

# Corporate Governance Report

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

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

## Board of Directors

The Board is responsible for setting the Group’s strategic aims, providing the leadership to put them into effect, supervising the management of the business, controlling the Group, promoting the success of the Group, setting appropriate policies to manage risks and reporting to shareholders on their stewardship. Matters reserved to the Board for its decision are those affecting the Group’s overall strategic policies, financial control, and shareholders. The Board meets regularly and at least four times a year.

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

The Chairman of the Company is Mr. Shan Huei Kuo. The day-to-day management of the business is delegated to the Chief Executive Officers/Presidents, assisted by the senior management, of the Company’s principal subsidiaries. The Chief Executive Officers of Lacquer Craft, Samson Marketing, Universal Furniture and Craftmaster are Mr. Shan Huei Kuo, Mr. Kevin M. O’Connor, Mr. Randolph V. Chrisley and T. Steven Lackey respectively. The Presidents of Lacquer Craft and Legacy Classic are Mr. Mohamad Aminozakeri and Mr. Donald Lee Boone respectively. The Board believes that the existing segregation of the roles between the Chairman and the Chief Executive Officers/Presidents provides the Group with strong leadership, ensures prompt and efficient implementation of decisions and best promotes the interests of shareholders.

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.

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

As at 31 December 2006, the Board comprised seven directors, including the Chairman, the Deputy Chairman, one Executive Director, one Non-executive Director and three Independent Non-executive Directors. Biographical details of directors are set out on pages 9 to 10.

## Corporate Governance Report (Cont'd)

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

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

### Directors' Securities Transactions

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

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

### 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](http://www.samsonholding.com)) and are made available on request. The composition of the Remuneration Committee and the Audit Committee are as follows:

<b>Remuneration Committee</b>	<b>Audit Committee</b>
Mr. Ming-Jian KUO ( <i>Chairman</i> )	Mr. Siu Ki LAU ( <i>Chairman</i> )
Ms. Huei-Chu HUANG	Ms. Huei-Chu HUANG
Mr. Sheng Hsiung PAN	Mr. Sheng Hsiung PAN

The Remuneration Committee is primarily responsible for making recommendations to the Board on the Company's policy and structure for all remuneration 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.

During the year, the Remuneration Committee reviewed the remuneration of executive directors and senior management as well as recommended the granting of share options to employees.

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

# Corporate Governance Report (Cont'd)

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

	US\$'000
Audit	719
Taxation	70
Others	13

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. No director has been appointed by the directors either to fill a casual vacancy, or as an addition to the Board during the year.

## Board and Committee Attendance

	Number of meetings held
Board	6
Remuneration Committee	2
Audit Committee	2

Individual attendance of each director is as follows:

Directors	No. of meetings attended/held		
	Board	Remuneration Committee	Audit Committee
<i>Executive Directors</i>			
Mr. Shan Huei KUO ( <i>Chairman</i> )	6/6	–	–
Ms. Yi-Mei LIU ( <i>Deputy Chairman</i> )	6/6	–	–
Mr. Mohamad AMINOZZAKERI	5/6	–	–
<i>Non-executive Director</i>			
Mr. Sheng Hsiung PAN	4/6	2/2	1/2
<i>Independent Non-executive Directors</i>			
Ms. Huei-Chu HUANG	5/6	2/2	2/2
Mr. Ming-Jian KUO	5/6	2/2	–
Mr. Siu Ki LAU	5/6	–	2/2

## Directors' and Auditors' Responsibilities for the Financial Statements

The directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditors about their reporting responsibilities in the independent auditors' report on the financial statements is set out on pages 24 and 25.