Samson Holding

Samson Holding Ltd.

順誠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 531.hk)

Interim Report 2011

Lacquer Craft

UNIVERSAL FURNITURE

Legacy CLASSIC FURNITURE

CRAFTMASTER FURNITURE

pennsylvania house

WILLIS & GAMBIER Furniture designed for life

* for identification purpose only

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Corporate Profile

Since established in 1995, Samson Group, including **Samson Holding Ltd**. (**the "Company"**) and its subsidiaries (the "Group"), has now become a fully vertically-integrated furniture company and ranks as one of top 10 furniture wholesalers in the United States of America (the "U.S.") and in the United Kingdom (the "U.K."). Further, we are among the top 3 casegoods manufacturers in Asia. We currently market a wide range of our furniture products through a portfolio of brand names including Universal Furniture, Legacy Classic Furniture, Craftmaster Furniture, Pennsylvania House, Samson International, and licensed with Better Homes & Gardens and Paula Deen in the U.S. Since October 2008, with the acquisition of the U.K. premium casegoods importer and wholesaler under the brandname "Willis Gambier", we have established a solid presence in the U.K. and Europe. In addition to our own brands, through our mega factories named Lacquer Craft in the People's Republic of China (the "PRC"), we also manufacture for a number of North American leading brands.

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

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

Corporate Information

Executive Directors

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

Non-executive Directors

Mr. Sheng Hsiung PAN
Mr. Yuang-Whang LIAO

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Company Secretary

Ms. Pik Yuk CHENG

Authorized Representatives

Ms. Yi-Mei LIU
Ms. Pik Yuk CHENG

Registered Office

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

Stock Code

The Stock Exchange of Hong Kong Limited: 531

Websites

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

Principal Places of Business

China:

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

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

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

United States of America:

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

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

United Kingdom:

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

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

Bank SinoPac
BNP Paribas
Chinatrust Commercial Bank
Citibank Taiwan Limited
Fubon Bank (Hong Kong) Limited
Wachovia Bank, National Association

Share Registrars and Transfer Offices

Principal:

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
George Town, Grand Cayman, KY1-1107
Cayman Islands

Hong Kong Branch:

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

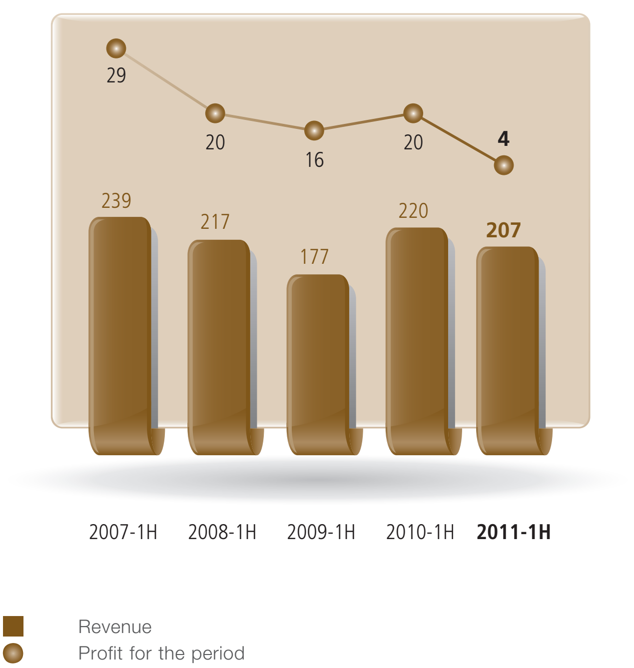
Financial Highlights

	Six months ended 30 June 2011 *US$'000*	Six months ended 30 June 2010 *US$'000*	**Six months ended 30 June 2011 *HK$'000****	Six months ended 30 June 2010 *HK$'000**
Operating results				
Revenue	**206,678**	220,596	**1,612,088**	1,720,649
Gross profit	**51,180**	67,038	**399,204**	522,896
Earnings before interest and tax	**5,689**	22,594	**44,374**	176,233
Profit for the period	**3,506**	20,015	**27,347**	156,117
Earnings per share *(US/HK cents)*	**0.1**	0.7	**0.78**	5.46

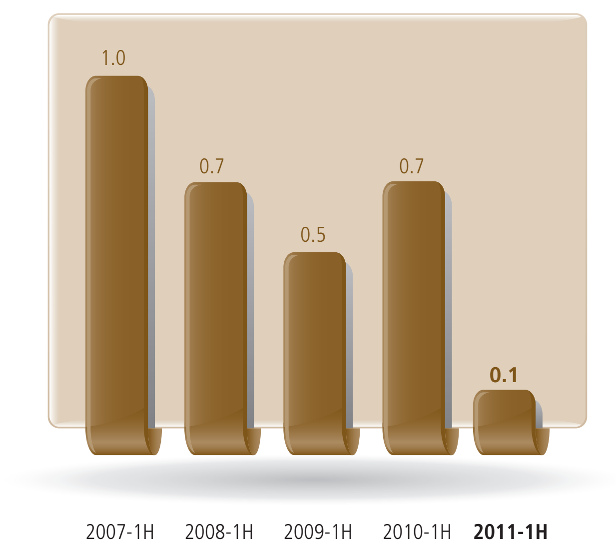
	As at 30 June 2011 *US$'000*	As at 31 December 2010 *US$'000*	**As at 30 June 2011 *HK$'000****	As at 31 December 2010 *HK$'000**
Financial position				
Total assets	**733,689**	746,401	**5,722,774**	5,821,928
Net current assets	**361,163**	356,130	**2,817,071**	2,777,814
Shareholders' equity	**576,256**	582,789	**4,494,797**	4,545,754

* *Exchange rate: US$1 = HK$7.8 (for reference only)*

Revenue & Profit for the period
(US$ MN)



Earnings per share
(US cents)



Management Discussion and Analysis

Business Review

During the first half of the year, the overall demand of furniture remained weak in face of the tough economy worldwide. Our sales performance was comparatively poorer than the same period of last year when there was a strong resurge of demand in the U.S. as a result of retail restocking. In the period under review, our profitability was weakened by the increasing pressure of cost of sales. Nevertheless, the good news is that we managed to maintain our sales volume and even recorded increases in the higher-end segment of our products as well as our new business initiatives such as hospitality and international accounts. However, decline in sales volume in the lower-end segment was greater than the total amount of increases. We managed to reduce our inventory level compared to the inventory level as at end of last year, while maintaining our sales service level. Recently, we have transferred part of the cost increases onto our customers by having another cross-the-board price increase effective from 1 August 2011. Meanwhile, we continue working on cost improvement such as using substitute raw material to lessen the impact of price increases of certain species of lumber or key components. We are also in the progress of further consolidating the production capacity in order to lower our manufacturing overheads and expenses. Although the progress of our projects in Indonesia and Bangladesh was behind our target, both of them are moving towards better performance than before. Therefore, even the results of the period under review were clearly below our expectation, we believe our efforts will soon be rewarded.

Financial Review

Net sales for the six-month period under review was US$206.7 million compared to US$220.6 million in the same period last year, a decrease of US$13.9 million or 6.3%. The decrease in sales was mainly due to the persistent depressed U.S. housing market which seriously hit the furniture business.

Gross profit margin for the period decreased to 24.8% from 30.4% for the same period in 2010, mainly due to rising material costs and labour rates, together with the strong Renminbi.

Total operating expenses for the period increased to US$50.0 million from US$47.6 million for the same period in 2010, mainly due to the increase of advertising and marketing expenses for promoting the Group's branded products and expanding our share of the furniture market.

Profit for the period decreased to US$3.5 million from US$20.0 million for the same period in 2010. Net profit margin decreased to 1.7% from 9.1% for the same period in 2010. The substantial drop in profit was due to the increase in production cost.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, the Group's cash and cash equivalents increased by US$31.2 million to US$322.1 million from US$290.9 million as at 31 December 2010. Bank borrowings decreased from US$100.6 million as at 31 December 2010 to US$96.4 million as at 30 June 2011. The gearing ratio (total bank borrowings/shareholders' equity) decreased from 17.2% as at 31 December 2010 to 16.7% as at 30 June 2011. The Group's cash position remains strong and the Group possesses sufficient cash and available banking facilities to meet working capital requirements and further enable us to expand through acquisitions with confidence.

Cash and cash equivalents held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling and Hong Kong dollars. As at 30 June 2011, US$89.8 million (31 December 2010: US$97.6 million) and US$6.6 million (31 December 2010: US$3.0 million) of short-term bank borrowings bore interest at floating rates and fixed rates respectively. All bank borrowings were denominated in U.S. dollars and were repayable within one year.

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

As substantially all of our revenue and most of our cost of sales are denominated in U.S. dollars, we have not had any material foreign exchange gains or losses in connection with our operations. In order to further minimize our foreign exchange exposure on appreciation of Renminbi and depreciation of U.K. Pound Sterling, the Group carefully monitored its positions by entering into foreign exchange forward contracts. As at 30 June 2011, outstanding forward exchange contracts amounted to US$476.7 million (31 December 2010: US$397.1 million).

The Group's current assets slightly decreased to US$515.8 million from US$517.1 million as at 31 December 2010 and the Group's current liabilities decreased by 3.9% to US$154.7 million compared with US$160.9 million as at 31 December 2010. The current ratio (current assets/current liabilities) therefore increased to 3.3 times from 3.2 times as at 31 December 2010.

Pledge of Assets

As at 30 June 2011, the Group's inventories of US$25.8 million (31 December 2010: US$27.4 million), trade and other receivables of US$57.9 million (31 December 2010: US$56.0 million), property, plant and equipment of approximately US$24.9 million (31 December 2010: US$25.2 million), investment property of approximately US$9.5 million (31 December 2010: US$9.6 million) and pledged bank deposits of approximately US$0.3 million (31 December 2010: US$0.2 million) had been pledged to banks to secure the general banking facilities granted to the Group.

Capital Expenditure

Capital expenditures for the six months ended 30 June 2011 amounted to US$2.4 million compared to US$1.2 million for the same period in 2010. Capital expenditures were mainly the addition of machinery and construction in progress in PRC, Bangladesh and Indonesia.

Outlook

Facing the challenges of the peers in our industry, we have demonstrated our competency throughout our history by out-performing the peers over the years. Although the sign of recovery remains unclear, we will continue dedicating ourselves in growing our business profitably, both organically and externally, by utilizing our strengths, including our experienced management team, strong financial position, efficient production facilities, and well-established distribution networks under our own brands.

Other Information

Dividend

The board of directors of the Company (the "Board") has resolved the payment of an interim dividend of HK$0.02 per share for the six months ended 30 June 2011 (30 June 2010: HK$0.02), amounting to approximately HK$61.0 million (30 June 2010: HK$61.0 million), to the shareholders of the Company whose names appear on the Company's register of members on 27 September 2011. The interim dividend will be paid on 30 September 2011.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 23 September 2011 to Tuesday, 27 September 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 22 September 2011.

Corporate Governance

The Board is committed to maintaining the highest standards of corporate governance. The Company confirms that it has complied with all material code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the six months ended 30 June 2011, save that Mr. Shan Huei KUO is the Chairman of the Board and also the Chief Executive Officer of Lacquer Craft Mfg. Co., Ltd. (Dongguan) and Lacquer Craft Mfg. Co., Ltd. (Zhejiang). The Group does not intend to separate these two functions as both the Board and senior management of the Group have significantly benefited from the leadership, support and experience of Mr. KUO in the management of the Board and the management of business of the Company.

Changes in Director's Biographical Details

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

Mr. Siu Ki LAU, independent non-executive director of the Company, has ceased to be an independent non-executive director, the chairman of the audit committee and member of the remuneration committee of Carry Wealth Holdings Limited with effect from 13 July 2011.

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.

Having made specific enquiry, all directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2011.

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

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

Share Option Scheme

The Company adopted a share option scheme on 24 October 2005. Details of movements in the Company's share options during the review period were as below:

	Date of Grant	Exercise Price HK$	Vesting Date	Exercise Period	Number of share options: Outstanding as at 1.1.2011	Granted during the period	Forfeited during the period	Outstanding as at 30.6.2011
Director:								
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	83,333	–	–	83,333
			6.2.2008	6.2.2008 – 16.11.2015	83,333	–	–	83,333
			6.2.2009	6.2.2009 – 16.11.2015	83,334	–	–	83,334
					250,000	–	–	250,000
Other employees:								
In aggregate	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	1,789,649	–	–	1,789,649
			6.2.2008	6.2.2008 – 16.11.2015	1,789,649	–	–	1,789,649
			6.2.2009	6.2.2009 – 16.11.2015	1,789,649	–	–	1,789,649
	29.12.2008	0.87	15.12.2009	15.12.2009 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2010	15.12.2010 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2011	15.12.2011 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2012	15.12.2012 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2013	15.12.2013 – 16.11.2015	1,500,000	–	–	1,500,000
					12,868,947	–	–	12,868,947
Total					13,118,947	–	–	13,118,947

Other Information

Directors' Interests in Shares and Underlying Shares

As at 30 June 2011, 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 (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions:

(1) Shares of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Shan Huei KUO	Held by controlled corporations *(Note)*	2,146,346,773	70.41%
Ms. Yi-Mei LIU	Held by controlled corporations *(Note)*	2,146,346,773	70.41%

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

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

(2) Underlying Shares of the Company

The interests of the directors of the Company in the underlying shares of the Company are detailed in "Share Option Scheme" above.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2011.

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 disclosed no person as having a notifiable interest or short position in the shares or underlying shares of the Company as at 30 June 2011.

Independent and Audit Committee Review

The unaudited interim report for the six months ended 30 June 2011 have been reviewed by Deloitte Touche Tohmatsu, such report is included in this report, and the Company's Audit Committee.

Deloitte.
德勤

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

Introduction

We have reviewed the interim financial information set out on pages 10 to 22 which comprises the condensed consolidated statement of financial position of Samson Holding Ltd. (the "Company") and its subsidiaries as of 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2011

Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
Revenue	3	**206,678**	220,596
Cost of sales		**(155,498)**	(153,558)
Gross profit		**51,180**	67,038
Other income		**4,072**	2,542
Other gains and losses		**479**	573
Distribution costs		**(11,265)**	(11,408)
Sales and marketing expenses		**(21,460)**	(19,674)
Administrative expenses		**(17,317)**	(16,477)
Finance costs		**(505)**	(279)
Profit before taxation	4	**5,184**	22,315
Taxation	5	**(1,678)**	(2,300)
Profit for the period		**3,506**	20,015
Earnings per share, in US cents	7		
– Basic		**0.115**	0.657
– Diluted		**0.115**	0.656

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**3,506**	20,015
Other comprehensive income (expense) for the period:		
Exchange differences arising on translation of foreign operations	**5,009**	(1,013)
Loss on changes in fair value of available-for-sale investments	**(7,222)**	(1,734)
	(2,213)	(2,747)
Total comprehensive income for the period	**1,293**	17,268

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	At 30 June 2011 US$'000 (Unaudited)	At 31 December 2010 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**149,980**	154,153
Investment properties		**9,468**	9,610
Lease premium for land – non-current portion		**11,766**	10,603
Goodwill		**11,475**	11,475
Other intangible assets		**1,669**	1,669
Available-for-sale investments	9	**29,896**	37,118
Other investments	10	**–**	977
Cash surrender value of life insurance		**728**	689
Deferred tax assets		**2,865**	3,042
		217,847	229,336
CURRENT ASSETS			
Inventories		**102,566**	110,526
Trade and other receivables	11	**87,203**	85,602
Lease premium for land – current portion		**328**	287
Tax recoverable		**3**	983
Derivative financial instruments		**2,365**	3,081
Other investments	10	**976**	25,000
Restricted bank deposits		**–**	410
Pledged bank deposits		**310**	235
Cash and cash equivalents		**322,091**	290,941
		515,842	517,065
CURRENT LIABILITIES			
Trade and other payables	12	**53,682**	54,982
Tax payable		**3,017**	2,715
Derivative financial instruments		**1,578**	2,630
Bank borrowings – due within one year	13	**96,402**	100,608
		154,679	160,935
NET CURRENT ASSETS		**361,163**	356,130
TOTAL ASSETS LESS CURRENT LIABILITIES		**579,010**	585,466
NON-CURRENT LIABILITIES			
Deferred compensation		**728**	689
Deferred tax liabilities		**2,026**	1,988
		2,754	2,677
		576,256	582,789
CAPITAL AND RESERVES			
Share capital	14	**152,410**	152,410
Share premium and reserves		**423,846**	430,379
		576,256	582,789

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Share option reserve US$'000	Merger reserve US$'000	Statutory reserve US$'000	Exchange reserve US$'000	Investment revaluation reserves US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2010 (audited)	152,410	185,620	782	554	1,581	1,174	35,422	23,470	163,021	564,034
Profit for the period	–	–	–	–	–	–	–	–	20,015	20,015
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(1,013)	–	–	(1,013)
Loss on changes in fair value of available-for-sale investments	–	–	–	–	–	–	–	(1,734)	–	(1,734)
Total comprehensive income for the period	–	–	–	–	–	–	(1,013)	(1,734)	20,015	17,268
Recognition of equity-settled share based payments	–	–	–	23	–	–	–	–	–	23
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(16,094)	(16,094)
At 30 June 2010 (unaudited)	152,410	185,620	782	577	1,581	1,174	34,409	21,736	166,942	565,231
Profit for the period	–	–	–	–	–	–	–	–	18,941	18,941
Exchange differences on translation of foreign operations	–	–	–	–	–	–	7,018	–	–	7,018
Loss on changes in fair value of available-for-sale investments	–	–	–	–	–	–	–	(577)	–	(577)
Total comprehensive income for the period	–	–	–	–	–	–	7,018	(577)	18,941	25,382
Recognition of equity-settled share based payments	–	–	–	22	–	–	–	–	–	22
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(7,846)	(7,846)
At 31 December 2010 (audited)	152,410	185,620	782	599	1,581	1,174	41,427	21,159	178,037	582,789
Profit for the period	–	–	–	–	–	–	–	–	3,506	3,506
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	5,009	–	–	5,009
Loss on changes in fair value of available-for-sale investments	–	–	–	–	–	–	–	(7,222)	–	(7,222)
Total comprehensive income for the period	–	–	–	–	–	–	5,009	(7,222)	3,506	1,293
Recognition of equity-settled share based payments	–	–	–	14	–	–	–	–	–	14
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(7,840)	(7,840)
At 30 June 2011 (unaudited)	152,410	185,620	782	613	1,581	1,174	46,436	13,937	173,703	576,256

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**19,226**	(15,089)
Purchase of other investments	**–**	(26,000)
Proceeds on redemption of other investments	**25,000**	–
Decrease in restricted bank deposits	**410**	–
Purchase of property, plant and equipment	**(2,367)**	(1,210)
Payment for lease premium for land	**(1,076)**	–
Other investing cash flows	**1,912**	2,214
Net cash from (used in) investing activities	**23,879**	(24,996)
Repayment of bank borrowings	**(22,238)**	(21,816)
Dividend paid	**(7,840)**	(16,094)
New bank borrowings raised	**17,849**	73,356
Other financing cash flows	**(505)**	(279)
Net cash (used in) from financing activities	**(12,734)**	35,167
Net increase (decrease) in cash and cash equivalents	**30,371**	(4,918)
Cash and cash equivalents at 1 January	**290,941**	242,426
Effect of foreign exchange rate changes	**779**	(70)
Cash and cash equivalents at 30 June	**322,091**	237,438
Represented by:		
Bank balances and cash	**321,525**	215,489
Deposits placed in financial institutions	**566**	21,949
	322,091	237,438

1. Basis of Preparation of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in these condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new or revised HKFRSs has had no effect on the condensed consolidated financial statements for the current or prior periods.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards that have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013

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

3. Segmental Information

For the purpose of resources allocation and performance assessment, the Group's executive directors review the operating results and financial information on a brand by brand basis. Their review focuses on the operating result of each brand. Each brand constitutes an operating segment of the Group. As each brand shares similar economic characteristics and has similar products, similar production process and similar target group of customers, the Group's operating segments are aggregated into a single reportable segment and, accordingly, no separate segment information is prepared.

Segment profit before taxation amounting to US$18,455,000 (six months ended 30.6.2010: US$35,956,000), represents the profit earned by the single reportable segment without consideration of administrative expenses including directors' salaries, other income, other gains and losses and finance costs.

4. Profit Before Taxation

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Depreciation of property, plant and equipment	**8,385**	7,959
Depreciation of investment properties	**142**	–
Impairment loss on trade receivables	**577**	410
Loss on fair value changes on held-for-trading investments	**–**	1,617
Loss on disposal of property, plant and equipment	**70**	30
Release of lease premium for land	**135**	120
and after crediting:		
Interest income	**1,971**	1,824
Gain on fair value changes on derivative financial instruments	**385**	453
Reversal of allowance for inventories*	**361**	233

* The reversal was the results of the sale of slow-moving finished goods for which allowance had been fully provided previously.

5. Taxation

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Tax charge (credit) comprises:		
Current tax		
The People's Republic of China (the "PRC") –		
Enterprise Income Tax ("EIT")	**–**	380
The United States of America (the "U.S.") – income tax		
Current period	**60**	1,692
Estimated provision in respect of prior years	**1,402**	–
The United Kingdom (the "U.K.") – income tax	**–**	(293)
	1,462	1,779
Deferred tax	**216**	521
	1,678	2,300

Pursuant to the relevant laws and regulations in the PRC, Lacquer Craft Mfg. Co., Ltd. (Dongguan) ("LCDG") and Lacquer Craft Mfg. Co., Ltd. (Zhejiang) ("LCZJ"), both of which are subsidiaries of the Company, are entitled to the exemptions from EIT for two years starting from their first profit-making year and to 50% relief from EIT for the following three years ("Tax Holidays"). After offsetting the accumulated tax losses, LCZJ entered into its first profit-making year in 2007. Accordingly, LCZJ is entitled to 50% relief from EIT and the income tax rate applicable is 12.5% for the current and prior periods. LCDG's first profit-making year was 2000. Accordingly, the Tax Holidays for LCDG was expired in 2005 and the income tax rate applicable is 25% for the current and prior periods.

The U.S. income tax comprises federal income tax calculated at 34% and state income tax calculated at various rates on the estimated assessable profits of the subsidiaries of the Company which were incorporated in the U.S.. In 2010, certain subsidiaries had outstanding tax queries with the tax bureau in the U.S. regarding the taxability of certain sales arrangement in prior years. In May 2011, the Internal Revenue Service ("IRS") concluded its field examination of these subsidiaries' 2008 and 2009 federal income tax returns and assessed an aggregate additional tax with interest and penalty amounting to approximately US$7 million. The subsidiaries protested strongly the findings and conclusions of the field operations examiner and had filed a formal protest which was prepared by the subsidiaries' counsel to the Appeals Office of the IRS in June 2011. As at the date of this report, the ultimate outcome of these tax issues remained undetermined. The subsidiaries estimated that the ultimate tax liability would not be more than US$1,402,000 based on the assessment of the tax advisor. Accordingly, an amount of US$1,402,000 (six months ended 30.6.2010: Nil) has been recognised in the profit or loss for the current period.

The U.K. income tax is calculated at 28% of the estimated assessable profits of Willis Gambier (UK) Limited, a subsidiary of the Company, which was incorporated in the U.K..

6. Dividend

During the six months ended 30 June 2011, a final dividend of HK$0.02 per share, amounting to approximately HK$60,964,000 (equivalent to approximately US$7,840,000), for the year ended 31 December 2010 was paid to the shareholders of the Company.

During the six months ended 30 June 2010, a final dividend of HK$0.041 per share, amounting to approximately HK$124,977,000 (equivalent to approximately US$16,094,000), for the year ended 31 December 2009 was paid to the shareholders of the Company.

The Board has resolved that an interim dividend of HK$0.02 per share for the six months ended 30 June 2011 (six months ended 30.6.2010: HK$0.02) amounting to approximately HK$60,964,000, equivalent to approximately US$7,816,000, (six months ended 30.6.2010: HK$60,964,000, equivalent to approximately US$7,816,000) be paid to the shareholders of the Company whose names appeared on the register of members on 27 September 2011.

7. Earnings Per Share

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

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Profit for the period and earnings for the purpose of basic and diluted earnings per share	**3,506**	20,015

	Number of shares	Number of shares
Weighted average number of shares for the purpose of basic earnings per share	**3,048,219,773**	3,048,219,773
Effect of dilutive potential ordinary shares:		
Share options	**3,392,256**	1,706,163
Weighted average number of shares for the purpose of diluted earnings per share	**3,051,612,029**	3,049,925,936

8. Movements in Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of US$2,367,000 to cope with business expansion. In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of US$86,000 for cash proceeds of US$16,000, resulting in a loss on disposal of US$70,000.

9. Available-for-sale Investments

As at 30 June 2011, the Group held the investment in equity securities which represented 13.0% (31.12.2010: 13.1%) equity interests in a company listed in the New York Stock Exchange.

10. Other Investments

As at 30 June 2011, an amount of US$976,000 (31.12.2010: US$977,000) represented an investment in an unlisted certificate issued by a financial institution with coupon rate at London Interbank Offered Rate ("LIBOR") plus 2% per annum and maturity date of 25 April 2012.

As at 31 December 2010, the amount also included investment in an unlisted note of US$25,000,000 issued by a financial institution with coupon rate at LIBOR plus 0.8% per annum. The amount was fully settled on maturity in January 2011.

11. Trade and Other Receivables

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

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

	30 June 2011 *US$'000*	31 December 2010 *US$'000*
Trade receivables:		
0 – 30 days	**46,554**	35,180
31 – 60 days	**14,532**	21,765
Over 60 days	**11,409**	9,410
	72,495	66,355
Other receivables and prepayments	**14,708**	19,247
	87,203	85,602

12. Trade and Other Payables

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

	30 June 2011	31 December 2010
	US$'000	*US$'000*
Trade payables:		
0 – 30 days	**18,014**	19,213
31 – 60 days	**5,225**	4,064
Over 60 days	**3,971**	3,884
	27,210	27,161
Other payables and accruals	**26,472**	27,821
	53,682	54,982

13. Bank Borrowings

During the period, the Group obtained new bank borrowings amounting to US$17,849,000 (six months ended 30.6.2010: US$73,356,000). The borrowings are repayable within one year and carry either variable-rate interests at LIBOR plus a margin ranging from 0.4% to 2.0% per annum or fixed-rate interests ranging from 2.146% to 2.85% per annum. The proceeds were used for general working capital purposes.

14. Share Capital

	Number of shares	Nominal value *US$'000*
Ordinary of US$0.05 each		
Authorised:		
At 1 January 2010, 30 June 2010, 31 December 2010 and 30 June 2011	6,000,000,000	300,000
Issued and fully paid:		
At 1 January 2010, 30 June 2010, 31 December 2010 and 30 June 2011	3,048,219,773	152,410

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

15. Capital Commitments

	30 June 2011 ***US$'000***	31 December 2010 *US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	–	76

16. Related Party Transactions

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

Name of related company	Nature of transaction	Six months ended 30 June **2011** ***US$'000***	2010 *US$'000*
Samson Global Co., Ltd.	Rental charged to the Group	**20**	19

The above related company is wholly owned by Mr. Shan Huei KUO and Ms. Yi-Mei LIU, both are directors and ultimate controlling party of the Company.

Compensation of key management personnel

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

	Six months ended 30 June **2011** ***US$'000***	2010 *US$'000*
Short-term benefits	**1,022**	964

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