

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

29. STATUTORY RESERVE

Pursuant to the relevant regulations applicable to foreign investment enterprises established in the PRC, Lacquer Craft Mfg. Co., Ltd. (Dongguan) and Lacquer Craft Mfg. Co., Ltd. (Zhejiang) are required to transfer a certain percentage of their profit after taxation to the statutory reserve. The balances of the statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to setoff accumulated losses or increase capital.

30. ACQUISITION OF BUSINESS

On 1 May 2006, the Group completed its acquisition of the business of upholstered residential furniture from an independent third party for a consideration of approximately US$19,154,000, which was satisfied by cash. The Company also incurred approximately US$221,000 of direct acquisition costs, which were accounted for as a part of the Company's purchase price allocation. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately US$11,475,000.

30. ACQUISITION OF BUSINESS (continued)

The amounts of net assets acquired by the Group and the goodwill arising during the year ended 31 December 2006 are as follows:

	Acquiees' carrying amount before combination	Fair value adjustments	Fair value
	US$'000	*US$'000*	*US$'000*
Net assets acquired:			
Property, plant and equipment	4,345	851	5,196
Inventories	3,963	110	4,073
Trade and other receivables	649	–	649
Trade and other payables	(2,018)	–	(2,018)
	6,939	961	7,900
Goodwill			11,475
Total consideration satisfied by:			
Cash			19,375
Net cash outflow arising on acquisition:			
Cash consideration paid			(19,375)

The goodwill arising on the acquisition of the business is attributable to the anticipated profitability of the Group's products in the new markets as well as and the anticipated future operating synergies from the combination with existing products. Intangible assets, including a trademark and customer list, which could not be reliably measured.

31. CAPITAL RISK 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 year.

The capital structure of the Group consists of net debt, which includes, bank borrowings disclosed in note 23 (net of cash and cash equivalents disclosed in note 21), and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits.

The Group's management reviews the capital structure periodically. As a part of this review, management of the Group considers 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 as well as the issue of new debt.

32. FINANCIAL INSTRUMENTS

32a. Categories of financial instruments

	2007	2006
	US$'000	*US$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**254,718**	236,692
Derivative financial instruments	**1,443**	84
Available-for-sale financial assets	**8,209**	–
Financial liabilities		
Financial liabilities at amortised cost	**66,075**	86,577
Derivative financial instruments	**–**	132

32b. Financial risk management objectives and polices

The Group's major financial instruments include available-for-sale investments, trade and other receivables, derivative financial instruments, pledged bank deposits, bank balances and cash, deposits placed in a financial institution, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

32. FINANCIAL INSTRUMENTS (continued)

32b. Financial risk management objectives and polices (continued)

Market risk (continued)

Currency risk

Several subsidiaries of the Company have foreign currency purchases in US dollar, which expose the Group to foreign currency risk. Almost 53% of costs are denominated in the group entity's functional currency.

The functional currency of the Group's PRC subsidiaries is Renminbi. At the balance sheet date, the carrying amount of their monetary assets and monetary liabilities, which are denominated in foreign currency of US dollar are as follows:

	Assets		**Liabilities**	
	2007	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*
US dollars	**21,225**	1,097	**4,405**	6,840

The Group requires its group entity to use foreign exchange forward contracts to manage the currency exposures including the forecasted sales. The forward foreign exchange contracts must be in the same currency as the foreign currencies transactions. On this basis, the Group has entered into forward foreign exchange contracts to manage its foreign currency exposure.

Sensitivity analysis

The Group is mainly exposed to the fluctuation in US dollar against Renminbi.

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% increase in foreign currency rates. The sensitivity analysis includes other receivables, bank balances and cash and trade and other payables where the denomination of these balances are in currencies other than the functional currency of the relevant entities. A positive (negative) number below indicates an increase (decrease) in profit for the year where Renminbi strengthens against the relevant currency. For a 5% weakening of Renminbi against the relevant currency, there would be an equal and opposite impact.

	2007	2006
	US$'000	*US$'000*
(Decrease) increase in profit	**(841)**	287

This is mainly attributable to the exposure outstanding on US receivables and payables at year end in the Group.

32. FINANCIAL INSTRUMENTS (continued)

32b. Financial risk management objectives and polices (continued)

Market risk (continued)

Sensitivity analysis (continued)

For the outstanding forward foreign exchange contracts, the market bid forward foreign exchange rate of Renminbi against US dollars had been 5% higher/lower, profit for the year ended 31 December 2007 would increase/decrease by US$1,524,000 (2006: increase/decrease by US$3,000) as a result of the changes in the market bid forward foreign exchange rate of Renminbi against US dollars.

Interest rate risk

The Group's cash flow interest rate risks relate to variable rates borrowings. The Group's bank balances also have exposure to cash flow interest rate due to the fluctuation of the prevailing market interest rate on bank balances. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR arising from the Group's US dollar denominated borrowings.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowings at the balance sheet date. For variable-rate bank balances and bank borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would increase/decrease by US$667,000 (2006: increase/decrease by US$443,000). This is mainly attributable to the Group's exposure to interest rates on its bank balances.

Other price risk

The Group is exposed to equity price risk through its investment in listed equity security.

For the equity price risk, management manages this exposure by closely moritor the investment. The Group's equity price risk is mainly concentrated on an equity instrument operating in furniture industry sector quoted in the New York Stock Exchange.

32. FINANCIAL INSTRUMENTS (continued)

32b. Financial risk management objectives and polices (continued)

Market risk (continued)

Sensitivity analysis

If the price of the respective equity instrument had been 5% higher/lower and all other variables were held constant, the Group's investment revaluation reserve would increase/decrease by US$410,000 (2006: nil) mainly as a result of the changes in the fair value of available-for-sale investments.

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group has reviewed the recoverable amount of each individual trade debt at each balance sheet date 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 with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by industry sections is in the furniture industry. The Group's concentration of credit risk by geographical locations is mainly in the U.S., which accounted for 99% (2006: 99%) of the total trade receivables as at 31 December 2007. The Group also has concentration of credit risk by customer as 58% (2006: 56%) and 21% (2006: 29%) of the total trade receivables were due from the Group's five largest customers and largest customer respectively.

Liquidity risk

The Group's liquidity position is monitored closely by the management of the Company. The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

32. FINANCIAL INSTRUMENTS (continued)

32b. Financial risk management objectives and polices (continued)

Liquidity risk (continued)

Derivative financial instruments require gross settlement, the undiscounted gross (inflows) and outflows on these derivatives are shown in the table.

	Weighted average effective interest rate %	Less than 1 month US$'000	1 – 3 months US$'000	3 months to 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2007 US$'000
2007						
Non-derivative financial instruments						
Trade and other payables	–	20,922	5,920	2,733	29,575	29,575
Bank borrowings						
– due within one year	5.25	160	319	36,979	37,458	36,500
		21,082	6,239	39,712	67,033	66,075
Derivative financial instruments – gross settlement						
Foreign exchange forward contracts						
Sell USD, Buy RMB						
– inflow		–	–	(31,925)	(31,925)	(31,925)
– outflow		–	–	30,482	30,482	30,482
		–	–	(1,443)	(1,443)	(1,443)

32. FINANCIAL INSTRUMENTS (continued)

32b. Financial risk management objectives and polices (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	Less than 1 month US$'000	1 – 3 months US$'000	3 months to 1 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2006 US$'000
2006						
Non-derivative financial instruments						
Trade and other payables	–	27,087	6,341	6,276	39,704	39,704
Bank borrowings						
– due within one year	5.62	220	439	47,532	48,191	46,873
		27,307	6,780	53,808	87,895	86,577
Derivative financial instruments – gross settlement						
Foreign exchange forward contracts						
Sell USD, Buy RMB						
– inflow		(5,016)	(7,050)	–	(12,066)	(12,066)
– outflow		5,004	6,978	–	11,982	11,982
		(12)	(72)	–	(84)	(84)
Buy USD, Sell RMB						
– inflow		(4,979)	(6,943)	–	(11,922)	(11,922)
– outflow		5,021	7,033	–	12,054	12,054
		42	90	–	132	132

32. FINANCIAL INSTRUMENTS (continued)

32c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2007	2006
	US$'000	*US$'000*
Premises and equipment	**5,381**	3,764

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	2006
	US$'000	*US$'000*
Within one year	**3,045**	4,176
In the second to fifth year inclusive	**5,058**	11,444
	8,103	15,620

Operating lease payment represent rentals payable by the Group for its factories and staff quarters and equipment. Lease terms are ranged from one to five years.

33. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

Property rental income earned during the year was US$93,000 (2006: nil). The properties are expected to generate rental yield of 1% on an going basis. All of the properties held have committed tenants for the next 5 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007	2006
	US$'000	*US$'000*
Within one year	**344**	–
In the second to fifth year inclusive	**346**	–
	690	–

34. CAPITAL COMMITMENTS

	2007	2006
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided in the consolidated financial statements	**1,447**	10,163
– authorised but not contracted for	**–**	248
Capital expenditure in respect of acquisition of available-for-sale investments:		
– contracted for but not provided in the consolidated financial statements	**60,591**	–

35. PLEDGE OF ASSETS

At the balance sheet date, the Group had the following assets pledged to banks to secure the general banking facilities granted to the Group:

	2007	2006
	US$'000	*US$'000*
Property, plant and equipment	**38,772**	–
Inventories	**33,645**	10,784
Trade and other receivables	**74,965**	52,752
Pledged bank deposits	**978**	–
	148,360	63,536

36. RETIREMENT BENEFIT SCHEMES

In accordance with the relevant PRC rules and regulations, Lacquer Craft Mfg. Co., Ltd. (Dongguan) ("LCDG") and Lacquer Craft Mfg. Co., Ltd. (Zhejiang) ("LCZJ") are required to establish a defined contribution plan managed by the relevant local government bureau in the PRC and to make contributions for their eligible employees. The contribution borne by LCDG and LCZJ are calculated according to the rate set by the municipal government.

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

37. POST BALANCE SHEET EVENT

On 19 December 2007, the Company entered into a purchase agreement with Sun Fortune Investments Limited and Trade Decade Limited (collectively referred to as the "Sellers") for their respective 12.9% and 0.3% equity interests in Furniture Brands International Inc. ("Furniture Brands") for an aggregate consideration of US$60,591,000. Pursuant to the terms of the agreement, the consideration is to be satisfied by the issue of an aggregate of 303,846,773 shares of the Company to the Sellers.

The acquisition of Furniture Brands and the issue of shares were approved by the shareholders of the Company at the extraordinary general meeting on 20 February 2008, details of which are set out in the circular of the Company dated 5 February 2008.

38. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

Name of related company	**Nature of transactions**	**2007** ***US$'000***	2006 *US$'000*
Uson Enterprises Limited	Transportation logistics service fee paid	**775**	1,490
Samson Global Co., Ltd.	Purchase of hardware components	**–**	24
	Rental paid	**18**	18

Both companies are beneficially owned by Mr. Shan Huei KUO and Ms. Yi-Mei LIU, both are directors of the Company.

38. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	2007	2006
	US$'000	*US$'000*
Short-term benefits	**3,180**	3,399
Post-employment benefits	**15**	11
Share-based payment expense	**10**	40
	3,205	3,450

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

39. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31 December 2007 is as follows:

		2007	2006
	Note	***US$'000***	*US$'000*
TOTAL ASSETS		**354,304**	375,260
TOTAL LIABILITIES		**(900)**	(474)
		353,404	374,786
CAPITAL AND RESERVES			
Share capital		**138,000**	138,000
Share premium and reserves	(a)	**215,404**	236,786
		353,404	374,786

39. BALANCE SHEET OF THE COMPANY (continued)

Note:

(a) Share premium and reserves

	Share premium US$'000	Contributed surplus US$'000	Share option reserve US$'000	Investment revaluation reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2006	135,570	80,186	–	–	19,859	235,615
Profit for the year	–	–	–	–	40,891	40,891
Recognition of equity-settled share based payments	–	–	430	–	–	430
Dividend paid	–	–	–	–	(40,150)	(40,150)
At 31 December 2006 and 1 January 2007	135,570	80,186	430	–	20,600	236,786
Loss for the year	–	–	–	–	(84)	(84)
Recognition of equity-settled share based payments	–	–	61	–	–	61
Loss on changes in fair value of available-for-sale investments	–	–	–	(836)	–	(836)
Transfer to accumulated profits	–	–	(81)	–	81	–
Dividend paid	–	–	–	–	(20,523)	(20,523)
At 31 December 2007	135,570	80,186	410	(836)	74	215,404

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

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of company	Place of incorporation/ establishment/ operation	Class of shares held	Issued and fully paid share/ registered capital	Proportion of nominal value of share/ registered capital held by the Company Directly 2007 & 2006	Indirectly 2007 & 2006	Principal activities
Craftmaster Furniture, Inc.	The U.S.	Ordinary	US$0.01	–	100%	Manufacturing and sales of furniture
#Lacquer Craft Mfg. Co., Ltd. (Dongguan) ("LCDG")	The PRC	Capital contribution	HK$497,340,000	–	100%	Manufacturing of furniture
#Lacquer Craft Mfg. Co., Ltd. (Zhejiang) ("LCZJ")	The PRC	Capital contribution	US$49,345,301	–	100%	Manufacturing of furniture
Legacy Classic Furniture, Inc.	The U.S.	Ordinary	US$4,450,000	–	100%	Marketing and sales of furniture
Samson International Enterprises Limited	BVI/ Taiwan	Ordinary	US$50,000	–	100%	Trading of furniture and procurement services
Samson Investment Holding Co.	The U.S.	Ordinary	US$0.10	–	100%	Investment holding
Universal Furniture International, Inc.	The U.S.	Ordinary	US$0.35	–	100%	Marketing and sales of furniture

The above table lists the subsidiaries of the Group which principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

LCDG and LCZJ are wholly foreign owned enterprises.

Financial Summary

RESULTS

	Year ended 31 December				
	2003	2004	2005	2006	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*	***US$'000***
Turnover	371,753	457,542	517,039	568,415	**508,710**
Profit for the year	67,605	70,070	89,032	103,052	**55,001**

ASSETS AND LIABILITIES

	As at 31 December				
	2003	2004	2005	2006	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*	***US$'000***
Total assets	272,219	329,207	447,730	552,179	**577,368**
Total liabilities	(151,271)	(192,542)	(79,084)	(112,868)	**(88,209)**
Shareholders' funds	120,948	136,665	368,646	439,311	**489,159**

Notes:

1. The financial information for each of the two years ended 31 December 2004 has been prepared using the principles of merger accounting to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The results for the two years ended 31 December 2004, and the assets and liabilities as at 31 December 2003 and 2004 have been extracted from the Company's prospectus dated 7 November 2005.

2. The results for three years ended 31 December 2007, and the assets and liabilities as at 31 December 2005, 2006 and 2007 have been extracted from the audited consolidated income statement and audited consolidated balance sheet as set out on pages 29 and 30 to 31 of the consolidated financial statements or from the Company's 2006 annual report respectively.