* for identification purpose only

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 2010

Contents

Corporate Profile

Since its first establishment in 1995, Samson Group, including **Samson Holding Ltd.** (the **"Company")** and its subsidiaries (the "Group"), has now become a fully vertically-integrated furniture company, 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, Paula Deen, and Sofitalia in the U.S. Since October 2008, with the acquisition of a 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, comprised the U.S. and U.K. market expertise, combining with the PRC manufacturing know-how, creates a globally-integrated products and services logistics platform that brings forth 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

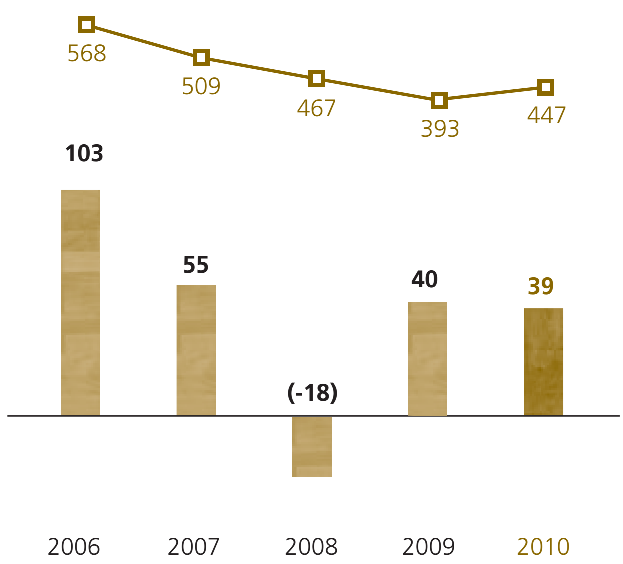
Financial Highlights

	2010 US$'000	2009 US$'000	2010 HK$'000*	2009 HK$'000*
Operating results				
Revenue	**447,032**	393,360	**3,486,850**	3,068,208
Earnings before interest and tax	**44,129**	42,579	**344,206**	332,116
Profit for the year	**38,956**	40,240	**303,857**	313,872
Earnings per share *(US/HK cents)*	**1.3**	1.3	**10.14**	10.14
Financial position				
Total assets	**746,401**	637,463	**5,821,928**	4,972,211
Net current assets	**356,130**	338,001	**2,777,814**	2,636,408
Shareholders' equity	**582,789**	564,034	**4,545,754**	4,399,465
Return on equity** (%)	**6.79%**	7.44%	**6.79%**	7.44%

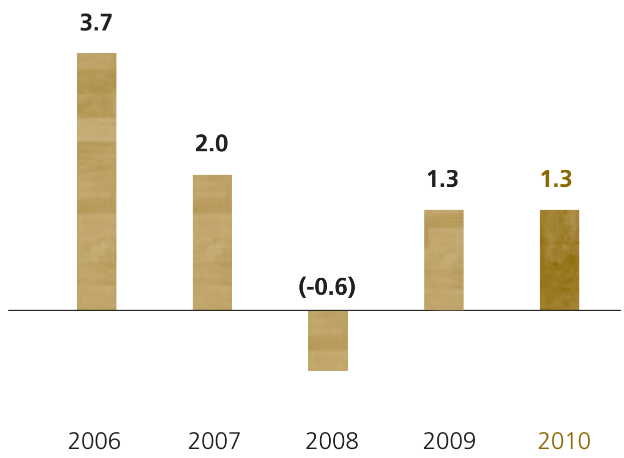
* exchange rate: US$1 to HK$7.8 (for reference only)

** profit for the year/average shareholders' equity

Revenue & Profit (Loss) for the year
(US$ MN)



Earnings (Loss) per share
(US cents)



Revenue

Profit (loss) for the year

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

On behalf of the board of directors (the "Board") of Samson Holding Ltd., I am pleased to present to the shareholders the annual results of the Company and its subsidiaries for the year ended 31 December 2010.

Results

The global economy has flushed positive signs though the housing market in the U.S. continues to face a long road to recovery. Retail sales at furniture stores in 2010 rose 2.8% from 2009. Our turnover was US$447.0 million in 2010, a 13.6% increase over the year of 2009. Gross profit margin was recorded at 29.8%, slightly decreased from 30.4% in 2009, with a gross profit of US$133.4 million as compared to US$119.6 million in 2009. Our pre-tax profit was US$43.3 million, compared to US$41.8 million in 2009, or a 3.6% increase; while net profit for the year of the Group was US$38.9 million, a 3.2% decrease from the year of 2009. The 2010 results confirmed the Group's ability in delivering a promising performance regardless of the adverse business condition.

Business Development and Outlook

After experiencing three long years of decline, the U.S. retail furniture industry posted a small growth in 2010. The efforts we made earlier in our business initiatives had materialized and led the Group to outperform the competitors. Despite the challenging environment, the Group's performance confirmed the initiatives we undertook and its unique and sustainable business model.

As general economic condition continues to recover and once the U.S. housing market stabilizes, the furniture demand shall improve. We expect the year of 2011 is a year with rewards and challenges. With the increased costs in labour and raw material, our gross margin in 2010 was slightly impacted but was alleviated by increasing productivity and improving product mix. Our initiatives in program introduction, new business development, production diversification, and further integration have reshaped the Group's competitiveness. With the initiatives we are investing, we are confident the Group is well positioned for the future. We are committed to maintaining our leading position and will continue to strengthen our competitiveness by growing sales, expanding product offerings and price points, increasing productivity and implementing effective cost controls with a focus on improving profitability. The Group is also proactively developing the PRC market to diversify its markets and accelerate its growth.

Here are the progress made on our principal strategies:

1. Strengthening market presence and brand awareness

Our extensive investment in the branded business continued proving its strategic value in the challenging environment. With the addition of Willis Gambier (UK) Limited ("Willis Gambier"), Craftmaster Furniture, the successful program of Paula Deen launched by Universal Furniture, and Sofitalia, a licensed leather upholstery business, our branded business has contributed significantly to the Group's growth. With the innovative product development and marketing programs, all of our branded companies have planned to expand the customer base and increase product portfolios. Our efforts will continue exploring ways to drive profitable sales.

2. Expanding our original equipment manufacturing ("OEM") business

With our strong product development capabilities, and persistent quality endeavour, we have been highly recognized by our OEM customers. To cope with growing competition, we focus on continue improving our services while providing quality products. We set up Lacqercraft USA in 2009 to serve the customers who source directly from Asia by providing superior customer support and better product value. Two years after we entered the hospitality furniture industry in 2008 as OEM, we established Lacquercraft Hospitality last year to expand our business channel further by leveraging our manufacturing expertise in the PRC to offer superior value products and services for hotel contract customers.

3. Continuing our efforts in improving efficiencies and core competitiveness

To offer our customers quality products with competitive pricing while maintaining the profit margin, the Group has taken various efforts to ease the cost pressure. To act swiftly and to adapt to the current operating environment, we have expanded our business from pure residential casegoods to a full-line of casegoods and upholstered furniture to serve both the residential and hospitality markets. Through the efficiency of our full-line manufacturing operations in PRC, with advanced logistics and warehousing capabilities, our dedicated management continues to take steps to differentiate the Group and gain market share.

We have established a manufacturing plant in Bangladesh and a dimensional mill in Indonesia to take advantage of the low-cost labour and ample wood resources in South East Asia. We expect to diversify our production base and expand our integration stream to benefit the Group in the long run.

The success of our investments in the new manufacturing and dimension plants will play an important role in the Group's advancement of its strategies and maintenance of its core competitiveness.

4. Growing the PRC Market

The Group has developed its presence in the residential furniture market in the PRC through brand introduction and franchise establishment. We have introduced three brands in the PRC, namely, Universal Furniture, At Home and Isa Sofa. Currently, the Group has 54 franchise stores and employed over 60 headcounts for this division. Going forward, the Group intends to aggressively develop this market. We plan to build our brand awareness by expanding store numbers and increasing marketing efforts. Despite the heated competition, we are confident in growing this market by leveraging our sound financial position, and utilizing our strong development capabilities with well-diversified product portfolios.

5. Creating shareholders' value through acquisition strategies

We aim to optimize our return on capital by aggressively pursuing acquisition opportunities and expect such acquisitions may create positive business synergies that benefit our Group going forward.

6. Shareholders' value and corporate governance

We affirm our commitment to enhance sustainable shareholders' value. The Group will continue to thrive in today's business environment by staying focused on investing our brands, expanding product offerings, entering new markets with more effective and diversified channels, improving operation efficiency and cost structure to generate solid growth and sustainable profitability. As such, superior financial results and shareholders' value will be achieved without compromising integrity and business ethics. Through the efforts of the Board and external advisers, the Group will continue to promoting transparency and enhancing corporate governance.

Appreciation

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

Shan Huei KUO
Chairman
21 March 2011

Business Review

Notwithstanding the strong resurgence of demand in retail during the first half of last year, the wholesale furniture industry in the U.S. has experienced an unexpected slowdown since the third quarter of 2010, and several fundamental economic indicators including housing statistics and unemployment rates appeared to continue holding back consumer spending. Nevertheless, we are gratified to achieve double-digit sales growth by gaining additional market share from competition, which was a result of our strengthened core competences in marketing, product design, manufacturing and services. Even though we have faced substantial increase in the price of materials, labour, ocean freight and appreciation of Renminbi, we managed to maintain our gross profit level over the year. We attributed this to the advantages of our vertically-integrated business model, innovative marketing and design of our brands, and the improved efficiencies of the manufacturing team. Following a series of new business initiatives, we incurred additional operation expenses, which affected our operating results of 2010. Our net profit in 2010 was affected by the above-mentioned expenses and higher income taxes. However, we believe the investment is justified by the potential benefits to the Group, and the fruits of our efforts will be reflected progressively not only in the growth of our business by gaining additional market share, but also a better operating results.

Financial Review

An increase in net sales of US$53.6 million or 13.6% was recorded for the year with a total amount of US$447.0 million in 2010 compared to US$393.4 million in 2009. The substantial growth in sales was mainly attributable to broadening innovative and quality product offerings and marketing initiatives, increased clientele and market share.

Gross profit increased 11.5% to US$133.4 million from US$119.6 million in 2009. The gross profit margin percentage was slightly decreased to 29.8% from 30.4% in 2009, mainly due to rising material costs, labour rates, and higher ocean freight cost, together with the strong Renminbi.

Compared to US$88.0 million in 2009, total operating expenses were recorded at US$97.2 million in 2010, as a result of the increased variable expenses in distribution, selling and marketing, and also the additional spending on new business initiatives.

The pre-tax profit margin posted at 9.7%, compared to 10.6% in 2009, due to a decrease in other gains and losses. The profit for the year was recorded at US$38.9 million, compared to US$40.2 million in 2009.

Liquidity, Financial Resources And Capital Structure

As at 31 December 2010, the Group's cash and cash equivalents increased by US$48.5 million to US$290.9 million from US$242.4 million as at 31 December 2009. Bank borrowings increased from US$19.2 million as at 31 December 2009 to US$100.6 million as at 31 December 2010. The gearing ratio (total bank borrowings/shareholders' equity) was increased from 3.4% as at 31 December 2009 to 17.2% as at 31 December 2010. The Group's cash position remains strong and the Group possesses sufficient cash and available banking facilities to meet working capital requirements and further enable us to expand through acquisitions with confidence.

Cash and cash equivalents held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling and Hong Kong dollars. As at 31 December 2010, short-term bank borrowings of US$97.6 million (2009: US$14.3 million) and US$3.0 million (2009: US$4.9 million) bore interest at floating rates and fixed rates respectively. All bank borrowings were denominated in U.S. dollars and were repayable within five years.

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

As 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 31 December 2010, there were outstanding forward exchange contracts amounting to US$397.1 million (2009: US$171.4 million).

The Group's current assets increased by 26.0% to US$517.1 million compared to US$410.5 million as at 31 December 2009 and the Group's current liabilities increased by 121.9% to US$160.9 million compared with US$72.5 million as at 31 December 2009. The current ratio (current assets/current liabilities) therefore decreased to 3.2 times from 5.7 times as at 31 December 2009.

Pledge of Assets

As at 31 December 2010, the Group's inventories of US$27.4 million (2009: US$22.1 million), trade and other receivables of US$56.0 million (2009: US$54.3 million), property, plant and equipment of approximately US$34.8 million (2009: US$35.7 million) and pledged bank deposits of approximately US$0.2 million (2009: US$3.0 million) had been pledged to banks to secure the general banking facilities granted to the Group.

Capital Expenditure

Capital expenditures for the year ended 31 December 2010 amounted to US$16.1 million compared to US$2.8 million in last year. It mainly comprised of the investment of fixed asset in the new plants in Bangladesh and Indonesia.

Outlook

Looking forward, despite the challenging economic and industrial environment, with our comparatively favourable overall strategies and business model among our peers, we are confident and highly dedicated to expanding our business with consistent improved operating results. With our strong financial position, efficient production facilities, well-established distribution networks under the management of our experienced team, we believe we are well positioned to gain additional share in the global market by expanding our business through both organic growth and acquisitions.

Dividend

The Board has recommended the payment of a final dividend for the year ended 31 December 2010 of HK$0.02 per share, subject to the approval of the shareholders at the forthcoming annual general meeting. Upon approval of the shareholders, the proposed final dividend will be paid on 12 May 2011 to the shareholders of the Company whose names appeared on the Company's register of members as at 29 April 2011.

Employees and Emolument Policy

As at 31 December 2010, the Group employed approximately 9,100 (31 December 2009: 8,500) full-time employees in the PRC, the U.S., the U.K. 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 employees throughout our operations globally to better serve our customers. The Company intends to do this through our remuneration packages, including discretionary bonuses and share option scheme, as well as an emphasis on employee training. The emolument of the employees of the Group is 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.

Executive Directors

Shan Huei KUO, also known as Samuel Kuo, aged 55, is an Executive Director of the Company and Chairman of the Board since 11 July 2005, 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"). He is also a director of all members of the Group. 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 25 years of experience in the furniture business in Taiwan, the PRC and the U.S. Mr. Kuo is also the former Chairman of the Taiwan Businessmen's Association Dongguan, 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.

Mr. Kuo is the husband of Ms. Yi-Mei LIU, Executive Director of the Company and Deputy Chairman of the Board. Mr. Kuo is also a director of Magnificent Capital Holding Limited and Advent Group Limited, his controlled corporations and the controlling and substantial shareholders of the Company.

Yi-Mei LIU, also known as Grace Liu, aged 53, is an Executive Director of the Company and Deputy Chairman of the Board since 11 July 2005. She is also a director of all members of the Group. Ms. Liu, together with her husband, Mr. Shan Huei KUO, Executive Director of the Company and Chairman of the Board, are founders of our business. Ms. Liu has over 25 years of experience in the furniture business and she has been closely involved in executing the corporate strategy and daily operations of our Group. In addition to her general management role, she oversees the financial control, cash management and human resources operations of our business. Ms. Liu obtained a Bachelor of Arts degree in English Literature from Suzhou University in 1979.

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

Mohamad AMINOZZAKERI, also known as Mohamad Amini, aged 50, is an Executive Director of the Company since 24 October 2005. Mr. Amini is also a director of Houson International Limited and Willis Gambier, members of the Group and President of Lacquer Craft and has been with our Group since May 1995. Prior to becoming President, he held senior management positions in Lacquer Craft both in manufacturing and sales and marketing, and was formerly the executive Vice-President of Lacquer Craft. Mr. Amini owned and operated furniture retail stores in California and Arizona for 6 years before then. Mr. Amini has over 25 years of experience in the furniture industry and obtained a Bachelor of Science degree in Mechanical Engineering from California State University in Long Beach in 1983.

Non-executive Directors

Sheng Hsiung PAN, also known as William Pan, aged 55, is a Non-executive Director of the Company since 24 October 2005 and a member of the Audit Committee and Remuneration Committee of the Company. He is the Chief Executive Officer of Tai-Chuan Wooden MFG Co., Ltd, a cue manufacturer. Mr. Pan has over 20 years of experience in sales, marketing, manufacturing, and product development in the cue industry and sales and marketing in billiard cue and related accessories. Mr. Pan obtained a Bachelor of Arts degree in Economics Development from Tamkang University in 1979.

Yuang-Whang LIAO, also known as Daniel Liao, aged 41, is a Non-executive Director of the Company since 17 September 2007. Mr. Liao is currently an Executive Director and Chief Financial Officer of China LotSynergy Holdings Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Mr. Liao had been the Director of Investor Relations of the Company and Vice-President and Chief Financial Officer of the subsidiaries of the Company from September 2003 to September 2007. Prior to joining our Group, Mr. Liao held the position of Director in the Private Equity of Citibank Hong Kong. Mr. Liao previously held positions ranging from financial officer and risk analyst to Vice-President of Private Equity at Citibank, Taipei. Mr. Liao has more than 10 years of experience in banking and finance. Mr. Liao holds a Bachelor of Arts degree in Management Science from National Chiao Tung University and an M. Phil in Management from Cambridge University.

Independent Non-executive Directors

Ming-Jian KUO, also known as Andrew Kuo, aged 49, is an Independent Non-executive Director of the Company since 24 October 2005 and the Chairman of the Remuneration Committee of the Company. Mr. Kuo is the Vice Chairman of The Blackstone Group (HK) Limited in charge of Greater China private equity investment business. He is an Independent Director of Cathay Financial Holding Co., Ltd., a company listed on Taiwan Stock Exchange Corporation. He was appointed Managing Director of H&Q Asia Pacific ("H&Q") in September 2005. Before joining H&Q, Mr. Kuo was the Senior Country Officer and Head of Investment Bank of JPMorgan Chase in Hong Kong and has more than 15 years of experience in the corporate finance industry. Since the merger of JPMorgan and Jardine Fleming in 2000, Mr. Kuo had been responsible for the firm's banking business and all investment banking activities in Taiwan. Mr. Kuo was also Vice Chairman of the Greater China Operating Committee of JPMorgan Chase, and since April 2005 he had been responsible for JPMorgan's Financial Sponsor Industry of Asia, ex-Japan. Mr. Kuo had also been Managing Director of the heritage Chase Manhattan Bank since October 1998. Prior to joining JPMorgan Chase, Mr. Kuo worked at Citibank Taipei for more than nine years, last as Head of the Corporate Banking Group responsible for client management. Prior to this, Mr. Kuo was head of the Merchant Banking Group in charge of investment banking and capital market products. He previously worked at Citibank New York, focusing on strategic products, and had experience in Treasury Marketing and Foreign Exchange Trading for six years at Citibank Taipei. He was also the Chief Trader and Head of FX for Citibank from 1993 to 1995. Mr. Kuo is a member of the Youth Presidents' Organization. Mr. Kuo obtained a Bachelor degree with a major in Business Administration from Fu-Jen Catholic University in 1983 and Master of Business Administration degree from City University of New York in 1989.

Siu Ki LAU, also known as Kevin Lau, aged 52, is an Independent Non-executive Director of the Company since 24 October 2005 and Chairman of the Audit Committee of the Company. With over 25 years of experience in corporate finance, financial advisory and management, accounting and auditing, Mr. Lau is currently a financial advisory consultant running his own management consultancy firm, Hin Yan Consultants Limited. 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 seven other listed companies in Hong Kong. Mr. Lau graduated from the Hong Kong Polytechnic in 1981.

Sui-Yu WU, also known as SY Wu, aged 52, is an Independent Non-executive Director of the Company since 15 December 2008 and a member of the Audit Committee and Remuneration Committee of the Company. Mr. Wu has been practising law for 25 years, and is currently the founding partner of Wu & Partners, Attorneys-at-Law, a firm based in Taipei, Taiwan which he founded in 2004. His practice focuses on international economic law and WTO-related practices, cross-border commercial transactions and disputes, and mergers & acquisitions. Before that, Mr. Wu was a senior partner of Lee, Tsai & Partners from 2000 to 2004, the managing partner of Perkins Coie, Taipei Office from 1997 to 2000, and was an Of Counsel of Perkins Coie during 1996-1997. Prior to Perkins Coie, Mr. Wu had been with Lee & Li, Attorneys-at-Law since 1981, and was a visiting attorney at Van Bael & Bellis (Brussels, Belgium) and Nishimura & Partners (Tokyo, Japan) in 1988 and 1989, respectively. In addition to Taiwan, Mr. Wu has been licensed to practise law in New York State since 1990, and a member of the American Bar Association and International Bar Association since 1991. He was the Chair of International Trade Committee of the Inter-Pacific Bar Association during 1999-2001, and a director of Taipei Bar Association in 1993-1996. On the academic track, he was an associate professor at the Soochow University Law School in 1996-2005, and Institute of Law for Science and Technology, Tsin Hua University Law School in 2002-2005. Mr. Wu received a SJD degree and an LLM degree from the University of Michigan Law School, and an LLB degree from the Law Department of National Taiwan University in 1980.

Senior Management

Samson Marketing

Kevin M. O'CONNOR, aged 65, is President and Chief Executive Officer of Samson Marketing. Mr. O'Connor has been with our Group since March 1999, and prior to his current position, he was previously President/Chief Executive Officer of Legacy Classic Furniture, Inc. ("Legacy Classic"). Before joining our Group, Mr. O'Connor held the top executive position of Master Design Furniture, Inc. and Hyundai Furniture, and also held senior management positions at Lea Industries, Burlington Furniture and Ethan Allen Furniture. Mr. O'Connor has over 36 years of experience in the furniture industry. Mr. O'Connor obtained a Bachelor of Arts degree in Psychology from Seton Hall University in 1968 and a Master of Science Degree in Business Administration from Columbia University in 1978.

Chou-Li HSU, also known as Victor Hsu, aged 44, is Vice President and Chief Financial Officer of Samson Marketing, and also serves as Corporate Secretary of our member companies in the U.S. Prior to his current position, Mr. Hsu was previously Vice President/Chief Financial Officer of Universal Furniture International Inc. ("Universal Furniture"), and held senior positions at Legacy Classic and Lacquer Craft since June 1998. Mr. Hsu has more than 15 years of related working experiences in Taiwan, Hong Kong, the PRC and the U.S. Mr. Hsu obtained a Bachelor of Science degree in Industrial Engineering from the National Tsing Hwa University in 1989 and was awarded a Master degree in Business Administration in Finance from the University of Illinois at Urbana-Champaign in 1994.

Larry CRYAN, aged 55, is Vice President of Operations of Samson Marketing since July 2009 and has been with our group since July 1999. Mr. Cryan has previously held the positions of Vice President of Operations of Legacy Classic, Corporate Manager of Administration with Hyundai Furniture and also Credit Manager at Ladd Furniture. Mr. Cryan has over 26 years of experience in the furniture industry. Mr. Cryan was awarded a Bachelor of Arts degree in History from the University of Greensboro in 1977.

William Frank NORTON, aged 41, is Vice President of Mass Merchandise Division (d.b.a. Samson International) of Samson Marketing since his rejoining our Group in August 2007 followed by a short-period away. Mr. Norton once held the position of Vice President of Merchandising of Universal Furniture. Prior to this, Mr. Norton held the positions of General Manager of Snavely Forest Products and Sun River Furniture and as Buyer at IKEA North America, Inc. Mr. Norton has more than 18 years of experience in the furniture industry and obtained a Bachelor of Science degree in Furniture Manufacturing and Management from North Carolina State University in 1991.

Universal Furniture

Jeffrey R. SCHEFFER, age 55, is President and Chief Executive Officer of Universal Furniture. Mr. Scheffer joined our group in December 2008 and came to us from Stanley Furniture where he was President and Chief Executive Officer. During Mr. Scheffer's 30-year career in the furniture industry, he has also held the top executive position of American Drew and executive positions with Hyundai Furniture and Carter Industries. Mr. Scheffer was also Vice President-Sales at Universal Furniture from 1992-1996. He obtained a Bachelor of Science degree in Business from Miami University in 1978.

Yao-Yu CHIEN, also known as Eric Chien, aged 44, is Vice President and Chief Financial Officer of Universal Furniture since February 2007. Previously, he was 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, Taiwan. Mr. Chien has more than 15 years of experience in finance. Mr. Chien received a Master degree in Business Administration from the University of Southern California in 1994.

Donald ESSENBERG, age 55, is Vice President of Sales of Universal Furniture. Mr. Essenberg joined our company in April 2009 from Magnussen as Executive Vice President and Chief Marketing Officer. He has over 30-year experiences in sales, marketing and merchandising in furniture industry. Mr. Essenberg has held senior management positions over his career at Bernhardt, Broyhill, Berkline, and Magnussen. He received a Bachelor of Science degree with a double major in Marketing and Management from Appalachian State University in 1977.

Steven R. LUSH, age 50, is Vice President of Sales of Universal Furniture. Mr. Lush joined our company in April 2009. Prior to joining Universal, he was Vice President of Sales for Hickory Chair Company. With over 27 years experiences in furniture industry, Mr. Lush has held various senior management positions in sales, marketing, and retail operations at La-Z-Boy, Thomasville, Bernhardt, and Hendricks Furniture Group. He received his Bachelor of Science degree in Business Administration from the University of Vermont in 1982.

Jeffrey STONE, age 62, is Vice President of Merchandise of Universal Furniture since 2007. Prior to his current position, he was Vice President of Merchandise of Legacy Classic Furniture since November 2006. Mr. Stone held similar product development positions at Broyhill, Lexington, and Hooker Furniture. He was also Buyer for Marshall Field and Macy's for 17 years. He received a Bachelor degree from University of Washington in 1975.

Legacy Classic

D. Lee BOONE, aged 48, is President of Legacy Classic and has been with our Group since June 2003. Prior to this, Mr. Boone held positions including General Manager of the Youth Division of Legacy Classic (Legacy Classic Kids), Vice President of Sales at Lea Industries and Vice President of National Accounts at Universal Furniture. Mr. Boone has more than 20 years of experience in the furniture industry. Mr. Boone was awarded a Bachelor of Science degree in Engineering with a Minor in Economics from the United States Military Academy at West Point in 1984.

Tsuan-Chien CHANG, also known as Jeffery Chang, aged 46, is Vice President and Chief Financial Officer of Legacy Classic who joined the Group in December of 2008. Prior to joining our Group, Mr. Chang held Controller and Vice President of Operation with Huntington Furniture Industries and as a General Manager at William's Imports. Mr. Chang has more than 15 years of experience in the furniture industry. Mr. Chang received a Bachelor of Science degree in Accountancy in 1993 and a Master degree in Business Administration from California State University, Fresno in 1995.

Gerald E. SAGERDAHL, aged 60, is Executive Vice President of Sales of Legacy Classic and has been with our Group since March 1999. Mr. Sagerdahl previously held the positions of Vice President at Master Design, Rachlin Furniture and GranTree Furniture Inc. and Sales Manager at Ronald A. Rosberg Corporation. Mr. Sagerdahl has more than 33 years of experience in the furniture industry. Mr. Sagerdahl obtained a Bachelor of Arts degree in Computer Science from College of San Mateo, California in 1973.

Michael H. HARRIS, aged 46, is Vice President of Sales of Legacy Classic and has been with our Group since October 2006. Mr. Harris previously held the positions of President and Partner at Kevin Charles Fine Furniture, Sales Manager for Palliser Furniture, and worked as an Independent Manufacturer's Representative. Mr. Harris has more than 20 years of experience in the furniture industry. Mr. Harris obtained a Bachelor of Arts degree in Economics from University of North Carolina at Chapel Hill in 1987.

Biographical Details of Directors and Senior Management

Craftmaster Furniture, Inc. ("Craftmaster Furniture")

Roy R. CALCAGNE, aged 53, is President and Chief Executive Officer of Craftmaster Furniture and has been with our Group since August 2003. Prior to joining our Group, Mr. Calcagne was Vice President of Merchandising at Broyhill Furniture Industry. He has previously worked for Joan Fabrics Corporation as Vice President of Sales and Macy's department store as Merchandise Manager and Upholstery Buyer. Mr. Calcagne has over 25 years of experience in the furniture industry. Mr. Calcagne was awarded a Bachelor of Science degree in Marketing from Fairleigh Dickinson University in 1981.

Chen-Kun SHIH, also known as Anderson Shih, aged 40, is Vice President and Chief Financial Officer of Craftmaster Furniture since July 2006. Prior to his current position, Mr. Shih has more than 10 years of related working experiences in Taiwan, China and the U.S. Mr. Shih began his career at Ernst & Young. He obtained a Bachelor degree in Accounting from the National Chung Hsing University in 1993, and was awarded a Master degree in Business Administration in Finance from the State University of New York at Buffalo in May 1999. Mr. Shih is a Certified Internal Auditor and Certified Public Accountants of U.S.

Alex A. REEVES, aged 47, is Vice President of Sales and Merchandising for Craftmaster Furniture since joining our Group in July 2008. Previously, Mr. Reeves was Vice President of Sales for Hickory Hill, a division of Norwalk Furniture Corp., for 11 years. Prior to this, he was Chief Operating Officer of Precedent Furniture and earlier a sales representative of Leathercraft. Mr. Reeves has over 23 years of experience in the furniture industry. Mr. Reeves was awarded a Bachelor of Arts degree in Economics from Wake Forest University in 1986.

Kevin MANN, aged 46, is Vice President of Operations for Craftmaster Furniture. Prior to joining Craftmaster Furniture, Mr. Mann was Director of Manufacturing of Clayton Marcus Furniture Inc. and also held positions as Plant Manager and Director of Engineering. Mr. Mann started his career at Bassett Upholstery working as an Engineer. Mr. Mann was awarded a Bachelor of Science degree in Industrial Education Technology from Western Carolina University in 1987.

Jack K. STOKES III, aged 36, is Vice President of Sales for Craftmaster Furniture Estate division and Better Homes and Gardens program. Mr. Stokes has worked with Craftmaster Furniture since June 1997, and was promoted to Vice President of Sales in 2007. Prior to the current position, Mr. Stokes held the position of Director of Marketing with Craftmaster Furniture while filling in many sales roles including Markets and Merchandising for over 10 years. Mr. Stokes received Bachelor of Science in Business Administration degree major in Marketing from Western Carolina University, in 1997.

Greg ROGERS, aged 52, is Vice President of Sales Administration for Craftmaster Furniture. Mr. Rogers has been with Craftmaster since 1990 and has served in a variety of managerial positions, most recently as Credit Manager. Prior to joining Craftmaster he worked in hotel and restaurant management with Bryant Lodging Companies. Mr. Rogers earned a Bachelor of Arts degree in Business Administration from Lenoir Rhyne University in 1980.

Willis Gambier (UK) Limited

Mark SYMES, aged 47, is Managing Director of Willis Gambier. Mr. Symes has been with the company since its conception in October 2008. Before joining Willis Gambier, Mr. Symes held the position of Managing Director of International Furniture Direct Ltd and prior to that Managing Director of Universal Industries UK Ltd. Before his time in domestic furniture supply, he worked in senior positions of UK retailers Next PLC and Sharps Fitted Bedrooms Ltd. Mr. Symes has over 20 years' experience in the furniture industry on both retail and supply sides. Mr. Symes holds diplomas in Design and Sales Management from the Distributive Trades College in Leicester Square, London, U.K.

Shing-Huei LI, also known as Elliott Li, aged 40, is Finance Director of Willis Gambier and has been with our Group since December 2006. Prior to his current position, Mr. Li was previously Vice President and Chief Financial Officer of Legacy Classic. Prior to joining our Group, Mr. Li held various financial management positions at Guardian Life Insurance and AT&T in the U.S. as well as sales position at Evergreen Marine in Taiwan. Mr. Li received a Bachelor of Arts degree in International Trade from Fu-Jen Catholic University, Taipei in 1993 and a Master degree in Business Administration from Georgetown University in 1999.

David A. LANE, aged 47, is Customer Relations Director of Willis Gambier and joined our Group in November 2008. Prior to this, Mr. Lane spent 8 years as Operations Director of Mark Webster Furniture in both manufacturing and outsourcing furniture for the U.K. domestic market. Mr. Lane previously spent 16 years in Martins International, a textile company, in both manufacturing and in key retail account management. Mr. Lane has 24 years' experience in the procurement and supply of products to the U.K. market place.

Tony MORGAN, aged 59, is Sales Director of Southern Sales Division of Willis Gambier. Prior to joining our Group in October 2008, Mr. Morgan held director positions at two large British furniture manufacturers, Wade Furniture Group and Christie Tyler Group. Mr. Morgan has more than 28 years experience in the U.K. furniture industry. Mr. Morgan spent his early career in FMCG with a Philip Morris Group Company and also worked in the electronics industry where he attained a City and Guilds degree.

Mike CONROY, aged 50, is Sales Director of Mass Merchandise Division of Willis Gambier. Prior to joining our Group in October 2008, he was Sales Director of 3D UK, a leather upholstery manufacturer. Mr. Conroy was previously Sales Director of Furnico Ltd, the largest independent upholstery supplier in the U.K. Mr. Conroy began his career in retail in 1976 and was Managing Director of Conroys Ltd, a chain store in the North of England from 1994 to 2002. From 1980 to 1982, Mr. Conroy studied Business and Commerce at Monkwearmouth College, Sunderland, U.K.

Lacquer Craft

En-Kwang YANG, also known as Bob Yang, aged 63, 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 46, is Vice President of Manufacturing of Lacquer Craft (Dongguan) and has been with our Group since October 1995. Prior to joining our Group, Mr. Lin held positions in production control, furniture drawing and manufacturing at various furniture companies. Mr. Lin has over 20 years of experience in furniture manufacturing. Mr. Lin obtained a Diploma in Mechanical Engineering from the Industrial College of Nan Yang in 1984.

Yue-Jane HSIEH, also known as Irene Hsieh, aged 40, is Special Assistant to the Chairman and has been with our Group since June 2002. Ms. Hsieh's areas of responsibility include accounts, company secretarial duties and acting as the special assistant to our Chairman, Mr. Kuo. Prior to becoming Special Assistant to the Chairman, Ms. Hsieh was Accounting Manager at Lacquer Craft (Dongguan) from June 2003 to July 2004. Ms. Hsieh previously worked in investment banking at Sinopac Securities and Yuanta Core Pacific Securities and as an auditor at PricewaterhouseCoopers and Ernst & Young Taiwan. Ms. Hsieh has more than three years of experience in auditing, more than five years of experience in finance and more than eight years of experience in accounting. Ms. Hsieh obtained a Bachelor of Science degree in Accounting from Tunghai University in June 1993.

Company Secretary

Pik Yuk CHENG, also known as Patsy Cheng, aged 53, 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 share registration services to their clients. Ms. Cheng has worked in the corporate secretarial departments of a number of international accounting firms and has over 25 years of experience in the company secretarial field. She has been providing corporate secretarial support services to many listed clients. Ms. Cheng is a Fellow Member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Cheng graduated from the Hong Kong Polytechnic in 1980.

The Board is committed to maintaining the highest standard of corporate governance. The Company has applied the principles of and confirms that it has complied with all material code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2010, save for certain deviations from the code provisions which are explained in the relevant paragraphs in this Report.

Board of Directors

The Board is responsible for setting the Group's strategic goals, providing leadership to put them into effect, supervising the management of the business, controlling the Group, promoting the success of the Group, setting appropriate policies to manage risks and reporting to shareholders on their stewardship. Matters reserved to the Board for its decision are those affecting the Group's overall strategic policies, financial control, and shareholders.

The Board has delegated the day-to-day responsibilities to the Chief Executive Officers/Presidents of the Group and their teams and specific responsibilities to the Remuneration Committee and the Audit Committee.

The Chairman of the Board is Mr. Shan Huei KUO ("Mr. KUO"). The day-to-day management of the business is delegated to the Chief Executive Officers/Presidents, assisted by the senior management, of the Company's principal subsidiaries. The Chief Executive Officers of Lacquer Craft, Samson Marketing, Universal Furniture and Craftmaster Furniture are Mr. KUO, Mr. Kevin M. O'CONNOR, Mr. Jeffrey R. SCHEFFER and Mr. Roy R. CALCAGNE respectively. The Presidents of Lacquer Craft and Legacy Classic are Mr. Mohamad AMINOZZAKERI and Mr. D. Lee BOONE respectively.

Though Mr. KUO is the Chairman of the Board and also the Chief Executive Officer of Lacquer Craft, the Group does not propose 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.

The primary role of the Chairman is to provide leadership for the Board. He ensures that all directors are properly briefed on issues arising at board meetings and all directors receive adequate information, which is complete and reliable, in a timely manner and encourages all directors to make a full and active contribution to the Company's affairs.

The primary responsibilities of Chief Executive Officers/Presidents comprise the day-to-day management of the business, the implementation of major strategies and initiatives adopted by the Board, the development and formulation of business plans, budgets, strategies, business and financial objectives for consideration by the Board, and the establishment and maintenance of proper internal controls and systems.

The Board believes that the existing roles between the Chairman and the Chief Executive Officers/Presidents provides the Group with strong leadership, ensures prompt and efficient implementation of decisions and best promotes the interests of shareholders.

During the year, the Board held three Board meetings, two of which were regular meetings to discharge its responsibilities including approval of interim/annual results and review of the Group's strategic business direction and financial performance. Only two regular board meetings were held as the Company is not required under the Listing Rules to announce its quarterly results.

As at 31 December 2010, the Board comprised eight directors, including the Chairman and the Deputy Chairman (who are Executive Directors), one Executive Director, two Non-executive Directors and three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of directors are set out on pages 8 to 9 of this annual report. The list of directors (by category) is also disclosed in all corporate communications issued by the Company.

Mr. KUO and Ms. Yi-Mei LIU, Executive Directors, are husband and wife. Save as herein disclosed, none of the directors or Chief Executive Officers/Presidents are related.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Company has received from each of its Independent Non-executive Directors written annual confirmation of their independence pursuant to the Listing Rules and the Company considers that each of them to be independent in accordance with the Listing Rules and unrelated in every aspect including financial, business, or family.

Appointment and Re-election and Removal of Directors

The procedure and process of appointment, re-election and removal of directors are laid down in the Company's articles of association which provide that all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill casual vacancy shall hold office until the next following general meeting of the Company and for new director appointed as an addition to the Board until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

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

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.

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 during the year ended 31 December 2010.

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of securities transactions of the relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group. No incident of non-compliance of the guidelines of securities transactions of the relevant employees was noted by the Company.

Communication with Shareholders and Investors

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

Committees

The Remuneration Committee and the Audit Committee were established on 24 October 2005. The terms of reference of the Remuneration Committee and the Audit Committee are posted on the Company's website (www.samsonholding.com) and are made available on request. The composition of the Remuneration Committee and the Audit Committee are as follows:

Remuneration Committee	Audit Committee
Mr. Ming-Jian KUO *(Chairman)*	Mr. Siu Ki LAU *(Chairman)*
Mr. Sheng Hsiung PAN	Mr. Sheng Hsiung PAN
Mr. Sui-Yu WU	Mr. Sui-Yu WU

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

The Audit Committee is primarily responsible for monitoring integrity of financial statements, annual reports and accounts, half-year reports and reviewing significant financial reporting judgments and the Group's financial controls, internal control and risk management systems and overseeing the relationship with the external auditors, including making recommendations to the Board on the appointment, reappointment and removal of the external auditors and approving the remuneration and terms of engagement of the external auditors. The Audit Committee members have substantial experience in management, corporate finance, financial advisory and management, accounting and auditing.

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

Internal Controls

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

Auditors' Remuneration

During the year, the remuneration paid to the external auditors of the Company in respect of audit services and non-audit services amounted to approximately US$484,000 and US$142,000, respectively. The non-audit services mainly consist of professional advisory on taxation and review of interim financial information.

Board and Committee Attendance

	Number of meetings held
Board	3
Remuneration Committee	1
Audit Committee	2

Resolutions were once passed by resolutions in writing of all directors in lieu of directors' meeting.

Individual attendance of each director is as follows:

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

Practices and Conduct of Meetings

Notice of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

For regular Board meetings and committee meetings, the Board has used its best endeavour to send Board papers together with all appropriate information to all directors at least 3 days before the regular Board meetings or committee meetings to keep the directors apprised of the latest developments and financial positions of the Company and to enable them to make informed decisions.

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such director or any of his associates has a material interest and this provision has always been complied with.

Directors' and Auditor's Responsibilities for the Financial Statements

The directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor about the reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 25 and 26.

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in Note 42 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 27 of this annual report.

An interim dividend of HK$0.02 per share, amounting to approximately HK$60,964,000 (equivalent to approximately US$7,846,000), was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK$0.02 per share, amounting to approximately HK$60,964,000 (equivalent to approximately US$7,816,000) to the shareholders of the Company whose names appeared on the Company's register of members on 29 April 2011, subject to the approval of the shareholders at the forthcoming annual general meeting.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 84 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2010, the Company's reserves available for distribution to shareholders were as follows:

	2010	2009
	US$'000	*US$'000*
Share premium	**185,620**	185,620
Contributed surplus	**80,186**	80,186
Accumulated profits	**8,590**	16,394
	274,396	282,200

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 during the year in the property, plant and equipment of the Group are set out in Note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 29 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS

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

Executive Directors

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

Non-executive 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

In accordance with the provisions of the Company's articles of association, Messrs. Yi-Mei LIU, Ming-Jian KUO and Sheng Hsiung PAN will retire by rotation pursuant to article 130 of the articles of association of the Company at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election thereat.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contracts which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 24 October 2005 (the "Share Option Scheme"). Particulars of the Company's share option scheme are set out in Note 30 to the consolidated financial statements.

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

	Date of Grant	Exercise Price HK$	Vesting Date	Exercise Period	Number of share options: Outstanding as at 1.1.2010	Granted during the year	Forfeited during the year	Outstanding as at 31.12.2010
Director:								
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.2	6.2.2007	6.2.2007 – 16.11.2015	83,333	–	–	83,333
			6.2.2008	6.2.2008 – 16.11.2015	83,333	–	–	83,333
			6.2.2009	6.2.2009 – 16.11.2015	83,334	–	–	83,334
					250,000	–	–	250,000
Other employees:								
In aggregate	6.2.2006	4.2	6.2.2007	6.2.2007 – 16.11.2015	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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings 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 benefits by means of acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, 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 owns 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 31 December 2010.

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 shares or underlying shares of the Company as at 31 December 2010.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

CONNECTED TRANSACTIONS

During the year, the Group paid rental charge to Samson Global Co., Ltd. which is wholly-owned by Mr. Shan Huei KUO and Ms. Yi-Mei LIU. These transactions are regarded as connected transactions and qualified as a "de minimis transaction" pursuant to Chapter 14A of the Listing Rules. The details of these transactions are set out in Note 40 to the consolidated financial statements.

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

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	8%
– five largest customers	26%
– the largest supplier	14%
– five largest suppliers	36%

During the year, none of the directors, their associates nor 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, the Company has maintained a sufficient public float throughout the year ended 31 December 2010.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately US$476,000.

AUDITOR

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

On behalf of the Board

Shan Huei KUO
Chairman

21 March 2011

Deloitte.
德勤

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

We have audited the consolidated financial statements of Samson Holding Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 83, which comprise the consolidated statement of financial position as at 31 December 2010, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

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 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2011

	Notes	2010 US$'000	2009 US$'000
Revenue		**447,032**	393,360
Cost of sales		**(313,618)**	(273,795)
Gross profit		**133,414**	119,565
Other income	5	**5,968**	5,933
Other gains and losses	5	**1,982**	5,059
Distribution costs		**(24,270)**	(21,157)
Sales and marketing expenses		**(40,176)**	(34,022)
Administrative expenses		**(32,789)**	(32,799)
Finance costs	6	**(841)**	(744)
Profit before taxation		**43,288**	41,835
Taxation	7	**(4,332)**	(1,595)
Profit for the year	8	**38,956**	40,240
Earnings per share, in US$	11		
– Basic		**0.013**	0.013
– Diluted		**0.013**	0.013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010	2009
	US$'000	*US$'000*
Profit for the year	**38,956**	40,240
Other comprehensive income for the year:		
Exchange differences arising on translation of foreign operations	**6,005**	(2,172)
(Loss) gain on changes in fair value of available-for-sale investments	**(2,311)**	23,470
	3,694	21,298
Total comprehensive income for the year	**42,650**	61,538

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	2010 US$'000	2009 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**154,153**	160,599
Investment properties	13	**9,610**	–
Lease premium for land – non-current portion	14	**10,603**	10,157
Goodwill	15	**11,475**	11,475
Other intangible assets	16	**1,669**	1,669
Available-for-sale investments	18	**37,118**	39,429
Other investments	19	**977**	–
Cash surrender value of life insurance	20	**689**	597
Deferred tax assets	28	**3,042**	2,989
		229,336	226,915
CURRENT ASSETS			
Inventories	21	**110,526**	77,330
Trade and other receivables	22	**85,602**	84,990
Lease premium for land – current portion	14	**287**	260
Tax recoverable		**983**	862
Derivative financial instruments	23	**3,081**	1,655
Other investments	19	**25,000**	–
Restricted bank deposits	24	**410**	–
Pledged bank deposits	24	**235**	3,025
Cash and cash equivalents	24	**290,941**	242,426
		517,065	410,548
CURRENT LIABILITIES			
Trade and other payables	25	**54,982**	51,259
Tax payable		**2,715**	2,087
Derivative financial instruments	23	**2,630**	29
Bank borrowings – due within one year	26	**100,608**	19,172
		160,935	72,547
NET CURRENT ASSETS		**356,130**	338,001
TOTAL ASSETS LESS CURRENT LIABILITIES		**585,466**	564,916

	Notes	2010 US$'000	2009 US$'000
NON-CURRENT LIABILITIES			
Deferred compensation	27	**689**	597
Deferred tax liabilities	28	**1,988**	285
		2,677	882
		582,789	564,034
CAPITAL AND RESERVES			
Share capital	29	**152,410**	152,410
Share premium and reserves		**430,379**	411,624
		582,789	564,034

The consolidated financial statements on pages 27 to 83 were approved and authorised for issue by the Board of Directors on 21 March 2011 and are signed on its behalf by:

Shan Huei KUO
Director

Yi-Mei LIU
Director

	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Share option reserve US$'000	Merger reserve US$'000 (Note 31)	Statutory reserve US$'000 (Note 32)	Exchange reserve US$'000	Investment revaluation reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2009	152,732	186,011	460	446	1,581	1,174	37,594	–	138,124	518,122
Profit for the year	–	–	–	–	–	–	–	–	40,240	40,240
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(2,172)	–	–	(2,172)
Gain on changes in fair value of available-for-sale investments	–	–	–	–	–	–	–	23,470	–	23,470
Total comprehensive income for the year	–	–	–	–	–	–	(2,172)	23,470	40,240	61,538
Recognition of equity-settled share-based payments	–	–	–	108	–	–	–	–	–	108
Shares cancelled	(322)	(391)	322	–	–	–	–	–	(322)	(713)
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(15,021)	(15,021)
At 31 December 2009	152,410	185,620	782	554	1,581	1,174	35,422	23,470	163,021	564,034
Profit for the year	–	–	–	–	–	–	–	–	38,956	38,956
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	6,005	–	–	6,005
Loss on changes in fair value of available-for-sale investments	–	–	–	–	–	–	–	(2,311)	–	(2,311)
Total comprehensive income for the year	–	–	–	–	–	–	6,005	(2,311)	38,956	42,650
Recognition of equity-settled share-based payments	–	–	–	45	–	–	–	–	–	45
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(23,940)	(23,940)
At 31 December 2010	152,410	185,620	782	599	1,581	1,174	41,427	21,159	178,037	582,789

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 US$'000	2009 US$'000
OPERATING ACTIVITIES			
Profit before taxation		**43,288**	41,835
Adjustments for:			
Reversal of allowance for inventories		**(5,065)**	(3,497)
Amortisation of club debenture		**–**	9
Depreciation of property, plant and equipment		**16,131**	16,689
Loss (gain) on changes in fair value of derivative financial instruments		**1,175**	(3,306)
Impairment loss on trade receivables and other investments		**559**	445
Interest expense		**841**	744
Interest income		**(3,908)**	(3,316)
Loss on disposal of property, plant and equipment		**4**	228
PRC tax refund on capital reinvestment		**–**	(921)
Release of lease premium for land		**247**	240
Share-based payment expense		**45**	108
Operating cash flows before working capital changes		**53,317**	49,258
(Increase) decrease in inventories		**(26,759)**	18,306
(Increase) decrease in trade and other receivables		**(940)**	13,095
Increase (decrease) in trade and other payables		**4,146**	(6,720)
Cash generated from operations		**29,764**	73,939
Hong Kong Profits Tax paid		**(2)**	(13)
Overseas tax (paid) refunded, net		**(2,213)**	1,655
NET CASH FROM OPERATING ACTIVITIES		**27,549**	75,581

	Note	**2010** ***US$'000***	2009 *US$'000*
INVESTING ACTIVITIES			
(Addition in) release of restricted bank deposits		**(410)**	5,727
Interest received		**3,908**	3,316
PRC tax refund on capital reinvestment received		**–**	921
Proceeds from disposal of property, plant and equipment		**270**	572
Release of (addition in) pledged bank deposits		**2,790**	(3,025)
Purchase of property, plant and equipment		**(15,363)**	(2,840)
Acquisition of business	*33*	**(1,039)**	–
Purchase of land lease premium		**(373)**	–
Purchase of other investments		**(26,000)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(36,217)**	4,671
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(24,281)**	(46,737)
Dividend paid		**(23,940)**	(44,819)
Interest paid		**(841)**	(744)
New bank borrowings raised		**105,552**	35,334
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**56,490**	(56,966)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**47,822**	23,286
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**242,426**	218,908
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**693**	232
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by		**290,941**	242,426
Bank balances and cash		**290,090**	240,191
Deposits placed in financial institutions		**851**	2,235
		290,941	242,426

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2009 Revision) of the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Advent Group Limited, which is incorporated in the British Virgin Islands ("BVI") and its ultimate holding company is Magnificent Capital Holding Limited, which is also incorporated in the BVI. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

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

The Company acts as investment holding. Particulars of the principal activities of its subsidiaries are set out in Note 42.

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

In the current year, the Group has applied the following new and revised Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting years.

Results of the Group in future years may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

As part of Improvements to HKFRSs 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, lessees were required to classify leasehold land as operating leases and present them as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

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

In accordance with the transitional provisions of HKAS 17 *Leases*, the Group reassessed the classification of land elements of unexpired leases at 1 January 2010 based on information which existed at the inception of these leases and is of the opinion that the application of HKAS 17 had no effect on the consolidated financial statements of the Group for the current or prior years.

The application of the other new and revised HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior years.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The directors anticipate that application of HKFRS 9 that will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2013 will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification and measurement of the Group's other financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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 in full on consolidation.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place on or after 1 January 2010 (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (a maximum of 12 months from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

An acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

3. 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 sold and services provided in the normal course of business, net of discounts and sales related taxes.

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

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Share-based payment transactions

Share options granted to employees of the Group

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than freehold land and construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is stated at cost less accumulated impairment losses, if any.

After recognition of the investment property, it shall be caused at its cost less any accumulated depreciation and any accumulated impairment losses.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Transfer from owner-occupied property to investment property carried at cost

An item of property, plant and equipment is transferred to investment property if its use changes, e.g. as evidenced by end of owner-occupation. After recognition of the investment property, the item continues to be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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 asset) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

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

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

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

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

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. United States dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the terms of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building (continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Retirement benefit costs

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

Financial instruments

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

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

3. 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. Subsequent to initial recognition, loans and receivables (including other investments, trade and other receivables, restricted bank deposits, pledged bank deposits, bank balances, deposits placed in financial institutions and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. Available-for-sale financial assets are measured at fair value at the end of the reporting period. The Group designated the listed equity securities as available-for-sale financial assets as shown in Note 18. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

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 Company's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

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

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derivatives not designated into an effective hedge relationship are classified as current or non-current on the basis of their expected settlement dates.

Derecognition

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

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

4. SEGMENTAL INFORMATION

For the purpose of resources allocation and performance assessment, the Group's executive directors review operating results and financial information on a brand by brand basis. They focus on the operating result of each brand. Each brand constitutes an operating segment of the Group. As each brand shares similar economic characteristics, has similar products, being produced under similar production process and has 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 of US$68,968,000 (2009: US$64,386,000) represents the profit earned by the single reportable segment without allocation of administrative expenses including directors' salaries, other income, other gains and losses and finance costs.

4. SEGMENTAL INFORMATION (continued)

Other segment information

Amounts included in the measure of segment profits are as follows:

	Reportable segment total US$'000	Adjustments US$'000	Total US$'000
2010			
Depreciation of property, plant and equipment	**13,746**	**2,385**	**16,131**
Reversal of allowance for inventories	**5,065**	**–**	**5,065**
2009			
Depreciation of property, plant and equipment	13,369	3,320	16,689
Reversal of allowance for inventories	3,497	–	3,497

The adjustments represent the depreciation charges for corporate head quarters' furniture, plant and equipment, which are not included in segment information.

Revenue from major product

The Group's revenue are arising from manufacturing and sale of residential furniture.

Geographical information

The Group's operations are located on the People's Republic of China (the "PRC"), the United Kingdom (the "U.K."), the U.S. (country of domicile), the Bangladesh and others.

The Group's revenue from external customers by their geographical location and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended		Non-current assets (Note) Year ended	
	31.12.2010	31.12.2009	**31.12.2010**	31.12.2009
	US$'000	*US$'000*	***US$'000***	*US$'000*
The PRC, including Hong Kong	**4,520**	2,863	**124,225**	132,580
The U.K.	**31,257**	30,672	**1,497**	1,815
The U.S. (country of domicile)	**398,500**	354,210	**48,592**	49,449
The Bangladesh	**–**	–	**11,975**	–
Others	**12,755**	5,615	**1,220**	56
	447,032	393,360	**187,509**	183,900

Note: Non-current assets excluded available-for-sale investments, other investments, cash-surrender value of life insurance and deferred tax assets.

Information about major customers

There were no revenue from customers contributing over 10% of total sales of the Group during both years.

5. OTHER INCOME/OTHER GAINS AND LOSSES

Other income mainly consists of bank interest income and others.

Other gains and losses consist of gain/loss on changes in fair value of derivative financial instruments, gain/loss on disposal of property, plant and equipment, gain on disposal of investments held-for-trading and net exchange gain.

6. FINANCE COSTS

	2010	2009
	US$'000	*US$'000*
Interest on bank borrowings wholly repayable within five years	**841**	744

7. TAXATION

	2010	2009
	US$'000	*US$'000*
Tax charge represents:		
Current tax charge (credit):		
The PRC Enterprise Income Tax ("EIT")	**1,300**	493
Hong Kong Profits Tax	**–**	3
The U.S. income tax charge (credit)	**1,559**	(898)
The U.K. income tax	**–**	180
Taiwan income tax	**3**	3
	2,862	(219)
Overprovision in prior years:		
The U.K. income tax	**(178)**	–
	(178)	–
Deferred tax *(Note 28)*	**1,648**	1,814
	4,332	1,595

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

7. TAXATION (continued)

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 the EIT for two years starting from its first profit-making year and to a 50% relief from the 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 was entitled to 50% relief from the EIT for the years ended 31 December 2009 and 2010 and the income tax rate applicable to LCZJ was 12.5%. LCDG's first profit-making year was the year ended 31 December 2000. Accordingly, LCDG is subject to a 50% relief from the EIT for each of the three years ended 31 December 2004 and the income tax rate applicable to LCDG was 25% for both years.

The U.S. income tax charge comprises federal income tax calculated at 34% and state income tax calculated at various rates on the estimated assessable profits of subsidiaries of the Company which were incorporated in the U.S..

At 31 December 2010, certain subsidiaries have outstanding tax queries with the tax bureau in the U.S. regarding the taxability of certain sales arrangement. The management of the Company, after consultation with tax advisors, is of the view that no additional tax provision is considered necessary as the subsidiaries have ground to resist the outstanding tax queries.

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

Taiwan income tax is calculated at 17% of the deemed assessable profits of the branch of Samson International Enterprises Limited, a subsidiary of the Company, established in Taiwan.

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

	2010	2009
	US$'000	*US$'000*
Profit before taxation	**43,288**	41,835
Taxation at the U.S. federal income tax rate of 34%	**14,718**	14,224
U.S. state income tax at various rates	**487**	105
Tax effect of expenses not deductible for tax purpose	**2,304**	3,299
Tax effect of income not taxable for tax purpose	**(2,305)**	(2,278)
Overprovision in respect of prior years	**(178)**	–
Tax effect of tax losses not recognised	**423**	86
Effect of Tax Holidays granted to PRC subsidiaries	**(1,296)**	(266)
Effect of profits earned by subsidiaries operating in other jurisdictions	**(9,821)**	(13,575)
Tax charge for the year	**4,332**	1,595

Details of the deferred taxation are set out in Note 28.

8. PROFIT FOR THE YEAR

	2010	2009
	US$'000	*US$'000*
Profit for the year has been arrived at after charging:		
Staff costs	**72,897**	64,432
Share-based payment expense	**45**	108
Retirement benefit scheme contributions	**964**	991
Total staff costs including directors' remuneration *(Note 9)*	**73,906**	65,531
Amortisation of club debenture	**–**	9
Auditor's remuneration	**626**	658
Cost of inventories recognised as an expense	**318,388**	277,292
Depreciation of property, plant and equipment	**16,131**	16,689
Impairment loss on trade receivables and other investments	**559**	445
Loss on changes in fair value of derivative financial instruments *(Note iii)*	**1,175**	–
Loss on disposal of property, plant and equipment *(Note iii)*	**4**	228
Release of lease premium for land	**247**	240
and after crediting:		
Bank interest income	**3,908**	3,316
Gain on changes in fair value of derivative financial instruments *(Note iii)*	**–**	3,306
Gain on disposal of investments held for trading *(Note iii)*	**319**	–
Net exchange gain *(Note iii)*	**2,864**	1,981
PRC tax refund on capital reinvestment *(Note i)*	**–**	921
Reversal of allowance for inventories (included in cost of sales) *(Note ii)*	**5,065**	3,497
Service income from provision of logistics arrangement services	**25**	76

Notes:

i. Pursuant to an approval granted by a local tax authority, a subsidiary of the Company received a PRC tax refund of RMB6,305,000 (equivalent to approximately US$921,000) during the year ended 31 December 2009 in respect of its reinvestment made in a PRC subsidiary. The tax refund was calculated with reference to certain percentage of the tax in respect of the reinvestment paid by the PRC subsidiary.

ii. The reversal in 2009 and 2010 was due to sales of slow-moving finished goods for which allowance had previously been fully provided.

iii. These items are included in other gains and losses.

9. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

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

2010

	Shan Huei KUO US$'000	Yi-Mei LIU US$'000	Mohamad AMINOZZAKERI US$'000	Sheng Hsiung PAN US$'000	Yuang Whang LIAO US$'000	Ming-Jian KUO US$'000	Siu Ki LAU US$'000	Sui-Yu WU US$'000	Total US$'000
Fees	31	31	31	15	15	31	31	31	216
Other emoluments									
Salaries and other benefits	859	608	320	–	–	–	–	–	1,787
Share-based payment expense	–	–	–	–	–	–	–	–	–
Total emoluments	890	639	351	15	15	31	31	31	2,003

2009

	Shan Huei KUO US$'000	Yi-Mei LIU US$'000	Mohamad AMINOZZAKERI US$'000	Sheng Hsiung PAN US$'000	Yuang Whang LIAO US$'000	Ming-Jian KUO US$'000	Siu Ki LAU US$'000	Sui-Yu WU US$'000	Total US$'000
Fees	31	31	31	15	15	31	31	31	216
Other emoluments									
Salaries and other benefits	859	608	316	–	–	–	–	–	1,783
Share-based payment expense	–	–	1	–	–	–	–	–	1
Total emoluments	890	639	348	15	15	31	31	31	2,000

9. DIRECTORS' AND EMPLOYEES' REMUNERATIONS (continued)

Of the five individuals with the highest emoluments in the Group, three (2009: three) are the directors of the Company whose emoluments are included above. The emoluments of the remaining two (2009: two) individuals are as follows:

	2010	2009
	US$'000	*US$'000*
Basic salaries and allowances	**689**	643
Retirement benefit scheme contributions	**15**	11
Share-based payment expense	**45**	85
	749	739

Their emoluments were within the following bands:

	2010	2009
	Number of employees	*Number of employees*
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	1
	2	2

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

10. DIVIDEND

	2010 US$'000	2009 US$'000
Dividend recognised as distribution during the year:		
Interim – HK$0.020 per share for 2010 (2009: HK$0.0166 per share for 2009)	7,846	6,527
Final – HK$0.041 per share for 2009 (2009: HK$0.0216 per share for 2008)	16,094	8,494
	23,940	15,021

Final dividend of HK$0.02 per share in respect of the year ended 31 December 2010 (2009: final dividend of HK$0.041 in respect of the year ended 31 December 2009) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

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

	2010 US$'000	2009 US$'000
Profit for the year and earnings for the purpose of basic and diluted earnings per share	38,956	40,240

	2010 Number of shares	2009 Number of shares
Weighted average number of shares for the purpose of basic earnings per share	3,048,219,773	3,049,664,321
Effect of dilutive potential ordinary shares:		
Share options	2,256,001	1,067,117
Weighted average number of shares for the purpose of diluted earnings per share	3,050,475,774	3,050,731,438

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'000	Buildings US$'000	Plant and machinery US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Furniture, fixture and equipment US$'000	Construction in progress US$'000	Total US$'000
COST								
At 1 January 2009	8,876	96,077	88,391	8,512	2,450	35,392	10,066	249,764
Exchange adjustments	–	(388)	(584)	(59)	9	(138)	(68)	(1,228)
Additions	–	1,216	648	8	68	548	352	2,840
Transfer	–	3,819	1,000	–	–	101	(4,920)	–
Disposals	–	(28)	(1,768)	–	(157)	(223)	–	(2,176)
At 31 December 2009	8,876	100,696	87,687	8,461	2,370	35,680	5,430	249,200
Exchange adjustments	–	2,333	2,744	311	55	791	106	6,340
Additions	–	1,041	6,217	998	342	1,645	5,120	15,363
Acquired on acquisition of a subsidiary	–	–	–	–	–	256	454	710
Transfer to investment properties	–	(12,185)	–	–	–	–	–	(12,185)
Transfer	–	103	50	–	–	348	(501)	–
Disposals	–	(374)	(528)	(14)	(89)	(899)	–	(1,904)
At 31 December 2010	**8,876**	**91,614**	**96,170**	**9,756**	**2,678**	**37,821**	**10,609**	**257,524**
DEPRECIATION								
At 1 January 2009	–	14,716	33,318	2,881	1,399	21,377	–	73,691
Exchange adjustments	–	(70)	(220)	(19)	(5)	(89)	–	(403)
Provided for the year	–	4,203	7,797	749	257	3,683	–	16,689
Eliminated on disposals	–	(12)	(1,055)	–	(99)	(210)	–	(1,376)
At 31 December 2009	–	18,837	39,840	3,611	1,552	24,761	–	88,601
Exchange adjustments	–	548	1,500	142	45	609	–	2,844
Provided for the year	–	4,438	7,849	829	272	2,743	–	16,131
Transfer to investment properties	–	(2,575)	–	–	–	–	–	(2,575)
Eliminated on disposals	–	(366)	(297)	(3)	(69)	(895)	–	(1,630)
At 31 December 2010	**–**	**20,882**	**48,892**	**4,579**	**1,800**	**27,218**	**–**	**103,371**
CARRYING VALUE								
At 31 December 2010	**8,876**	**70,732**	**47,278**	**5,177**	**878**	**10,603**	**10,609**	**154,153**
At 31 December 2009	8,876	81,859	47,847	4,850	818	10,919	5,430	160,599

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of the property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Buildings	2.5%–5%
Plant and machinery	10%
Leasehold improvements	10%
Motor vehicles	20%
Furniture, fixture and equipment	20%

13. INVESTMENT PROPERTIES

	US$'000
COST	
At 31 December 2009	–
Transfer from property, plant and equipment	12,185
At 31 December 2010	**12,185**
DEPRECIATION	
At 31 December 2009	–
Transfer from property, plant and equipment	2,575
Provided for the year	–
At 31 December 2010	**2,575**
CARRYING VALUES	
At 31 December 2010	**9,610**
At 31 December 2009	–

The fair value of the Group's investment properties at 31 December 2010 was US$13,565,000 (31 December 2009: Nil). The fair value of the Group's investment properties as at 31 December 2010 and 2009 have been determined by the directors of the Company. No valuation has been performed by independent qualified professional values. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar properties in similar locations and conditions.

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.5%

The carrying value of investment properties shown above are situated on freehold land and outside Hong Kong.

14. LEASE PREMIUM FOR LAND

	2010 US$'000	2009 US$'000
The Group's lease premium for land under operating lease is analysed as follows:		
Medium-term land use rights situated in the PRC	**10,521**	10,417
Medium-term land use rights situated in Indonesia	**369**	–
	10,890	10,417
Analysed for reporting purposes as:		
Current asset	**287**	260
Non-current asset	**10,603**	10,157
	10,890	10,417

15. GOODWILL

	US$'000
COST	
At 1 January 2009, 31 December 2009 and 31 December 2010	11,475

Particulars regarding impairment testing on goodwill are disclosed in Note 17.

16. OTHER INTANGIBLE ASSETS

	Club debenture	Trademark	Total
	US$'000	US$'000	US$'000
COST			
At 1 January 2009, 31 December 2009 and 31 December 2010	**40**	**1,669**	**1,709**
AMORTISATION			
At 1 January 2009	31	–	31
Provided for the year	9	–	9
At 31 December 2009	40	–	40
Provided for the year	–	–	–
At 31 December 2010	**40**	**–**	**40**
CARRYING VALUE			
At 31 December 2010	**–**	**1,669**	**1,669**
At 31 December 2009	–	1,669	1,669

Club debenture has finite useful life and is amortised on a straight line basis over its estimated useful life of 5 years.

Intangible asset with indefinite useful life

The trademark is considered to have an indefinite legal life because it can be renewed every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademark is considered by management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 17.

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

For the purposes of impairment testing, goodwill and trademark with indefinite useful life set out in Notes 15 and 16 respectively have been allocated to two individual cash generating units ("CGU(s)"). The carrying amounts of goodwill and trademarks as at 31 December 2010 allocated to these units are as follows:

	Goodwill		Trademark	
	2010	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*
Brand A	**11,475**	11,475	**–**	–
Brand B	**–**	–	**1,669**	1,669
	11,475	11,475	**1,669**	1,669

During the year ended 31 December 2010, management of the Group determined that there was no impairment of its CGUs containing goodwill or trademark with indefinite useful life. The basis of the recoverable amount of the above CGUs and their major underlying assumptions are summarised below:

Brand A

The recoverable amount of this unit has been determined based on a value in use calculation. The Management believes this unit would have an indefinite useful life. However for the purposes of the impairment test the calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12% (2009: 12%) with a steady 5% growth rate. This unit's cash flows beyond the five-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

Brand B

The recoverable amount of this unit has been determined on the basis of value in use calculations. The Management believes this unit has an indefinite useful life. However, for the purpose of the impairment test, the calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12% (2009: 12%) with a steady 5% growth rate. This unit's cash flows beyond the five-year period are extrapolated using a zero growth rate. Other key assumptions for value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

18. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2010 US$'000	2009 US$'000
Equity securities listed in the U.S.	37,118	39,429

At 31 December 2010, the Group held the investment in equity securities which represented 13.1% (2009: 14.9%) equity interests of a company listed in the New York Stock Exchange.

The equity investments were classified as available-for-sale investments and initially and subsequently measured at their fair value. Fair value is determined based on the listed stock bid price of the equity securities on acquisition date and as at the end of the reporting period.

19. OTHER INVESTMENTS

As at 31 December 2010, an amount of US$977,000 (2009: Nil) 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. In the opinion of the directors, the amount will be recovered after twelve months from the end of the reporting period and therefore it is classified as non-current asset.

As at 31 December 2010, an amount of US$25,000,000 (2009: Nil) represented an investment in an unlisted note issued by a financial institution with coupon rate at LIBOR plus 0.8% per annum and maturity date of 9 January 2011. Subsequent to 31 December 2010, the unlisted note reached maturity and the amount of US$25,000,000 was fully settled on the maturity date.

20. 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 investments. As at 31 December 2010 and 2009, the carrying amount represents the cash surrender value of the policy and approximates its fair value.

21. INVENTORIES

	2010 US$'000	2009 US$'000
Raw materials	39,118	22,719
Work in progress	10,497	12,376
Finished goods	60,911	42,235
	110,526	77,330

22. TRADE AND OTHER RECEIVABLES

	2010 US$'000	2009 US$'000
Trade receivables	67,602	75,824
Less: allowance for doubtful debts	(1,247)	(5,441)
	66,355	70,383
Other receivables and prepayments	19,247	14,607
Total trade and other receivables	85,602	84,990

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

The following is an aged analysis of the Group's trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2010 US$'000	2009 US$'000
0 – 30 days	35,180	37,374
31 – 60 days	21,765	23,614
Over 60 days	9,410	9,395
	66,355	70,383

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$9,410,000 (2009: US$9,395,000) which are past due at the reporting date for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2010 US$'000	2009 US$'000
Over 60 days	9,410	9,395

22. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts

	2010	2009
	US$'000	*US$'000*
Balance at beginning of the year	**5,441**	8,104
Impairment losses recognised on trade receivables	**536**	445
Written off as uncollectible	**(4,730)**	(3,108)
Balance at end of the year	**1,247**	5,441

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

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$1,247,000 (2009: US$5,441,000) which have either been placed under liquidation or in severe financial difficulties. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and the present value of the expected recoverable amount. The Group does not hold any collateral over these balances.

All of the trade and other receivables are denominated in currencies which are the same as the functional currencies of the relevant group entities.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2010 US$'000	2009 US$'000
Derivative financial assets – current			
Foreign currency forward contracts – gross settled	(a)	**2,541**	1,195
Foreign currency forward contracts – net settled	(a)	**540**	390
Currency structured forward contract – gross settled	(b)	**–**	70
		3,081	1,655
Derivative financial liabilities – current			
Foreign currency forward contracts – gross settled	(a)	**538**	13
Foreign currency forward contracts – net settled	(a)	**1,100**	16
Currency structured forward contract – gross settled	(b)	**992**	–
		2,630	29

Notes:

(a) Foreign currency forward contracts

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

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

Major terms of foreign currency forward contracts are as below:

Aggregate notional amount	Maturity	Forward exchange rates
As at 31 December 2010		
Sell US$170.0 million	From January 2011 to December 2011	RMB/US$6.5468 to RMB/US$6.7736
Sell RMB970.0 million	From January 2011 to December 2011	RMB/US$6.5180 to RMB/US$6.8270
As at 31 December 2009		
Sell US$76.0 million	From March 2010 to October 2010	RMB/US$6.8070 to RMB/US$6.8288
Sell RMB531.0 million	From March 2010 to October 2010	RMB/US$6.7200 to RMB/US$6.8195
Sell GBP10.0 million	From January 2010 to December 2010	US$/GBP1.6702

At the end of the reporting period, the fair value of the above forward contracts were determined based on the difference between the market forward rates at the end of the reporting period for remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take account of the time value of money.

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Notes: (continued)

(b) Currency structured forward contract

In addition, the Group also entered into a gross settled RMB/USD (2009: GBP/USD) structured forward contract which gives the Group the opportunities to buy RMB/sell USD (2009: sell GBP/buy USD) at rates which are better than the market plain forward rates prevailing on the trade dates of the transactions. As of 31 December 2010, the potential maximum total notional amounts of the outstanding RMB structured contract were USD82 million (2009: £4.8 million) covering monthly settlements to 11 October 2011 (2009: bi-weekly settlements up to 19 November 2010). There is also a knock out feature for the contract under which the contract will terminate if the accumulative gains to the Group have exceeded certain specified amounts.

At the end of the reporting period, the fair value of the above currency structured forward contract was determined based on valuation provided by the counterparty banks using valuation techniques.

24. RESTRICTED BANK DEPOSITS/PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

At 31 December 2010, the restricted bank deposit amounting US$410,000 (2009: Nil) represents a deposit restricted for use to secure a banking facility granted by a bank and will be released upon the expiry of the banking facility. The banking facility will expire within twelve months from the end of the reporting period and therefore, the restricted bank deposit is classified as current asset. The restricted bank deposit carries a fixed interest rate of 0.36% per annum.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to US$235,000 (2009: US$3,025,000) were pledged to secure bank borrowings. The pledged bank deposits carry a fixed interest rate of 2.25% per annum. The pledged bank deposits were released upon the repayment of the bank borrowing during the year ended 31 December 2010.

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

The balances of restricted bank deposits, pledged bank deposits and cash and cash equivalents held in the PRC amounted to US$29,825,000 (2009: US$23,924,000).

At the end of the reporting period, cash and cash equivalents of US$5,072,000, US$305,000 and US$41,000 (2009: US$11,884,000, nil and nil) respectively are denominated in Great Britain Pound, Bangladeshi Talia and Indonesia Rupiah currencies other than the functional currency of a group entity.

The balances of cash and cash equivalents includes deposits placed in financial institutions amounting to US$851,000 (2009: US$2,235,000). The effective interest rate for deposits placed in the financial institutions and banks are 0.2% and 1.35% (2009: 1.16% and 1.43%), respectively, per annum.

25. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period.

	2010 US$'000	2009 US$'000
Trade payables:		
0 – 30 days	19,213	17,184
31 – 60 days	4,064	3,961
Over 60 days	3,884	1,740
	27,161	22,885
Other payables and accruals	27,821	28,374
	54,982	51,259

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

26. BANK BORROWINGS

The Group has the following bank loans:

	2010 US$'000	2009 US$'000
Revolving line of credit	92,654	14,325
Trust receipt and import loans	7,954	4,847
	100,608	19,172
Analysed as:		
Secured	19,608	17,040
Unsecured	81,000	2,132
	100,608	19,172

The Group's bank borrowings are interest bearing as follows:

	2010 US$'000	2009 US$'000
Fixed rate borrowings	3,024	4,847
Variable rate borrowings	97,584	14,325
	100,608	19,172

The Group has variable-rate borrowings which carry interest at the 30 days London Interbank Offered Rate Market Index rate ("LIBOR") plus 1.00% (2009: LIBOR plus 2.00%).

26. BANK BORROWINGS (continued)

The average effective interest rates on the Group's bank borrowings during the year are as follows:

	2010	2009
Effective interest rate:		
Fixed rate borrowings	**1.48%**	0.351% to 1.436%
Variable rate borrowings	**0.91%**	2.36%

The above borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2010 US$'000	2009 US$'000
United States dollar	**7,954**	4,847

27. DEFERRED COMPENSATION

The Group has adopted deferred compensation plan for a key executive. Under the terms of this plan, the executive may defer a discretionary amount which is payable to the executive upon his retirement, death or termination of service. This amount is invested by the Group in managed investment funds (Note 20). The balance is stated at fair value at the end of the reporting period.

The fair value of the deferred compensation was determined based on the valuation provided by the counterparty financial institution by reference to the quoted price of the underlying units held.

28. DEFERRED TAXATION

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

	Accelerated tax depreciation US$'000	Others US$'000 (note)	Total US$'000
At 1 January 2009	1,196	(5,712)	(4,516)
Exchange adjustments	1	(3)	(2)
Charge to profit or loss *(Note 7)*	765	1,049	1,814
At 31 December 2009	1,962	(4,666)	(2,704)
Exchange adjustments	(2)	4	2
Charge to profit or loss *(Note 7)*	203	1,445	1,648
At 31 December 2010	**2,163**	**(3,217)**	**1,054**

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

28. DEFERRED TAXATION (continued)

At the end of the reporting period, the Group had unused tax losses of US$1,683,000 (2009: US$439,000) available to offset against future profits. No deferred tax asset had been recognised in respect of such tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward for a period of five years from their respective year of origination.

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

	2010 ***US$'000***	2009 *US$'000*
Deferred tax liabilities	**1,988**	285
Deferred tax assets	**(3,042)**	(2,989)
	(1,054)	(2,704)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. For the year ended 31 December 2009, the PRC subsidiaries have incurred operating losses, no deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries established in the U.S. for which deferred tax liabilities have not been recognised was US$46,565,000 (2009: US$51,259,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

29. SHARE CAPITAL

	Number of shares	**Nominal value** *US$'000*
Ordinary shares of US$0.05 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	6,000,000,000	300,000
Issued and fully paid:		
At 1 January 2009	3,054,649,773	152,732
Shares cancelled	(6,430,000)	(322)
At 31 December 2009 and 2010	3,048,219,773	152,410

29. SHARE CAPITAL (continued)

During the year ended 31 December 2009, 6,430,000 ordinary shares were cancelled on delivery of share certificates. The nominal value of US$322,000 of all the shares cancelled during the year ended 31 December 2009 was credited to capital redemption reserve pursuant to section 37(4) of the Companies Law (2008 Revision) of the Cayman Islands. The premium paid on the repurchase of these shares in the amount of US$391,000 was charged to share premium. The aggregate consideration to repurchase these shares in the amount of US$713,000 was deducted from shareholders' equity.

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

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 incentive 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 from the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

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

30. SHARE OPTION SCHEME (continued)

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

	Date of Grant	Exercise Price HK$	Vesting Date	Exercise Period	Number of share options: As at 1.1.2009	Granted during the year	Forfeited during the year	As at 31.12.2009	Granted during the year	Forfeited during the year	As at 31.12.2010
Director:											
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	83,333	–	–	83,333	–	–	83,333
			6.2.2008	6.2.2008 – 16.11.2015	83,333	–	–	83,333	–	–	83,333
			6.2.2009	6.2.2009 – 16.11.2015	83,334	–	–	83,334	–	–	83,334
					250,000	–	–	250,000	–	–	250,000
Other employees:											
In aggregate	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	1,789,649	–	–	1,789,649	–	–	1,789,649
			6.2.2008	6.2.2008 – 16.11.2015	1,789,649	–	–	1,789,649	–	–	1,789,649
			6.2.2009	6.2.2009 – 16.11.2015	1,789,649	–	–	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	–	–	1,500,000
			15.12.2010	15.12.2010 – 16.11.2015	1,500,000	–	–	1,500,000	–	–	1,500,000
			15.12.2011	15.12.2011 – 16.11.2015	1,500,000	–	–	1,500,000	–	–	1,500,000
			15.12.2012	15.12.2012 – 16.11.2015	1,500,000	–	–	1,500,000	–	–	1,500,000
			15.12.2013	15.12.2013 – 16.11.2015	1,500,000	–	–	1,500,000	–	–	1,500,000
					12,868,947	–	–	12,868,947	–	–	12,868,947
Total					13,118,947	–	–	13,118,947	–	–	13,118,947
Exercisable at the end of the year								7,118,947			8,618,947
Weighted average exercise price					2.30	–	–	2.30			2.30

The exercise price of share options granted was fixed at the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant. The closing price of the shares of the Company immediately before the date of options granted on 29 December 2008 was HK$0.87.

The Group has recognised the total expense of US$45,000 for the year ended 31 December 2010 (2009: US$108,000) in relation to share options granted by the Company.

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 its holding company, Samson Worldwide Limited's shares issued for a share swap on 31 December 2005.

32. STATUTORY RESERVE

Pursuant to the relevant regulations applicable to foreign investment enterprises established in the PRC, LCDG and LCZJ 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 set off accumulated losses or increase capital.

33. ACQUISITION OF SUBSIDIARIES

On 30 July 2010, the Group acquired 100% of the issued share capital of Trimark International Limited ("Trimark") for consideration of US$1,058,000. This acquisition has been accounted for using the acquisition method. Trimark is an investment holding company and its subsidiary is engaged in the manufacturing of residential furniture in Bangladesh. Trimark was acquired as to continue the expansion of the Group's operations.

Consideration transferred

	US$'000
Cash	1,058
Total	1,058

Assets acquired and liabilities recognised at fair value at the date of acquisition are as follows:

	US$'000
Property, plant and equipment	710
Other receivables	410
Bank balances and cash	19
Accruals	(81)
	1,058

Net cash outflow on acquisition of Trimark

	US$'000
Cash consideration paid	1,058
Less: cash and cash equivalent balances acquired	(19)
	1,039

Had the acquisition of Trimark been effected at 1 January 2010, since the revenue and profits of the acquiree for 2010 are insignificant, there would be no material impact on the revenue and the profit of the Group for the year.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes, bank borrowings disclosed in Note 26 (net of cash and cash equivalents disclosed in Note 24), and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits.

The directors of the Company review the capital structure periodically. As a part of this review, the directors consider the cost of capital and risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or redemption of existing debt.

35. FINANCIAL INSTRUMENTS

35a. Categories of financial instruments

	2010	2009
	US$'000	*US$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**360,788**	317,650
Derivative financial instruments	**3,081**	1,655
Available-for-sale financial assets	**37,118**	39,429
Financial liabilities		
Financial liabilities at amortised cost	**146,981**	46,379
Derivative financial instruments	**2,630**	29

35. FINANCIAL INSTRUMENTS (continued)

35b. Financial risk management objectives and polices

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

Market risk

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

Currency risk

Several subsidiaries of the Company which are foreign operations have certain foreign currency purchases in United States dollar. In addition, the Group has bank balances that are denominated in foreign currency of Great Britain Pound. As a result, the Group is exposed to foreign currency risk. However, approximately 71% (2009: 74%) of cost of sales is denominated in the relevant group entity's functional currency.

At the end of the reporting period, the carrying amount of the Group's monetary assets and monetary liabilities (including intercompany payables within the Group), which are denominated in foreign currencies of the relevant group entities are as follows:

	Assets		**Liabilities**	
	2010	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*
United States dollar	**2,016**	6,654	**73,124**	80,929
Great Britain Pound	**5,072**	11,884	**–**	–

The Group requires its foreign operations to use forward and currency structured forward contracts to manage the currency exposures. On this basis, the Group has entered into certain forward and currency structured forward contracts to manage its foreign currency exposure.

35. FINANCIAL INSTRUMENTS (continued)

35b. Financial risk management objectives and polices (continued)

Market risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation in United States dollar against Renminbi, which is the functional currency of certain relevant group entities, and Great Britain Pound against United States dollar, which is the functional currency of a relevant group entity.

The following table details the Group's sensitivity to a 5% (2009: 5%) increase in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% (2009: 5%) increase in foreign currency rates. The sensitivity analysis includes bank balances and cash, trade and other payables, bank borrowings and intercompany payables within the Group where the denomination of these balances are in currencies other than the functional currency of the relevant group entities. A 5% strengthening of the functional currencies of the relevant group entities against the relevant foreign currency will give rise to the following impact to post-tax profit (loss) for the year. For a 5% weakening of the functional currencies of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact.

	Notes	**2010** ***US$'000***	2009 *US$'000*
Increase (decrease) in post-tax profit (2009: decrease (increase) in post-tax loss) in relation to:			
– USD	*(i)*	**3,198**	3,087
– GBP	*(ii)*	**(254)**	(594)

Notes:

(i) This is mainly attributable to the exposure on outstanding United States dollar bank balances and cash, trade and other payables, bank borrowings and intercompany payables at year end within the Group.

(ii) This is mainly attributable to the exposure on outstanding Great Britain Pound bank balances and cash.

For the outstanding forward and currency structured forward contracts, if the market forward exchange rate of United States dollar against Renminbi had been 5% (2009: 5%) higher/lower, post-tax profit for the year ended 31 December 2010 would increase by US$361,000/decrease by US$4,393,000 (2009: post-tax loss would decrease/increase by US$48,000) as a result of the changes in the market forward exchange rate of United States dollar against Renminbi.

35. FINANCIAL INSTRUMENTS (continued)

35b. Financial risk management objectives and polices (continued)

Market risk (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risks in relation to variable-rate bank borrowings (see Note 26 for details of these borrowings). The Group's bank balances also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate restricted bank deposits, fixed-rate pledged bank deposits and fixed-rate bank borrowings (see Notes 24 and 26 respectively for details). The Group aims to keep the bank deposits and bank borrowings at variable rates. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure on going basis and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank borrowings and bank balances. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2009: 50 basis points) and a 10 basis points (2009: 10 basis points) increase or decrease are used for variable-rate bank borrowings and bank balances respectively when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2009: 50 basis points) and 10 basis points (2009: 10 basis points) higher/lower for variable-rate bank borrowings and bank balances respectively and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2010 would decrease/increase by US$258,000 (2009: post-tax loss would increase/decrease by US$191,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank balances.

Other price risk

The Group is exposed to equity price risk through its investment in a listed equity security. Management manages this exposure by closely monitoring the investment. The Group's equity price risk is mainly concentrated on an equity instrument operating in furniture industry sector listed in the New York Stock Exchange.

35. FINANCIAL INSTRUMENTS (continued)

35b. Financial risk management objectives and polices (continued)

Market risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

For year ended 31 December 2009 and 2010, if the prices of the equity instrument had been 5% higher/lower and all other variables were held constant, the Group's other comprehensive income, total comprehensive income and investment valuation reserve would increase/decrease by US$1,175,000 (2009: US$1,971,000) as a result of the changes in fair value of available-for-sale investments. There would be no impact on the Group's post-tax profit for the year ended 31 December 2009 and 2010.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group sets appropriate credit limits for customers, follows up overdue debts and reviews the recoverable amount of each individual debt at the end of the reporting period date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group's concentration of credit risk by industry sections is in the furniture industry. The Group's concentration of credit risk by geographical locations is mainly in the U.S., which accounted for 87% (2009: 85%) of the total trade receivables as at 31 December 2010. The Group also has concentration of credit risk by customer as 51% (2009: 48%) and 28% (2009: 19%) of the total trade receivables were due from the Group's five largest customers and largest customer respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's liquidity position is monitored closely by the management of the Company.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (continued)

35b. Financial risk management objectives and polices (continued)

Liquidity risk (continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments except for those net settled derivative financial assets. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month *US$'000*	1 – 3 months *US$'000*	3 months to 1 year *US$'000*	Total undiscounted cash flows *US$'000*	Carrying amount at 31.12.2010 *US$'000*
2010						
Non-derivative financial instruments						
Trade and other payables	–	31,311	10,548	4,513	46,372	46,372
Bank borrowings – due within one year						
– fixed rate	1.48	45	3,068	–	3,113	3,024
– variable rate	0.91	81,888	5,081	11,866	98,835	97,584
		113,244	18,697	16,379	148,320	146,980
Derivative financial instruments – net settlement						
Foreign currency forward contracts		111	495	549	1,155	1,100
Currency structured forward contract		34	90	919	1,043	992
		145	585	1,468	2,198	2,092
Derivative financial instruments – gross settlement						
Foreign currency forward contracts						
– inflow		(16,097)	(40,785)	(110,455)	(167,337)	(159,369)
– outflow		15,750	39,851	108,503	164,104	156,290
		(347)	(934)	(1,952)	(3,233)	(3,079)

35. FINANCIAL INSTRUMENTS (continued)

35b. Financial risk management objectives and polices (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2009						
Non-derivative financial instruments						
Trade and other payables	–	16,005	8,518	2,684	27,207	27,207
Bank borrowings – due within one year						
– fixed rate	0.89	–	2,140	2,754	4,894	4,847
– variable rate	2.23	4,480	9,037	1,073	14,590	14,325
		20,485	19,695	6,511	46,691	46,379
Derivative financial instruments – net settlement						
Foreign currency forward contracts	–	–	–	17	17	16
Derivative financial instruments – gross settlement						
Foreign currency forward contracts						
– inflow	–	(1,461)	(10,377)	(89,889)	(101,727)	(96,884)
– outflow	–	1,390	10,214	88,884	100,488	95,702
		(71)	(163)	(1,005)	(1,239)	(1,182)
Currency structured forward contract						
– inflow	–	(712)	–	–	(712)	(712)
– outflow	–	642	–	–	642	642
		(70)	–	–	(70)	(70)

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (continued)

35c. Fair value

The determination of fair value of available-for-sale investments is disclosed in Note 18.

The fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	31 December 2010		
	Level 1	**Level 2**	**Total**
	US$'000	***US$'000***	***US$'000***
Financial assets at FVTPL			
Derivative financial assets	–	3,081	3,081
Available-for-sale financial assets			
Listed equity securities	37,118	–	37,118
Total	37,118	3,081	40,199
Financial liabilities at FVTPL			
Derivative financial liabilities	–	2,630	2,630

35. FINANCIAL INSTRUMENTS (continued)

35c. Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

	31 December 2009		
	Level 1	Level 2	Total
	US$'000	*US$'000*	*US$'000*
Financial assets at FVTPL			
Derivative financial assets	–	1,655	1,655
Available-for-sale financial assets			
Listed equity securities	39,429	–	39,429
Total	39,429	1,655	41,084
Financial liabilities at FVTPL			
Derivative financial liabilities	–	29	29

There were no transfers between Level 1 and 2 in both years.

36. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2010	2009
	US$'000	*US$'000*
Premises and equipment	**5,150**	5,444

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	2009
	US$'000	*US$'000*
Within one year	**3,760**	4,339
In the second to fifth year inclusive	**10,476**	11,347
Over five years	**9,620**	10,983
	23,856	26,669

Operating lease payments represent rentals payable by the Group for its factories and staff quarters and equipment. Lease terms are ranged from one to five years. Operating lease payments also include rental payable by the Group for its leasehold interest in a piece of land with lease term of eleven years.

36. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

Property rental income earned from lease of warehouse facility and sublease of leased factories and equipment during the year was US$169,000 (2009: US$334,000), respectively. The warehouse facility held have committed tenants for the next 12 years.

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

	2010	2009
	US$'000	*US$'000*
Within one year	**1,169**	169
In the second to fifth year inclusive	**4,823**	–
Over five years	**9,041**	–
	15,033	169

37. CAPITAL COMMITMENTS

	2010	2009
	US$'000	*US$'000*
Capital expenditure in respect of acquisition of property, plant and equipment: – contracted for but not provided in the consolidated financial statements	**76**	423

38. PLEDGE OF ASSETS

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

	2010	2009
	US$'000	*US$'000*
Property, plant and equipment	**34,848**	35,705
Inventories	**27,371**	22,099
Trade and other receivables	**56,006**	54,337
Cash and cash equivalent	**235**	3,025
	118,460	115,166

39. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% or HK$1,000 of the relevant payroll costs, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

In accordance with the relevant PRC rules and regulations, the PRC subsidiaries of the Company 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 the PRC subsidiaries are calculated according to the rate set by the municipal government.

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

40. RELATED PARTY TRANSACTIONS

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

Name of related company	Nature of transactions	2010 US$'000	2009 US$'000
Samson Global Co., Ltd.	Rental paid	38	36

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

Compensation of key management personnel

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

	2010 US$'000	2009 US$'000
Short-term benefits	2,784	2,642
Post-employment benefits	15	11
Share-based payment expense	45	86
	2,844	2,739

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

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Note	2010 US$'000	2009 US$'000
TOTAL ASSETS		**449,696**	459,941
TOTAL LIABILITIES		**(350)**	(525)
		449,346	459,416
CAPITAL AND RESERVES			
Share capital *(Note 29)*		**152,410**	152,410
Share premium and reserves	*(a)*	**296,936**	307,006
		449,346	459,416

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

(a) Share premium and reserves

	Share premium US$'000	Capital redemption reserve US$'000	Contributed surplus US$'000	Share option reserve US$'000	Investment revaluation reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2009	186,011	460	80,186	446	–	770	267,873
Profit for the year	–	–	–	–	–	30,967	30,967
Gain on changes in fair value of available-for-sale investments	–	–	–	–	23,470	–	23,470
Total comprehensive income for the year	–	–	–	–	23,470	30,967	54,437
Recognition of equity-settled share based payments	–	–	–	108	–	–	108
Shares cancelled	(391)	322	–	–	–	(322)	(391)
Dividend recognised as distribution	–	–	–	–	–	(15,021)	(15,021)
At 31 December 2009 and 1 January 2010	185,620	782	80,186	554	23,470	16,394	307,006
Profit for the year	–	–	–	–	–	16,136	16,136
Loss on changes in fair value of available-for-sale investments	–	–	–	–	(2,311)	–	(2,311)
Total comprehensive income for the year	–	–	–	–	(2,311)	16,136	13,825
Recognition of equity-settled share based payments	–	–	–	45	–	–	45
Dividend recognised as distribution	–	–	–	–	–	(23,940)	(23,940)
At 31 December 2010	**185,620**	**782**	**80,186**	**599**	**21,159**	**8,590**	**296,936**

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

42. 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 2010	Directly 2009	Indirectly 2010	Indirectly 2009	Principal activities
Craftmaster Furniture, Inc.	The U.S.	Ordinary	US$0.01	–	–	100%	100%	Manufacturing and sales of furniture
# LCDG	The PRC	Capital contribution	HK$497,340,000	–	–	100%	100%	Manufacturing and sale of furniture
# LCZJ	The PRC	Capital contribution	US$80,000,000	–	–	100%	100%	Manufacturing and sale of furniture
Legacy Classic Furniture, Inc.	The U.S.	Ordinary	US$4,450,000	–	–	100%	100%	Marketing and sales of furniture
Samson International Enterprises Limited	BVI/ Taiwan	Ordinary	US$50,000	–	–	100%	100%	Trading of furniture and procurement services
Samson Investment Holding Co.	The U.S.	Ordinary	US$0.10	–	–	100%	100%	Investment holding
Universal Furniture International, Inc.	The U.S.	Ordinary	US$0.35	–	–	100%	100%	Marketing and sales of furniture
Willis Gambier (UK) Limited	The U.K.	Ordinary	£1	–	–	100%	100%	Trading of furniture
Trendex Furniture Ind. Co., Ltd.	Bangladesh	Ordinary	Taka400,000	–	–	100%	–	Manufacturing and sale of furniture
PT Lacquer Craft Industry Indonesia	Indonesia	Ordinary	Rp22,507,500,000	–	–	100%	–	Manufacturing and sale of furniture

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

\# LCDG and LCZJ are wholly foreign owned enterprises.

Financial Summary

RESULTS

	Year ended 31 December				
	2006	2007	2008	2009	**2010**
	US$'000	*US$'000*	*US$'000*	*US$'000*	***US$'000***
Revenue	568,415	508,710	466,569	393,360	**447,032**
Profit (loss) for the year	103,052	55,001	(18,470)	40,240	**38,956**

ASSETS AND LIABILITIES

	As at 31 December				
	2006	2007	2008	2009	**2010**
	US$'000	*US$'000*	*US$'000*	*US$'000*	***US$'000***
Total assets	552,179	577,368	638,066	637,463	**746,401**
Total liabilities	(112,868)	(88,209)	(119,944)	(73,429)	**(163,612)**
Shareholders' funds	439,311	489,159	518,122	564,034	**582,789**