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 2005

* for identification purpose only

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" and "Legacy Classic". 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.

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Corporate Information

Executive Directors

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

Non-executive Director

Mr. Sheng Hsiung PAN

Independent Non-executive Directors

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
Cayman Islands

Stock Code

The Stock Exchange of Hong Kong Limited: 531

Websites

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

Auditors

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:

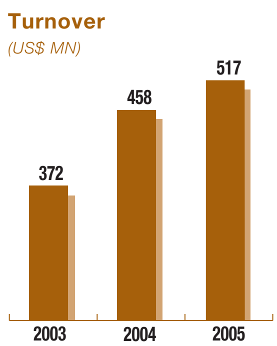
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

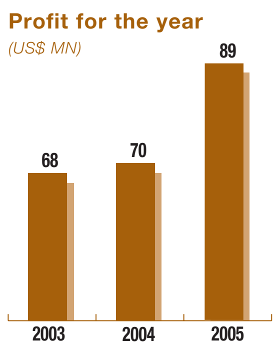
Hong Kong Branch:

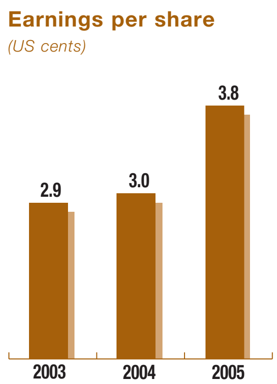
Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

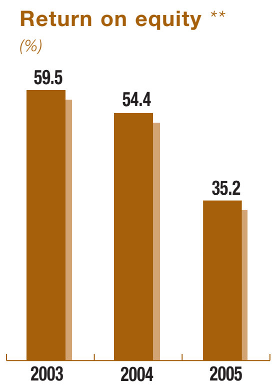
Financial Highlights

	2005 US$'000	2004 US$'000	**2005 HK$'000***	2004 HK$'000*	% Changes
Operating results					
Turnover	**517,039**	457,542	**4,032,904**	3,568,828	13.0%
Earnings before interest and tax	**99,246**	77,279	**774,119**	602,776	28.4%
Profit for the year	**89,032**	70,070	**694,450**	546,546	27.1%
Earnings per share *(US/HK cents)*	**3.8**	3.0	**29.6**	23.4	26.7%
Financial position					
Total assets	**447,730**	329,207	**3,492,294**	2,567,815	36.0%
Net current assets	**242,377**	46,122	**1,890,541**	359,752	425.5%
Shareholders' equity	**368,646**	136,665	**2,875,439**	1,065,987	169.7%
Return on equity** (%)	**35.2%**	54.4%	**35.2%**	54.4%	(35.3%)









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

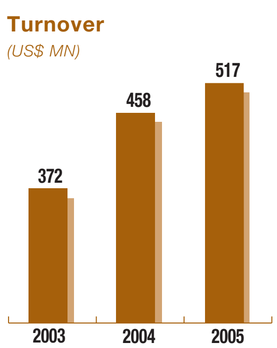
Chairman's Statement

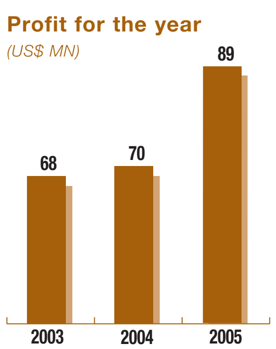
"to maintain and strengthen our position as one of the leading wholesalers in the U.S. residential furniture market and to become one of the leading players in the furniture industry globally"

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 2005.

Results

The year 2005 was a landmark for the Company not only because the Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 November 2005 but also because turnover and profit for the year of the Group hit a record high for the year ended 31 December 2005. Turnover was approximately US$517.0 million, an increase of 13.0% or US$59.5 million compared with 2004. Profit for the year was approximately US$89.0 million, an increase of 27.0% or US$18.9 million compared with 2004. The profit for the year exceeded the profit forecast set out in the Company's prospectus dated 7 November 2005. The earnings per share was approximately US$0.038, an increase of 26.7% compared with 2004. We believe these performances represent continued gain in market share at a time when our competitors reported only low to mid single-digit increases.





Dividend

The Board has recommended the payment of a final dividend for the year ended 31 December 2005 of HK$0.055 per share.

Business Development and Outlook

Manufacturing for the U.S. residential furniture wholesale market, with an estimated value of US$45.9 billion in 2004, is characterized by a high level of fragmentation and competition. The residential furniture industry in the U.S. is accelerating through a phase of consolidation, primarily due to new sources of furniture imports in recent years. According to data from the International Trade Administration, between 1996 and 2004 Chinese furniture imports into the U.S. increased by 775.1%, replacing Italy as the largest furniture export country in the world and Canada as the largest exporter of furniture to the U.S. market.

Through our vertically-integrated U.S. wholesaler and Chinese manufacturer business model, the Company is well positioned to gain market shares with the competitive advantage of large-scale and cost-effective manufacturing facilities in China to support our U.S. branded-products business. Our principal goal is 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 by increasing our market share in both our branded and original equipment manufacturer ("OEM") businesses.

We aim to achieve this through the following principal strategies:

1. Growing the market share of our branded business by expanding our product offerings and raising brand awareness

We expect that our vertically-integrated business model provides us with a key competitive advantage to increase the sales of furniture under our Universal Furniture and Legacy Classic brands. We intend to grow the market share of our branded business through the expansion of specific product lines, such as our upholstered, home office, youth, and home entertainment furniture, offer new, functional and innovative designs and product lines in response to changing market trends and enhance our brand awareness by focused customer service and marketing programs.

2. Increasing and diversifying our OEM business

We also expect an increasing number of U.S. furniture companies to outsource production to Asia and other regions, which will present greater opportunities for OEMs like us to provide U.S. furniture companies with manufacturing services. We intend to leverage our sophisticated manufacturing facilities to become the preferred OEM for high-end furniture companies.

3. Expanding capacity in a timely and cost-effective manner

We are expanding our production and warehouse capacity at both our Jiashan and Dongguan facilities by building additional production lines and warehouses on existing available land at these facilities. Construction has been commenced during the first half of 2006 and will be completed by the end of 2007. We anticipate that these additional production lines will provide us with an estimated additional production capacity between 1,000 and 1,200 containers a month.

4. Growing through value-accretive acquisition strategies

We are well positioned to take advantage of any acquisition opportunities by leveraging our previous experience in successfully acquiring and integrating Universal Furniture. We will consider, as and when the opportunity arises, acquisitions or investments appropriate to our business needs and strategies.

5. Improving operational efficiency and rationalizing costs

We continue to leverage our economies of scale and actively cooperate with our major raw materials and finished goods suppliers to increase our procurement efficiencies and improve our supply chain management. We believe that these efforts will further facilitate timely delivery of raw materials and outsourced products at reduced prices and will assist us in more effectively monitoring and controlling our inventory levels. We intend to continue refining our distribution and logistics operations to decrease delivery times and increase flexibility of shipments.

We also seek to shorten product development times and streamline our production process by continuing the close collaboration between our engineering and design teams, thus further improving efficiency and reducing costs. We aim to improve our engineering expertise through in-house development activities, discussions with external consultants and other development programs.

6. 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.

We expanded and replicated our success in the case goods business from our unique business model and strategy into upholstery and a youth program in 2005. Our upholstery division under Universal Furniture has expanded its distribution and dealer base to include a number of major and regional retailers, and also negotiated to expand our production capacity, relocating the production line into a dedicated facility at the vendor's complex. The division has made a major impact within the industry by being the first to successfully launch a fully built, imported fabric/leather program. Since inception of its youth program at the April market 2004, Legacy Kids now offers 10 groups to retailers, a more comprehensive program in terms of product variety. Legacy Kids has quickly become an important supplier in the youth segment. Both achievements clearly demonstrate not only the robustness of our business model and strategy but also the execution capabilities of the management.

Shareholders' Value and Corporate Governance

The management is committed to continuously creating shareholders' value. Since 2002, we have grown earnings per share at a compounded annual rate of 12.1% and the stock has performed by appreciated 54.5% at 13 April 2006 since IPO. The Company has a great emphasis on manageable growth and cost reduction to generate strong 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 and external advisers, the Company will be a good corporate citizen complying with all relevant governance required by the authorities.

Appreciation

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

Shan Huei KUO
Chairman
The People's Republic of China
13 April 2006

Management Discussion and Analysis

Business Review

Turnover

Turnover was approximately US$517.0 million, an increase of US$59.5 million compared with 2004. The analysis of turnover is as follows:

	2005		2004		Increase	
	US$ M	***%***	*US$ M*	*%*	*US$ M*	*%*
Branded business	**455.8**	**88.2**	405.6	88.7	50.2	12.4
OEM business	**61.2**	**11.8**	51.9	11.3	9.3	17.9
Total	**517.0**	**100.0**	457.5	100.0	59.5	13.0

Increase in sales of our branded business was due to the introduction of new products such as upholstery and youth furniture and increase in demand from existing and new customers.

Increase in sales of our OEM business was due to an increase in demand from existing and new OEM customers and an increase in our overall production capacity which enabled our Dongguan facility to produce more OEM products.

Gross Profit

Gross profit margin increased to 34.2% from 32.1% in 2004, mainly due to operating efficiency gained from China manufacturing arms in 2005.

Operating Expenses

Total operating expenses increased to US$81.5 million from US$73.1 million in 2004. The change was primarily due to an increase in trading volume.

Profit for the Year

Profit for the year increased to US$89.0 million from US$70.1 million in 2004. Net profit margin increased to 17.2% from 15.3% in 2004.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2005, the Group's cash and cash equivalents increased 166.5% to US$110.6 million compared with US$41.5 million in 2004 and the Group's bank borrowings were fully repaid during the year compared with US$44.1 million in 2004.

The gearing ratio (total bank borrowings/shareholders' equity) was reduced from 32.3% in 2004 to nil in 2005.

The significant increase in cash and cash equivalents was mainly attributable to the net proceeds of approximately US$157 million from the issue of shares during the listing of the Company's shares on the Stock Exchange and cash flow generated from operation offset by the repayment of bank borrowings and capital expenditure.

As substantially all of our turnover and most of our cost of sales are denominated in US dollars, we have not had any material foreign exchange gains or losses in connection with our operations.

The Group's current assets increased 50.9% to US$320.3 million compared with US$212.3 million in 2004 and the Group's current liabilities decreased 53.1% to US$77.9 million compared with US$166.2 million in 2004.

The current ratio (current assets/current liabilities) was 4.1 times (2004: 1.3 times).

Contingent Liabilities

Except as disclosed in note 35 to the financial statements, the Group did not have any material contingent liabilities as at 31 December 2005.

Pledge of Assets

As at 31 December 2005, the Group's inventories of approximately US$10.8 million (2004: US$8.9 million) and trade and other receivables of approximately US$57.0 million (2004: US$34.7 million) had been pledged to banks to secure the general banking facilities granted to the Group.

Capital Expenditure and Use of Proceeds

Capital expenditures decreased to US$19.1 million from US$29.5 million in 2004 comprised of the purchase of property, plant and equipment. The decrease was mainly due to the completion of the first phase construction of our Jiashan and Dongguan facilities. Following the commencement of expanding our production and warehouse capacity at our Dongguan and Jiashan facilities in 2006, we anticipate that capital expenditures will increase accordingly in the year 2006.

Up to 31 December 2005, we spent US$7.1 million in capital expenditures and US$65.7 million in repayment of bank borrowings from the proceeds from issue of shares.

Employees and Emolument Policy

As at 31 December 2005, the Group employed approximately 12,500 full-time employees in the People's Republic of China (the "PRC"), 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 50, 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 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 48, 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 43, is President of Lacquer Craft and has been with our Group since May 1995. Mr. Amini was appointed an Executive Director on 24 October 2005. 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 six 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 Director

Sheng Hsiung PAN, also known as William Pan, aged 51, was appointed a Non-executive Director on 24 October 2005. Mr. Pan is the Chief Executive Officer of Tai-Chuan Wooden MFG Co., Ltd, a cue manufacturer. Mr. Pan has over 18 years of experience in sales, marketing, manufacturing, and product development in the cue industry and sales and marketing in billiard table and related accessories. Mr. Pan obtained a Bachelor of Arts degree in Economics Development from Tamkang University in 1979.

Independent Non-executive Directors

Huei-Chu HUANG, also known as Laura Huang, aged 50, was appointed an Independent Non-executive Director on 24 October 2005. With over 17 years of experience in corporate finance, financial advisory and management and capital markets, Ms. Huang has 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 eight years as Senior Vice President in the Capital Markets/ 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 44, was appointed an Independent Non-executive Director on 24 October 2005. Mr. Kuo 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 16 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 47, was appointed an Independent Non-executive Director on 24 October 2005. With over 20 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 nine other listed companies in Hong Kong. Mr. Lau graduated from The Hong Kong Polytechnic in 1981.

Senior Management

Universal Furniture International Inc. ("Universal Furniture")

Randolph V. CHRISLEY, aged 58, 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.

Chou-Li HSU, also known as Victor Hsu, aged 39, is Vice-President and Chief Financial Officer of Universal Furniture and is Corporate Secretary of Legacy Classic Furniture, Inc. ("Legacy Classic"). Mr. Hsu has been with our Group since June 1998. Prior to becoming Vice-President and Chief Financial Officer, Mr. Hsu held senior positions at Legacy Classic and Lacquer Craft. Mr Hsu previously held a management position at Yuanta Securities (Hong Kong) Co. Ltd. Mr. Hsu has more than 11 years of experience in finance. 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.

Stephen B. GILES, aged 44, 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.

Roy R. CALCAGNE, aged 46, is Senior Vice-President and General Manager of the Upholstery Division of Universal Furniture and has been with our Group since August 2003. Prior to joining our Group, Mr. Calcagne was Vice-President of Merchandise at Broyhill Furniture Industry. He has previously worked for Joan Fabrics Corporation, Macy's Department Store, Route 46 Furniture Store, Contemporary Furniture Bambergers Division and Route 22 Furniture Store, holding positions ranging from sales representative and assistant buyer to management positions. Mr. Calcagne has over 20 years of experience in the furniture industry. Mr. Calcagne was awarded a Bachelor of Science degree in Marketing from Fairleigh Dickinson University in 1981.

David Michael DRAUGHAN, aged 50, is Vice-President and General Manager of the Mass Merchandise Division of Universal Furniture and has been with our Group since April 2004. Prior to becoming Vice-President and General Manager of the Mass Merchandise Division of Universal Furniture, Mr. Draughan was a lead sales representative of Universal Furniture in northern and central Florida. Mr. Draughan previously held senior management positions at Rockford Furniture, Lea Industries, and Mid-Atlantic Freight. Mr. Draughan has over 12 years of experience in the furniture industry, and over 10 years of experience in freight industry.

John B. CARPER, aged 65, is Vice President of Operations of Universal Furniture and has been with our Group since August 2001. Prior to becoming Vice-President of Operations, Mr. Carper was Director of Information Technology and Supply Chain Director at Universal Furniture. Mr. Carper was previously Director of Applications Development at Universal Furniture Limited (prior to our acquisition of Universal Furniture) and held various management positions at Western Forge Corp. and Sears, Roebuck and Co.. Mr. Carper has more than 17 years of experience in management. Mr. Carper holds an MBA in Production Management from the University of Colorado and a Bachelor of Science degree majoring in Marketing from the University of Utah.

Legacy Classic

Kevin M. O'CONNOR, aged 60, is President and Chief Executive Officer of Legacy Classic and has been with our Group since March 1999. Prior to joining our Group, Mr. O'Connor held the position of President at Master Design Furniture, Inc. for five years. Mr. O'Connor was also previously President at Hyundai Furniture, and 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.

Yao-Yu CHIEN, also known as Eric Chien, aged 39, is Chief Financial Officer 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 10 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.

Gerald E. SAGERDAHL, aged 55, 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 31 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.

Richard M. MIHALIK, aged 63, is Vice-President of Operations of Legacy Classic and has been with our Group since 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.

John Patrick LONG, aged 40, is Vice-President of Sales of Legacy Classic and has been with our Group since January 2002. Prior to becoming Vice-President of Sales, Mr. Long was Director of Merchandise at Legacy Classic. Mr. Long previously held positions as a movie producer at CinéBlast! Films, New York, Director of Acquisitions at ATOM Films, New York and as a sales representative for Pilliod Furniture, North Carolina. Mr. Long has more than seven years of experience in the furniture industry. Mr. Long obtained a Bachelor of Arts degree in History and Political Science from the University of North Carolina at Chapel Hill in 1989.

Donald Lee BOONE, aged 43, is General Manager of the Youth Division of Legacy Classic (Legacy Classic Kids) and has been with our Group since June 2003. Prior to this Mr. Boone held positions including Vice-President of Sales at Lea Industries and Vice-President of National Accounts at Universal Furniture. Mr. Boone has more than 16 years of experience in the furniture industry. Mr. Boone was awarded a Bachelor of Science degree in Engineering with a Minor in Economics from West Point University in May 1984.

Christopher Scott SMITH, aged 38, 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.

Lacquer Craft

En-Kwang YANG, also known as Bob Yang, aged 59, 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.

Chi Yin LIN, also known as Anderson Lin, aged 41, 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.

Yuang-Whang LIAO, also known as Daniel Liao, aged 36, is Vice-President and Chief Financial Officer of Lacquer Craft and has been with our Group since September 2003. Mr. Liao is also the Group's Director of Investor Relations. Prior to joining our Group, Mr. Liao held the position of director in the Private Equity Department 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 11 years of experience in banking and finance. Mr. Liao obtained a Bachelor of Arts degree in Management Science from National Chiao Tung University in May 1991 and an M. Phil in Management from Cambridge University in 1999.

Yue-Jane HSIEH, also known as Irene Hsieh, aged 36, 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 three years of experience in accounting. Ms. Hsieh obtained a Bachelor of Science degree in Accounting from Tunghai University in June 1993.

Qualified Accountant

Wai Man CHEUNG, also known as Anthony Cheung, aged 30, is our qualified accountant and has been with our Group since November 2005. Mr. Cheung has over 7 years of experience in auditing and accounting. Prior to joining our Company, Mr. Cheung was a manager at Deloitte Touche Tohmatsu. Mr. Cheung graduated with a Bachelor of Arts (Honours) in Accountancy from The Hong Kong Polytechnic University in 1998 and is a member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Company Secretary

Pik Yuk CHENG, also known as Patsy Cheng, aged 48, 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 20 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.

Corporate Governance Report

The Board is committed to maintaining the highest standards 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 stakeholders, facilitates effective monitoring and encourages the Company to use its resources more efficiently.

The Company has 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") from the date of listing of its shares on 17 November 2005 to 31 December 2005.

Board of Directors

The Board is responsible for setting the Group's strategic aims, providing the 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 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, assisted by the senior management, of the Company's principal subsidiaries. The Chief Executive Officers of Lacquer Craft, Universal Furniture and Legacy Classic are Mr. Shan Huei Kuo, Mr. Randolph V. Chrisley and Mr. Kevin M. O'Connor respectively. The Board believes that the existing segregation of the roles between the Chairman and the Chief Executive Officers provides the Group with strong leadership, ensures prompt and efficient implementation of decisions and best promotes the interests of shareholders.

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 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.

As at 31 December 2005, the Board comprised seven directors, including the Chairman, the Deputy Chairman, one Executive Director, one Non-executive Director and three Independent Non-executive Directors. Biographical details of directors are set out on pages 10 to 11.

The term of appointment of Non-executive Directors are disclosed in the section headed "Directors' Service Contracts" in the Directors' Report.

The Company has received from each of its Independent Non-executive Director confirmation of their independence in accordance with 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.

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 from the date of listing of its shares on 17 November 2005 to 31 December 2005. 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.

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 made available on request and arrangement will be made for its inclusion in the Company's website. 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

There were no Remuneration Committee meeting and Audit Committee meeting held during the period from 24 October 2005 to 31 December 2005. One Remuneration Committee meeting and one Audit Committee meeting were held in 2006.

The Remuneration Committee is primarily responsible for making recommendations to the Board on the Company's policy and structure for all remuneration 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 Group paid to external auditors for the services below:

	US$'000
Audit	588
Taxation	11

The Company has not established a Nomination Committee. 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. Any director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting pursuant to the Articles of Association of the Company. To conform with the Code Provision A.4.2 that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, a special resolution will be proposed at the 2006 Annual General Meeting of the Company to amend the Company's Articles of Association to that effect. No director has been appointed by the directors either to fill a casual vacancy, or as an addition to the Board during the year.

Board and Committee Attendance

Number of meetings held:	11/7 – 31/12/2005	1/1 – 13/4/2006
Board	2	3
Number of meetings held:	**24/10 – 31/12/2005**	**1/1 – 13/4/2006**
Committee for Initial Public Offer ("IPO")	3	–
Remuneration Committee	–	1
Audit Committee	–	1

Individual attendance of each director is as follows:

Directors	Board	No. of meetings attended/held Committee for IPO	Remuneration Committee	Audit Committee
Executive Directors				
Mr. Shan Huei KUO	5/5	3/3	–	–
Ms. Yi-Mei LIU	5/5	3/3	–	–
Mr. Mohamad AMINOZZAKERI #	3/4	–	–	–
Non-executive Director				
Mr. Sheng Hsiung PAN #	2/4	3/3	1/1	0/1
Independent Non-executive Directors				
Ms. Huei-Chu HUANG #	3/4	–	1/1	1/1
Mr. Ming-Jian KUO #	3/4	–	1/1	–
Mr. Siu Ki LAU #	3/4	–	–	1/1

appointed on 24 October 2005

Directors' and Auditors' Responsibilities for the Financial Statements

The directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditors about their reporting responsibilities in the auditors' report on the financial statements is set out on page 25.

Directors' Report

The directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2005.

Group Reorganization

The Company was incorporated as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands on 11 July 2005.

Pursuant to a reorganization scheme to rationalize the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 24 October 2005.

Details of the reorganization are set out in note 1 to the financial statements.

The shares of the Company have been listed on the Main Board of the Stock Exchange since 17 November 2005.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the financial statements.

Results and Appropriations

Details of the Group's results for the year ended 31 December 2005 are set out in the consolidated income statement on page 26.

The directors recommend the payment of a final dividend of HK$0.055 per share for the year ended 31 December 2005 to the shareholders whose names appear on the register of members on 5 June 2006, amounting to HK$151,800,000 (equivalent to approximately US$19,462,000), and the retention of the remaining profit for the year.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past four financial years is set out on page 64 of the annual report.

Distributable Reserves of the Company

As at 31 December 2005, the Company's reserves available for distribution to shareholders were as follows:

	US$'000
Share premium	135,570
Contributed surplus	80,186
Accumulated profit	19,859
	235,615

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 12 to the financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 29 to the 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)*	(appointed on 11 July 2005)
Ms. Yi-Mei LIU *(Deputy Chairman)*	(appointed on 11 July 2005)
Mr. Mohamad AMINOZZAKERI	(appointed on 24 October 2005)
Non-executive Director	
Mr. Sheng Hsiung PAN	(appointed on 24 October 2005)
Independent Non-executive Directors	
Ms. Huei-Chu HUANG	(appointed on 24 October 2005)
Mr. Ming-Jian KUO	(appointed on 24 October 2005)
Mr. Siu Ki LAU	(appointed on 24 October 2005)

In accordance with the provisions of the Company's Articles of Association, Messrs. Shan Huei Kuo, Yi-Mei Liu, Mohamad Aminozzakeri, Sheng Hsiung Pan, Huei-Chu Huang, Ming-Jian Kuo and Siu Ki Lau retire at the forthcoming annual general meeting. All the retiring directors, being eligible, offer themselves for re-election at the meeting.

Directors' Service Contracts

Messrs. Mohamad Aminozzakeri, Sheng Hsiung Pan, Huei-Chu Huang, Ming-Jian Kuo and Siu Ki Lau entered into service agreements with the Company for a term of three years from 24 October 2005, determinable by either party by giving three months' prior written notice.

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

Particulars of the Company's share option scheme are set out in note 30 to the financial statements.

No option has been granted under the Company's share option scheme from 24 October 2005 (date of adoption) to 31 December 2005.

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 debentures, of the Company or any other body corporate.

Directors' Interests in Shares

As at 31 December 2005, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions:

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

Note: Comprised of 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 holds 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.

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 2005.

Substantial Shareholders

Other than the interests disclosed above in respect of certain directors, who are also substantial shareholders, of the Company, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2005.

Connected Transactions

During the year, the Group paid Uson Enterprises Limited ("Uson") US$1,794,000 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 Chapter 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the board of directors has engaged the auditors of the Company to perform certain agreed upon procedures in respect of the above continuing connected transactions of the Group. The auditors have reported their 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 auditors 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 than terms available from independent third parties, in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interest of the shareholders of the Company as a whole and have not exceeded the cap disclosed in the prospectus of the Company.

Other than the above transaction, during the year, the Group purchased hardware from and paid rental 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 transaction and qualified as a "de minimis transaction" pursuant to Chapter 14A of the Listing Rules. The details of the transaction are set out in note 38 to the 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	10%
– five largest customers	33%
– the largest supplier	14%
– five largest suppliers	43%

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 as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

Donations

During the year, the Group made charitable and other donations amounting to approximately US$44,000.

Auditors

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

On behalf of the Board

Shan Huei KUO
Chairman
The People's Republic of China
13 April 2006

Auditors' Report

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 (the "Group") from pages 26 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements 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.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our 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 2005 and of the profit and cash flows of the Group for the year then ended 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
13 April 2006

Consolidated Income Statement

For the year ended 31 December 2005

	Notes	**2005** **US$'000**	2004 US$'000
Turnover	5	**517,039**	457,542
Cost of sales		**(340,061)**	(310,590)
Gross profit		**176,978**	146,952
Other income		**3,737**	3,459
Distribution costs		**(22,845)**	(20,197)
Sales and marketing expenses		**(34,291)**	(29,955)
Administrative expenses		**(24,333)**	(22,980)
Finance costs	6	**(2,133)**	(542)
Profit before taxation		**97,113**	76,737
Taxation	7	**(8,081)**	(6,667)
Profit for the year	8	**89,032**	70,070
Earnings per share, in US$ – Basic	11	**0.038**	0.030

Consolidated Balance Sheet

As at 31 December 2005

	Notes	2005 US$'000	2004 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**112,785**	103,651
Lease premium for land – non-current portion	13	**11,144**	10,383
Loans receivable – due after one year	14	**–**	1,000
Cash surrender value of life insurance	15	**431**	350
Club debenture	16	**33**	40
Deferred tax assets	28	**3,075**	1,439
		127,468	116,863
CURRENT ASSETS			
Investments in securities	17	**–**	2,540
Inventories	18	**82,808**	83,423
Trade and other receivables	19	**126,610**	84,011
Lease premium for land – current portion	13	**255**	223
Loans receivable – due within one year	14	**–**	600
Restricted bank balances	20	**–**	15
Cash and cash equivalents	21	**110,589**	41,532
		320,262	212,344
CURRENT LIABILITIES			
Trade and other payables	22	**73,399**	51,118
Amounts due to directors	23	**–**	12,696
Amounts due to related companies	24	**8**	1,093
Dividend payable		**–**	80,875
Tax payable		**4,478**	1,275
Derivative financial instruments	25	**–**	31
Bank borrowings – due within one year	26	**–**	19,134
		77,885	166,222
NET CURRENT ASSETS		**242,377**	46,122
TOTAL ASSETS LESS CURRENT LIABILITIES		**369,845**	162,985

Consolidated Balance Sheet

As at 31 December 2005

	Notes	2005 US$'000	2004 US$'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	26	**–**	25,000
Deferred compensation	27	**531**	450
Deferred tax liabilities	28	**668**	870
		1,199	26,320
		368,646	136,665
CAPITAL AND RESERVES			
Share capital	29	**138,000**	115,000
Reserves		**230,646**	21,665
		368,646	136,665

The financial statements on pages 26 to 63 were approved and authorized for issue by the Board of Directors on 13 April 2006 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 2005

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000 (Note 31)	Statutory reserve US$'000 (Note 32)	Exchange reserve US$'000	Hedging reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2004	81,581	–	–	387	(84)	–	39,064	120,948
Exchange differences on translation of foreign operations	–	–	–	–	678	–	–	678
Fair value adjustment of derivative financial instruments	–	–	–	–	–	(31)	–	(31)
Income (expense) recognized directly in equity	–	–	–	–	678	(31)	–	647
Profit for the year	–	–	–	–	–	–	70,070	70,070
Total recognized income and expense for the year	–	–	–	–	678	(31)	70,070	70,717
Effect of group reorganization	(49,581)	–	1,581	–	–	–	–	(48,000)
Issue of shares of a subsidiary	83,000	–	–	–	–	–	–	83,000
Dividend proposed	–	–	–	–	–	–	(90,000)	(90,000)
Transfer to statutory reserve	–	–	–	145	–	–	(145)	–
At 31 December 2004 and 1 January 2005	115,000	–	1,581	532	594	(31)	18,989	136,665
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**2,348**	**–**	**–**	**2,348**
Transfer to profit or loss on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**31**	**–**	**31**
Income recognized directly in equity	**–**	**–**	**–**	**–**	**2,348**	**31**	**–**	**2,379**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**89,032**	**89,032**
Total recognized income for the year	**–**	**–**	**–**	**–**	**2,348**	**31**	**89,032**	**91,411**
Issue of shares at premium through initial public offer	**23,000**	**140,079**	**–**	**–**	**–**	**–**	**–**	**163,079**
Transaction costs attributable to issue of new shares	**–**	**(4,509)**	**–**	**–**	**–**	**–**	**–**	**(4,509)**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(18,000)**	**(18,000)**
Transfer to statutory reserve	**–**	**–**	**–**	**215**	**–**	**–**	**(215)**	**–**
At 31 December 2005	**138,000**	**135,570**	**1,581**	**747**	**2,942**	**–**	**89,806**	**368,646**

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	2005 US$'000	2004 US$'000
OPERATING ACTIVITIES		
Profit before taxation	**97,113**	76,737
Adjustments for:		
Impairment loss on trade receivables	**604**	606
Allowance (reversal of allowance) for inventories	**83**	(39)
Interest income	**(1,277)**	(781)
Interest expense	**2,133**	542
Depreciation of property, plant and equipment	**11,102**	8,972
Release of lease premium for land	**225**	233
Amortization of club debenture	**7**	–
Gain on disposal of property, plant and equipment	**(200)**	(539)
Loss on disposal of lease premium for land	**451**	164
Gain on disposal of investments held for trading	**(72)**	(40)
Listing expenses charged to income statement	**1,400**	–
Operating cash flows before working capital changes	**111,569**	85,855
Decrease (increase) in inventories	**532**	(26,264)
Increase in trade and other receivables	**(43,203)**	(24,876)
Increase in trade and other payables	**22,358**	1,453
Increase in deferred compensation	**81**	117
Cash generated from operations	**91,337**	36,285
PRC Foreign Enterprise Income Tax paid	**(541)**	(208)
Overseas tax paid	**(6,184)**	(6,072)
NET CASH FROM OPERATING ACTIVITIES	**84,612**	30,005
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(19,115)**	(29,527)
Acquisition of investments held for trading	**(10,473)**	–
Payments for lease premium for land	**(1,938)**	(1,147)
Increase in cash surrender value of life insurance	**(81)**	(118)
Proceeds from disposal of investments held for trading	**13,085**	–
Decrease (increase) in loans receivable	**1,600**	(1,000)
Interest received	**1,277**	781
Proceeds from disposal of property, plant and equipment	**1,032**	11,572
Proceeds from disposal of lease premium for land	**724**	700
Decrease in restricted bank balances	**15**	3,438
Decrease in time deposits with original maturity over three months	**–**	1,000
Purchase of club debenture	**–**	(40)
Repayment from a related company	**–**	148
NET CASH USED IN INVESTING ACTIVITIES	**(13,874)**	(14,193)

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	2005	2004
	US$'000	*US$'000*
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(185,526)**	(22,960)
Dividend paid	**(98,875)**	(82,125)
(Repayment to) advance from directors	**(12,696)**	44,863
Interest paid	**(2,133)**	(542)
(Repayment to) advance from related companies	**(1,085)**	610
Net proceeds from issue of shares	**157,170**	–
New bank borrowings raised	**141,392**	44,133
NET CASH USED IN FINANCING ACTIVITIES	**(1,753)**	(16,021)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**68,985**	(209)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**41,532**	41,741
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**72**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by	**110,589**	41,532
Bank balances and cash	**48,695**	41,532
Deposits placed in a financial institution	**61,894**	–
	110,589	41,532

Notes to the Consolidated Financial Statements

For the year ended 31 December 2005

1. GROUP REORGANIZATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 11 July 2005 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. The Company's immediate holding company is Advent Group Limited, which was incorporated in the British Virgin Islands ("BVI") and its ultimate holding company is Magnificent Capital Holding Limited, which was incorporated in the BVI. The address of the registered office and principal places of business of the Company and its subsidiaries are disclosed in the Corporate Information section of the annual report.

Pursuant to a group reorganization (the "Group Reorganization") to rationalize the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 24 October 2005. The shares of the Company have been listed on the Stock Exchange since 17 November 2005. Details of the Group Reorganization were set out in the prospectus issued by the Company dated 7 November 2005.

The Group resulting from the Group Reorganization is regarded as a continuing entity and is regarded as business under common control. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the two years ended 31 December 2005.

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

The Company acts as an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 41.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include application disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing on 1 January 2005, together with the relevant transitional provision, have been adopted in the preparation of the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards not yet effective

The Group has not early applied the following new standards and interpretations issued by the HKICPA that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS – INT 4	Determining whether an arrangement contains a lease[2]
HKFRS – INT 5	Rights to interests arising from decommissing, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Sale of goods are recognized 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.

Property, plant and equipment

Property, plant and equipment other than freehold land and construction in progress are stated at cost less depreciation and accumulated impairment loss.

Freehold land is stated at cost less accumulated impairment loss.

Construction in progress is stated at cost, which comprises all direct costs incurred in relation to their construction, less accumulated impairment loss. The cost of construction in progress will not be amortized until they are ready for their intended use and are transferred to a specific category of property, plant and equipment when the construction is completed.

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.

An item of property, plant and equipment is derecognized 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 income statement in the year in which the item is derecognized.

Club debenture

Club debenture is measured initially at purchase cost and is amortized on a straight line basis over its estimated useful life.

Cash surrender value of life insurance

Cash surrender value of life issuance is stated at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the tangible asset is reduced to its recoverable amount. An impairment loss is recognized 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 recognized for the tangible asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

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

Borrowing costs

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

Taxation

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

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

Deferred tax is recognized on differences between the carrying amount 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognized 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 realized, based on tax rates that have been enacted or substantially enacted by the balance sheet date. 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 at its 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 recognized 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 except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

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 dollars using exchange rates prevailing on the balance sheet date. 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 recognized as a separate component of equity. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 recognized 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 as they fall due.

Financial instruments

Financial assets and financial liabilities are recognized on the 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 recognized 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, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized 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. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

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 receivables) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including bank borrowings and trade payables are subsequently measured at amortized cost, using the effective interest rate method.

Equity instruments

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

Derivative financial instruments and hedging

The Group uses derivative financial instruments (primarily interest rate swap contracts) to hedge its exposure against interest rate risk. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

The Group's hedging instruments mainly comprise cash flow hedges. Hedges are classified as cash flow hedges when hedges are made to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. The accounting treatments of cash flows hedges are set out below:

For cash flow hedges that qualify for hedge accounting, the effective portion of the gains or losses arising on the changes in fair value of hedging instruments is initially recognized in equity and "recycled" into the income statement when the hedged item affects profit or loss. The ineffective portion is recognized immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognized 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 the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognized and the consideration received or receivable is recognized in profit or loss.

3. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates and judgments (other than those involving estimates) based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical judgments that can significantly affect the amounts recognized in the consolidated financial statements are disclosed below.

Allowance on trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

Inventory valuation method

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Group reviews its inventory levels in order to identify slow-moving and obsolete merchandise, where the Group has identified items of inventory which have net realizable value lower than its carrying amount, the Group would estimate the amount of inventory loss as allowance on inventory.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include, cash and cash equivalents, trade and other receivables and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group's interest rate risk relates primarily to floating-rate bank borrowings. In relation to these floating-rate borrowings, the Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into interest rate swaps to hedge against its exposures to changes in the cash flow of the borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is used (see Note 25 for details).

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimize the credit risk, the management of the Group has delegated a team of staff members responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews 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 Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Currency risk

Several subsidiaries of the Company are located in The People's Republic of China (the "PRC"), which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

5. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers for the year is analyzed as follows:

	2005	2004
	US$'000	*US$'000*
Branded products	**455,777**	405,594
Originated equipment manufacturing products	**61,262**	51,948
	517,039	457,542

Business and Geographical segments

The Group is solely engaged in the manufacturing and trading of wooden furniture and over 90% of the Group's sales are made to customers in the United States of America (the "USA"). The directors consider that these activities constitute one business segment since these activities are related and are subject to common risks and returns. Accordingly, no business and geographical segment information is presented.

The Group's operations are located in the PRC, Taiwan and the USA.

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

	Carrying amount of segment assets		**Addition to property, plant and equipment**	
	2005	2004	**2005**	2004
	US$'000	*US$'000*	***US$'000***	*US$'000*
The PRC	**256,933**	163,788	**18,377**	27,599
Taiwan	**39,226**	45,250	**–**	–
The USA	**148,496**	118,730	**738**	1,928
	444,655	327,768	**19,115**	29,527

6. FINANCE COSTS

	2005	2004
	US$'000	*US$'000*
Interest on bank borrowings wholly repayable within five years	**2,133**	542

7. TAXATION

	2005	2004
	US$'000	*US$'000*
Tax charge represents:		
PRC Foreign Enterprise Income Tax ("FEIT")	**291**	289
USA income tax	**9,561**	6,595
Taiwan income tax	**67**	178
Deferred tax credit *(note 28)*	**(1,838)**	(395)
	8,081	6,667

No provision of Hong Kong Profits Tax has been made as the Group's profit neither arise 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"), 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. After offsetting the accumulated tax losses, LCZJ has not yet entered into its first profit-making year in 2005. 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 2005, LCDG should be remained to be 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 2005 was 12%.

USA income tax charge comprises federal income tax calculated at 34% and state income tax calculated at various rates on the estimated assessable profits of Legacy Classic Furniture Inc. and Universal Furniture International Inc., both are wholly owned subsidiaries of the Company.

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.

7. TAXATION (continued)

The tax charge for the year based on the income tax rate which most of the Group's profit was assessed, can be reconciled to the profit before taxation per the consolidated income statements as follows:

	2005 **US$'000**	2004 US$'000
Profit before taxation	**97,113**	76,737
Taxation at the USA federal income tax rate of 34%	**33,018**	26,090
USA state income tax at various rates	**661**	453
Tax effect of income not taxable for tax purpose	**(1,591)**	(1,495)
Tax effect of expenses not deductible for tax purpose	**1,976**	2,045
Effect of tax loss not recognized	**–**	5,900
Utilization of tax losses previously not recognized	**(2,766)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(23,217)**	(26,326)
Tax charge for the year	**8,081**	6,667

Details of deferred taxation are set out in note 28.

8. PROFIT FOR THE YEAR

	2005	2004
	US$'000	*US$'000*
Profit for the year has been arrived at after charging:		
Staff costs	**43,357**	42,209
Retirement benefit scheme contributions	**524**	249
Total staff costs including directors' remuneration *(note 9)*	**43,881**	42,458
Allowance for inventories	**83**	–
Amortization of club debenture	**7**	–
Auditors' remuneration	**599**	113
Cost of inventories recognized as an expense	**339,978**	310,590
Depreciation of property, plant and equipment	**11,102**	8,972
Impairment loss on trade receivables	**604**	606
Listing expenses charged to income statement	**1,400**	–
Loss on disposal of lease premium for land	**451**	164
Net exchange loss	**–**	80
Release of lease premium for land	**225**	233
and after crediting:		
Bank interest income	**1,277**	609
Gain on disposal of investments held for trading	**72**	40
Gain on disposal of property, plant and equipment	**200**	539
Interest on loans receivable	**–**	172
Net exchange gain	**112**	–
Reversal of allowance for inventories	**–**	39

9. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

The emoluments paid or payable to each of the directors of the Company were as follows:

	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$'000*	2005 Total *US$'000*	2004 Total *US$'000*
Fees	6	6	6	3	6	6	6	39	–
Other emoluments									
Salaries and other benefits	1,174	824	414	-	-	-	-	2,412	2,379
Total emoluments	1,180	830	420	3	6	6	6	2,451	2,379

Of the five individuals with the highest emoluments in the Group, three (2004: two) are the directors of the Company whose emoluments are included above. The emoluments of the remaining two (2004: three) individuals are as follows:

	2005 **US$'000**	2004 *US$'000*
Basic salaries and allowances	**763**	1,334
Retirement benefit scheme contributions	**11**	20
	774	1,354

Their emoluments were within the following bands:

	2005 Number of employees	2004 Number of employees
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	1
	2	3

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.

10. DIVIDENDS

The directors recommend the payment of a final dividend of HK$0.055 (2004: nil) per share for the year ended 31 December 2005 amounting to HK$151,800,000 (equivalent to approximately US$19,462,000).

During the year, Samson Worldwide Limited ("SWL"), a subsidiary of the Company, paid dividends of US$18,000,000 (2004: US$90,000,000) to its then shareholders prior to the Group Reorganization. The rate of dividend and the number of shares ranking for dividends declared by SWL are not presented as such information is not meaningful having regard to the purpose of this report.

11. EARNINGS PER SHARE

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

	2005 ***US$'000***	2004 *US$'000*
Profit for the year and earnings for the purposes of basic earnings per share	**89,032**	70,070
Weighted average number of shares for the purposes of basic earnings per share	**2,356,712,329**	2,300,000,000

The calculation of basic earnings per share for the year ended 31 December 2004 was based on the Company's 2,300,000,000 shares deemed to be issued throughout the year assuming the Group Reorganization had been effective on 1 January 2004.

12. 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 2004	2,932	37,133	36,429	1,752	1,056	13,836	14,518	107,656
Additions	–	482	5,189	–	123	1,951	21,782	29,527
Transfer	–	16,728	1,785	3,079	–	5,630	(27,222)	–
Disposals	–	(11,062)	(2,275)	–	(58)	(2,631)	–	(16,026)
At 31 December 2004 and 1 January 2005	2,932	43,281	41,128	4,831	1,121	18,786	9,078	121,157
Exchange adjustments	–	750	1,003	118	27	211	221	2,330
Additions	–	1,134	3,729	773	26	2,286	11,167	19,115
Transfer	–	9,638	1,684	–	–	840	(12,162)	–
Disposals	–	(3,377)	(160)	–	(45)	(1,833)	–	(5,415)
At 31 December 2005	**2,932**	**51,426**	**47,384**	**5,722**	**1,129**	**20,290**	**8,304**	**137,187**
DEPRECIATION								
At 1 January 2004	–	2,876	5,372	–	384	4,895	–	13,527
Provided for the year	–	1,873	3,277	320	196	3,306	–	8,972
Eliminated on disposals	–	(1,937)	(1,454)	–	(44)	(1,558)	–	(4,993)
At 31 December 2004 and 1 January 2005	–	2,812	7,195	320	536	6,643	–	17,506
Exchange adjustments	–	44	230	14	15	74	–	377
Provided for the year	–	3,645	3,996	405	184	2,872	–	11,102
Eliminated on disposals	–	(2,792)	(44)	–	(28)	(1,719)	–	(4,583)
At 31 December 2005	**–**	**3,709**	**11,377**	**739**	**707**	**7,870**	**–**	**24,402**
NET BOOK VALUES								
At 31 December 2005	**2,932**	**47,717**	**36,007**	**4,983**	**422**	**12,420**	**8,304**	**112,785**
At 31 December 2004	2,932	40,469	33,933	4,511	585	12,143	9,078	103,651

The freehold land is situated in the USA.

The following rates 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%

13. LEASE PREMIUM FOR LAND

	2005 US$'000	2004 US$'000
The Group's lease premium for land under operating lease is analyzed as follows:		
Medium-term land use rights situated in the PRC	**11,399**	10,606
Analyzed for reporting purposes as:		
Current asset	**255**	223
Non-current asset	**11,144**	10,383
	11,399	10,606

14. LOANS RECEIVABLE

	2005 US$'000	2004 US$'000
Loans receivable	**–**	1,600
Less: Amount due within one year shown under current assets	**–**	(600)
Amount due after one year	**–**	1,000

The amounts represented the loans advanced to third parties. The loans were unsecured, interest-bearing at 10% to 12% per annum and were fully repaid during the year.

In the opinion of the directors, the carrying amount of the loans receivable approximated their fair values.

15. CASH SURRENDER VALUE OF LIFE INSURANCE

Amount under deferred compensation plan (note 27) has been invested in an insurance policy in accordance with the terms of the deferred compensation plan. The Group is the beneficiary of such investment. As at 31 December 2005, the carrying amount represents the cash surrender value of the policy and approximates its fair value.

16. CLUB DEBENTURE

	2005	2004
	US$'000	*US$'000*
COST		
At beginning of the year	**40**	–
Additions	**–**	40
At end of the year	**40**	40
AMORTIZATION		
At beginning of the year	**–**	–
Provided for the year	**7**	–
At end of the year	**7**	–
NET BOOK VALUE	**33**	40

The club debenture is amortized over its estimated useful life of 5 years.

17. INVESTMENTS IN SECURITIES

	2005	2004
	US$'000	*US$'000*
Investments held for trading, unlisted outside Hong Kong	**–**	2,540

The investments included above represent investments in unlisted equity securities that offer the Group the opportunity for return through dividend income and fair value gains, and investments in unlisted debt securities with maturity of one year and zero coupon rate. The fair values of these securities were based on prices quoted by the financial institutions.

18. INVENTORIES

	2005	2004
	US$'000	*US$'000*
Raw materials	**26,794**	30,591
Work in progress	**11,720**	13,127
Finished goods	**44,294**	39,705
	82,808	83,423

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:

	2005	2004
	US$'000	*US$'000*
Trade receivables:		
0 – 30 days	**95,351**	63,254
31 – 60 days	**7,303**	6,658
Over 60 days	**1,998**	2,570
	104,652	72,482
Other receivables	**21,958**	11,529
	126,610	84,011

The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

20. RESTRICTED BANK BALANCES

It represented bank balances pledged for the Group's investments. The directors consider that the carrying amount of these assets approximated their fair value.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The directors consider that the carrying amount of these assets approximates their fair values.

The balance of cash and cash equivalents held in the PRC of US$21,491,000 (2004: US$2,928,000) are subject to foreign exchange control.

The balance of cash and cash equivalents includes deposits at an average interest rate of 4% per annum, placed in a financial institution amounting to US$61,894,000 (2004: nil).

22. TRADE AND OTHER PAYABLES

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

	2005 US$'000	2004 US$'000
Trade payables:		
0 – 30 days	**25,111**	15,871
31 – 60 days	**10,375**	4,172
Over 60 days	**2,067**	2,603
	37,553	22,646
Other payables	**35,846**	28,472
	73,399	51,118

The directors consider that the carrying amounts of trade and other payables approximate their fair values.

23. AMOUNTS DUE TO DIRECTORS

Name of director	2005 US$'000	2004 US$'000
Mr. Shan Huei KUO	**–**	6,348
Ms. Yi-Mei LIU	**–**	6,348
	–	12,696

The amounts were unsecured, non-interest bearing and were fully settled during the year.

The directors consider that the carrying amounts of amounts due to directors approximate their fair values.

24. AMOUNTS DUE TO RELATED COMPANIES

Name of related company	2005 US$'000	2004 US$'000
Samson Global Co. Ltd.	**8**	1,085
Uson Enterprises Limited	**–**	8
	8	1,093

The amounts are unsecured, non-interest bearing and repayable on demand.

The directors consider that the carrying amounts of amounts due to related companies approximate their fair values.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2005 US$'000	2004 US$'000
Interest rate swaps liabilities	**–**	31

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates.

As at 31 December 2004, the Group had an interest rate swap agreement in place with a notional amount of US$6,000,000 whereby it paid a fixed rate of interest of 3.26% and received a variable rate equal to London Interbank Offered Rate ("LIBOR") on the notional amount. The swap was being used to hedge the exposure to changes in the cash flow of a portion of its syndicated revolving loan bearing interest at LIBOR plus 0.75%. The syndicated revolving loan and the interest rate swap had the same key terms.

The amount was based on quoted market prices for equivalent instruments at the balance sheet date. All of these interest rate swaps were designated and effective as cash flow hedges and the fair value thereof had been deferred in equity.

26. BANK BORROWINGS

	2005	2004
	US$'000	*US$'000*
Bank loans		
– Secured	–	19,134
– Unsecured	–	25,000
	–	44,134
The maturity profile of the above bank borrowings is as follows:		
Within one year	–	19,134
More than two years, but not exceeding five years	–	25,000
	–	44,134
Less: Amount due within one year shown under current liabilities	–	(19,134)
Amount due after one year	–	25,000

All of the Group's borrowings were denominated in the United Sates dollars and were fully repaid during the year.

Bank loans of US$190,000 as at 31 December 2004 were arranged at fixed interest rates and other borrowings are arranged at floating rates.

The average effective interest rate on bank borrowings approximated 4.44% (2004: 3.36%).

The directors estimated the fair value of the Group's borrowings as at 31 December 2004, by discounting their cash flows at the market rate, to be US$44,134,000.

26. BANK BORROWINGS (continued)

The Group has the following bank loans:

	2005	2004
	US$'000	*US$'000*
Revolving line of credit from Wachovia Bank, N.A. in which borrowings of up to US$30,000,000 were permitted. The loan was secured by substantially all of the assets of Samson Investment Holding Co., a subsidiary of the Company, Universal Furniture International Inc. and Legacy Classic Furniture Inc. and interest bearing at the 30 days LIBOR plus 0.75%	**–**	18,944
Unsecured loan from Fleet Funding Corporation bearing interest at 1.67% per annum	**–**	190
Syndicated revolving loan arranged by Chinatrust Commercial Bank, Ltd. in which borrowings of up to US$50,000,000 were permitted. The loan was guaranteed by of Samson Global Co. Ltd., Samson Worldwide Limited and Samson Pacific Company Limited, a subsidiary of the Company, and interest bearing at the annual LIBOR plus 0.75%	**–**	25,000
Total	**–**	44,134

27. DEFERRED COMPENSATION

The Group has adopted a defined contribution 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 on behalf of the relevant executive in managed investment funds (note 15). The balance is stated at fair value at the balance sheet date.

28. DEFERRED TAXATION

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

	Accelerated tax depreciation	Others (note)	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2004	760	(934)	(174)
Charge (credit) to income statement for the year	284	(679)	(395)
At 31 December 2004 and 1 January 2005	1,044	(1,613)	(569)
Credit to income statement for the year *(note 7)*	(111)	(1,727)	(1,838)
At 31 December 2005	**933**	**(3,340)**	**(2,407)**

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

As at 31 December 2005, the Group has unused tax losses of US$11,014,000 (2004: US$19,148,000) available to offset against future profits in Lacquer Craft Mfg. Co., Ltd. (Zhejiang) ("LCZJ"). No deferred tax asset has been recognized in respect of such tax losses due to the unpredictability of future profit streams of LCZJ. Tax losses will be expired within five years from the respective balance sheet date.

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:

	2005	2004
	US$'000	*US$'000*
Deferred tax liabilities	**668**	870
Deferred tax assets	**(3,075)**	(1,439)
	(2,407)	(569)

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 recognized was US$48,875,000 (2004: US$35,828,000). No liability has been recognized 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.

29. SHARE CAPITAL

	Notes	Number of shares	Nominal value US$'000
Ordinary shares of US$0.05 each			
Authorized:			
On incorporation and at 31 December 2005	(i)	6,000,000,000	300,000
Issued and fully paid:			
Allotted and issued on incorporation	(ii)	1	–
Issue of shares on the Group Reorganization	(iii)	2,299,999,999	115,000
Issue of shares through initial public offer	(iv)	460,000,000	23,000
At 31 December 2005		**2,760,000,000**	**138,000**

The share capital at 31 December 2004 shown in the consolidated balance sheet represented 115,000,000 shares of US$1 each in the share capital of Samson Worldwide Limited ("SWL") prior to the Group Reorganization.

The following changes in the share capital of the Company took place during the period from 11 July 2005 (date of incorporation) to 31 December 2005:

(i) The Company was incorporated with an authorized share capital of US$300,000,000 divided into 6,000,000,000 shares of US$0.05 each.

(ii) On 11 July 2005, 1 share of US$0.05 was allotted and issued.

(iii) On 24 October 2005, the Company issued 2,299,999,999 shares of US$0.05 each for the acquisition of SWL pursuant to the Group Reorganization. These new shares ranked pari passu in all respects with the then existing shares.

(iv) On 17 November 2005, the Company issued 460,000,000 shares of US$0.05 each at a price of HK$2.75 per share to the public. These new shares ranked pari passu in all respects with the then existing shares.

30. 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 incentivize 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 amount payable on acceptance of an option is HK$1. The period within which the options must be exercised will be specified by the Group at the time of grant, and must expire no later than ten years from 17 November 2005, the date of listing the Company's shares on the Stock Exchange. The exercise price is determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No option has been granted under the Share Option Scheme from 24 October 2005 (date of adoption) to 31 December 2005.

31. 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 Samson Worldwide Limited's shares issued for a share swap thereof pursuant to a group reorganization on 31 December 2004.

32. 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.

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

Minimum lease payments paid under operating leases during the year:

	2005	2004
	US$'000	*US$'000*
Premises and equipment	**3,251**	3,001

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

	2005	2004
	US$'000	*US$'000*
Within one year	**2,879**	2,533
In the second to fifth year inclusive	**9,154**	5,603
Over five years	**436**	–
	12,469	8,136

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

34. CAPITAL COMMITMENTS

	2005	2004
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided in the financial statements	**9,185**	3,537
– authorized but not contracted for	**–**	2,689

35. CONTINGENT LIABILITIES

In December 2004, as the result of an investigation, the United States Department of Commerce ("Department of Commerce") began collecting cash deposits for anti-dumping duties on imports of wooden bedroom furniture manufactured in the PRC. The deposits, which vary by manufacturer, range from 2.32% to 198.02% on import invoice value and are payable by the USA importers of such furniture. The duties actually imposed on the furniture imported for a particular year will be calculated by the Department of Commerce in an administrative review procedure at the end of that year.

The Group was assigned a duty rate of 2.66% on imports of wooden bedroom furniture manufactured by Lacquer Craft Mfg. Co., Ltd. (Dongguan) and Lacquer Craft Mfg. Co., Ltd. (Zhejiang); however, the management of the Group has filed an appeal with the U.S. Court of International Trade challenging the calculation of the Department of Commerce. Up to 31 December 2005, the cumulative duties amounted to US$4,521,000. In view of the impending appeal and annual review process, the management believes that the anti-dumping duty payable by the Group is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Accordingly, no provision for the duties have been made in the financial statements of the Group. As requested by the Department of Commerce, the Group paid a deposit of US$3,524,000 (included in trade and other receivables) and a related bank guarantee of US$997,000 was given by the Group as at 31 December 2005.

36. 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:

	2005	2004
	US$'000	*US$'000*
Inventories	**10,771**	8,896
Trade and other receivables	**56,969**	34,679
	67,740	43,575

37. 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.

Both of Legacy Classic Furniture Inc. and Universal Furniture International Inc. have established defined contribution retirement plans for their eligible employees in the USA. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

38. RELATED PARTY TRANSACTIONS

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

Name of related company	**Nature of transactions**	**2005** **US$'000**	2004 US$'000
Uson Enterprises Limited	Transportation logistics service fee paid	**1,794**	1,703
Samson Global Co. Ltd. ("SGL")	Purchase of hardware components	**59**	319
	Rental paid	**9**	–

In addition, bank loans of US$25,000,000 as at 31 December 2004 were guaranteed by SGL as set out in note 26.

Balances with related parties as at 31 December 2005 are set out in notes 23 and 24.

39. NON-CASH TRANSACTIONS

During the year ended 31 December 2004, amounts due to directors of US$35,000,000 were capitalized as the share capital of Samson Worldwide Limited.

40. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31 December 2005 is as follows:

	Note	*US$'000*
NON-CURRENT ASSET		
Investment in a subsidiary		**195,186**
CURRENT ASSETS		
Other receivables		**745**
Amounts due from subsidiaries		**181,357**
Cash and cash equivalents		**48**
		182,150
CURRENT LIABILITY		
Other payables		**3,721**
NET CURRENT ASSETS		**178,429**
		373,615
CAPITAL AND RESERVES		
Share capital		**138,000**
Reserves	*(a)*	**235,615**
		373,615

40. BALANCE SHEET OF THE COMPANY (continued)

Note:

(a) Reserves of the Company

	Share premium *US$'000*	Contributed surplus *US$'000* *(note)*	Accumulated profit *US$'000*	Total *US$'000*
Issue of shares at premium through initial public offer	140,079	–	–	140,079
Transaction costs attributable to issue of new shares	(4,509)	–	–	(4,509)
Contributed surplus arising on the Group Reorganization	–	80,186	–	80,186
Profit for the year	–	–	19,859	19,859
At 31 December 2005	**135,570**	**80,186**	**19,859**	**235,615**

note: Contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to the Group Reorganization.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of company	Place of incorporation/ establishment/ operation	Class of share held	Issued and fully paid share/ registered capital	Proportion of nominal value of share/registered capital held by the Company Directly	Indirectly	Principal activities
High Intelligence Limited	BVI	Ordinary	US$50,000,000	–	100%	Investment holding
#Lacquer Craft Mfg. Co., Ltd. (Dongguan) ("LCDG")	The PRC	Capital contribution	HK$196,600,000	–	100%	Manufacturing of wooden furniture
#Lacquer Craft Mfg. Co., Ltd. (Zhejiang) ("LCZJ")	The PRC	Capital contribution	US$38,815,213	–	100%	Manufacturing of wooden furniture
Legacy Classic Furniture Inc.	The USA	Ordinary	US$4,450,000	–	100%	Marketing and sales of residential furniture
Samson International Enterprises, Limited	BVI/Taiwan	Ordinary	US$50,000	–	100%	Trading of residential furniture and procurement services
Samson Investment Holding Co.	The USA	Ordinary	US$0.10	–	100%	Investment holding
Samson Pacific Company Limited	BVI	Ordinary	US$50,000,000	–	100%	Investment holding
Samson Worldwide Limited	BVI	Ordinary	US$115,000,000	100%	–	Investment holding
Universal Furniture International Inc.	The USA	Ordinary	US$0.35	–	100%	Marketing and sales of residential furniture

The above table lists the subsidiaries of the Group which, in the opinion of the directors, 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			
	2002	2003	2004	**2005**
	US$'000	*US$'000*	*US$'000*	***US$'000***
Turnover	361,407	371,753	457,542	**517,039**
Profit for the year	62,759	67,605	70,070	**89,032**

ASSETS AND LIABILITIES

	As at 31 December			
	2002	2003	2004	**2005**
	US$'000	*US$'000*	*US$'000*	***US$'000***
Total assets	209,573	272,219	329,207	**447,730**
Total liabilities	(103,136)	(151,271)	(192,542)	**(79,084)**
Shareholders' funds	106,437	120,948	136,665	**368,646**

Note: The Company was incorporated in the Cayman Islands on 11 July 2005 and became the holding company of the Group with effect 24 October 2005 as a result of group reorganization as set out in the prospectus dated 7 November 2005 issued by the Company.

The results of the Group for each of the three years ended 31 December 2004 and the assets and liabilities of the Group as at 31 December 2002, 2003 and 2004 have been prepared on a combined basis as if the Group structure had been in existence throughout the years concerned and have been extracted from the Company's prospectus dated 7 November 2005.