



**Samson Holding Ltd.**  
**順誠控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

*(Stock Code: 531.hk)*



Interim Report 2010



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## Corporate Profile

Since established in 1995, Samson Group, including **Samson Holding Ltd. (the “Company”)** and its subsidiaries (the “Group”), has now become a fully vertically-integrated furniture company, 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 the U.K. premium casegoods importer and wholesaler under the brandname “Willis Gambier”, we have established a solid presence in the U.K. and Europe. In addition to our own brands,

through our mega factories named Lacquer Craft in the People’s Republic of China (the “PRC”), we also manufacture for a number of North American leading brands.

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

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

# Corporate Information

## Executive Directors

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

## Non-executive Directors

Mr. Sheng Hsiung PAN  
Mr. Yuang-Whang LIAO

## Independent Non-executive Directors

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

## Audit Committee

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

## Remuneration Committee

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

## Company Secretary

Ms. Pik Yuk CHENG

## Authorized Representatives

Ms. Yi-Mei LIU  
Ms. Pik Yuk CHENG

## Registered Office

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

## Stock Code

The Stock Exchange of Hong Kong Limited: 531

## Websites

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

## Principal Places of Business

### China:

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

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

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

### United States of America:

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

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

### United Kingdom:

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

## Auditor

Deloitte Touche Tohmatsu

## Principal Bankers

Bank SinoPac  
Chinatrust Commercial Bank  
Citibank Taiwan Limited  
Fubon Bank (Hong Kong) Limited  
Wells Fargo & Co.

## Share Registrars and Transfer Offices

### Principal:

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

### Hong Kong Branch:

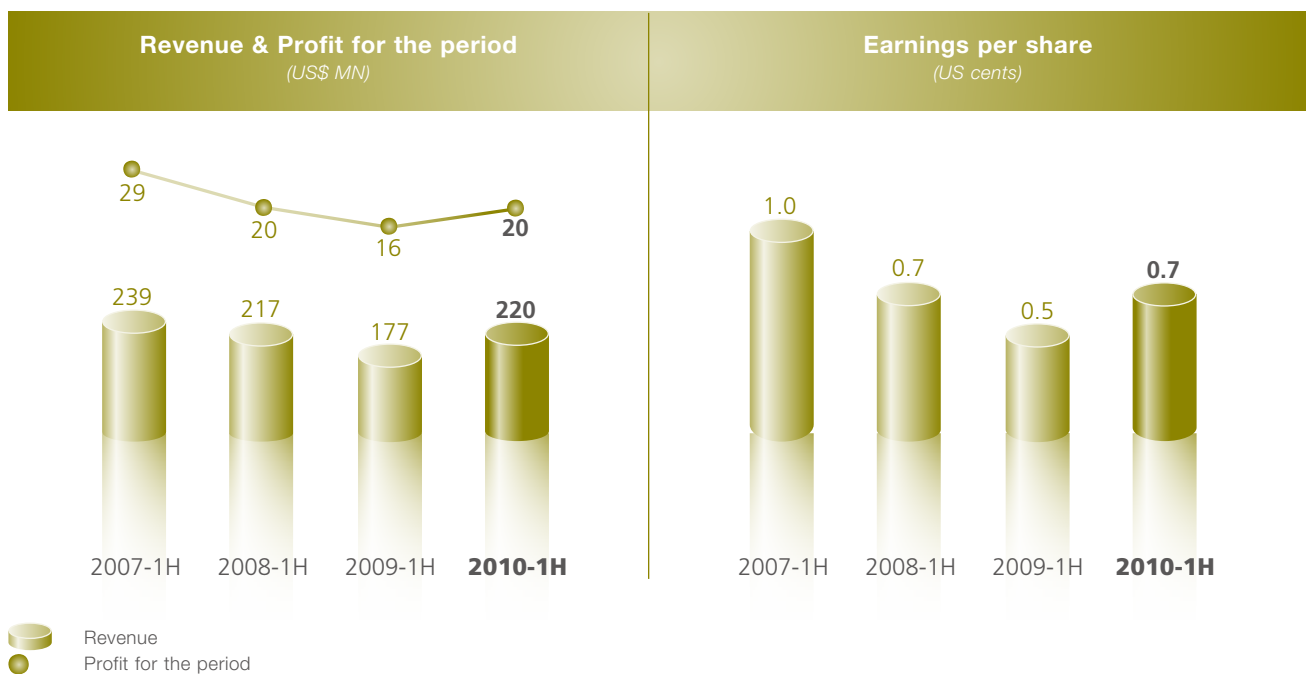
Computershare Hong Kong Investor Services Limited  
Shops 1712-16, 17/F  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## Financial Highlights

	Six months ended 30 June 2010 US\$'000	Six months ended 30 June 2009 US\$'000	Six months ended 30 June 2010 HK\$'000*	Six months ended 30 June 2009 HK\$'000*
<b>Operating results</b>				
Revenue	220,596	177,480	1,720,649	1,384,344
Gross profit	67,038	52,579	522,896	410,116
Earnings before interest and tax	22,594	16,732	176,233	130,510
Profit for the period	20,015	16,295	156,117	127,101
Earnings per share (US/HK cents)	0.7	0.5	5.46	3.90

	As at 30 June 2010 US\$'000	As at 31 December 2009 US\$'000	As at 30 June 2010 HK\$'000*	As at 31 December 2009 HK\$'000*
<b>Financial position</b>				
Total assets	700,307	637,463	5,462,395	4,972,211
Net current assets	347,117	338,001	2,707,513	2,636,408
Shareholders' equity	565,231	564,034	4,408,802	4,399,465

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



# Management Discussion and Analysis

## Business Review

While most of our peers have reported sales increase year-to-year in the latest reporting periods, the recent economic indicators and employment conditions in the U.S. and U.K. all pointed to a continued challenging business environment, especially for highly deferrable purchase items such as residential furniture. Even in the current uncertain macroeconomic climate with a sluggish economic recovery, persistent high unemployment level and meagre consumer spending, we are proud to have achieved a solid operating performance with substantial double-digit growth in both revenue and earnings for the first half of 2010. We have been working on strengthening our core competences from product design to after-sale services. The operating results for the first six months under review are the combination of our continuous efforts in investing our brands, and raising our production efficiencies. Through our unique service platform with vertical distribution, production and design business model, we were able to increase our market share via gaining new customers and increasing sales to existing customers. By optimizing production process and improving efficiencies, we remain competitive in achieving a solid gross margin amid rising material costs and labour rates. Hence, we expect to continue gaining market share and improving our operating efficiency.

## Financial Review

Net sales for the six-month period under review was US\$220.6 million compared to US\$177.5 million in the same period last year, an increase of US\$43.1 million or 24.3%. The increase in sales was mainly attributable to broadening innovative and quality product offerings and marketing initiatives, increasing clientele and market share.

Gross profit margin increased to 30.4% from 29.6% for the same period in 2009, mainly due to improve factory capacity utilization and cost down measures implemented.

Total operating expenses increased to US\$47.6 million from US\$41.4 million for the same period in 2009, mainly due to the increase in trading volume.

Profit for the period increased to US\$20.0 million from US\$16.3 million for the same period in 2009. Net profit margin decreased to 9.1% from 9.2% for the same period in 2009.

## Liquidity, Financial Resources and Capital Structure

As at 30 June 2010, the Group's cash and cash equivalents decreased by US\$5.0 million to US\$237.4 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\$70.7 million as at 30 June 2010. The gearing ratio (total bank borrowings/shareholders' equity) increased from 3.4% as at 31 December 2009 to 12.5% as at 30 June 2010. Our net cash position of US\$166.7 million puts us in a strong financial position, not just to weather the current economic climate but also enable us to implement expansion through mergers and acquisitions with confidence.

Cash and cash equivalents held by the Group are mainly denominated in U.S. dollars, Renminbi, U.K. Pound Sterling and Hong Kong dollars. As at 30 June 2010, US\$61.8 million (31 December 2009: US\$14.3 million) and US\$8.9 million (31 December 2009: US\$4.9 million) of the short-term bank borrowings bore interest at floating rates and fixed rates, respectively. All bank borrowings were denominated in U.S. dollars and were repayable within five years.

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

## Management Discussion and Analysis (cont'd)

As substantially all of our revenue and most of our cost of sales are denominated in U.S. dollars, we have not had any material foreign exchange gains or losses in connection with our operations. In order to further minimize our foreign exchange exposure on appreciation of Renminbi and depreciation of U.K. Pound Sterling, the Group carefully monitored its positions by entering into foreign exchange forward contracts. As at 30 June 2010, outstanding forward exchange contracts amounted to US\$366.4 million (31 December 2009: US\$171.4 million).

The Group's current assets increased by 16.9% to US\$480.0 million compared to US\$410.5 million as at 31 December 2009 and the Group's current liabilities increased by 83.2% to US\$132.8 million compared with US\$72.5 million as at 31 December 2009. The current ratio (current assets/current liabilities) therefore declined to 3.6 times from 5.7 times as at 31 December 2009.

### Pledge of Assets

As at 30 June 2010, the Group's inventories of US\$25.1 million (31 December 2009: US\$22.1 million), trade and other receivables of US\$70.5 million (31 December 2009: US\$54.3 million), property, plant and equipment of approximately US\$35.6 million (31 December 2009: US\$35.7 million) and pledged bank deposits of approximately US\$2.8 million (31 December 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 six months ended 30 June 2010 amounted to US\$1.2 million compared to US\$1.9 million for the same period in last year. Capital expenditures were mainly incurred for the expansion of our warehouse capacity in the U.S.

### Outlook

We expect the overall economy and industry conditions to remain challenging throughout the remainder of 2010. Despite the uncertain economic environment, we are confident in delivering superior results by continuing to dedicate ourselves to expanding our operation while improving our operating efficiency and service quality. Our operating results have clearly demonstrated that our overall strategies and business model have compared favourably to our peers. Looking forward, with our strong financial position, efficient production facilities, well-established distribution networks, and an experienced management team, we believe we are well positioned to reap the full benefits from global recovery and to expand our business through both organic growth and acquisitions.

### Employees and Emolument Policy

As at 30 June 2010, the Group employed approximately 9,600 (31 December 2009: 8,500) full-time employees in the PRC, the U.S., the U.K., Hong Kong and Taiwan.

The Company believes that the ability to sustain growth as a successful business depends on the quality of our management and employees. The Company is committed to recruiting, training and retaining talented, skillful and experienced people throughout our operations globally to better serve our customers. The Company does this through the 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 determined on the basis of their merits, 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.

## Other Information

### Dividend

The Board has resolved the payment of an interim dividend of HK\$0.02 per share (30 June 2009: HK\$0.0166), amounting to approximately HK\$60.9 million (30 June 2009: HK\$50.6 million), to the shareholders of the Company whose names appear on the Company's register of members on 17 September 2010. The interim dividend will be paid on or about 20 September 2010.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 15 September 2010 to Friday, 17 September 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14 September 2010.

### Corporate Governance

The Board is committed to maintaining the highest standards of corporate governance. The Company confirms that it has complied with all material code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2010, save that Mr. Shan Huei KUO is the Chairman of the Board and also the Chief Executive Officer of Lacquer Craft Mfg. Co., Ltd. (Dongguan) and Lacquer Craft Mfg. Co., Ltd. (Zhejiang). The Group does not 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. Shan Huei KUO.

### Changes in Director's Biographical Details

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

Mr. Siu Ki LAU, independent non-executive director of the Company, has ceased to be independent non-executive directors of Greenfield Chemical Holdings Limited and Proview International Holdings Limited with effect from 11 June 2010 and 24 August 2010 respectively.

### Directors' Securities Transactions

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

Having made specific enquiry, all directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2010.

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

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

## Other Information (cont'd)

### Share Options

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

	Date of Grant	Exercise Price HK\$	Vesting Date	Exercise Period	Number of share options			
					Outstanding as at 1.1.2010	Granted during the period	Forfeited during the period	Outstanding as at 30.6.2010
<b>Director:</b>								
Mr. Mohamad AMINOZZAKERI	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	83,333	–	–	83,333
			6.2.2008	6.2.2008 – 16.11.2015	83,333	–	–	83,333
			6.2.2009	6.2.2009 – 16.11.2015	83,334	–	–	83,334
					250,000	–	–	250,000
<b>Other employees:</b>								
In aggregate	6.2.2006	4.20	6.2.2007	6.2.2007 – 16.11.2015	1,789,649	–	–	1,789,649
			6.2.2008	6.2.2008 – 16.11.2015	1,789,649	–	–	1,789,649
			6.2.2009	6.2.2009 – 16.11.2015	1,789,649	–	–	1,789,649
	29.12.2008	0.87	15.12.2009	15.12.2009 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2010	15.12.2010 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2011	15.12.2011 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2012	15.12.2012 – 16.11.2015	1,500,000	–	–	1,500,000
			15.12.2013	15.12.2013 – 16.11.2015	1,500,000	–	–	1,500,000
					12,868,947	–	–	12,868,947
Total					13,118,947	–	–	13,118,947



## Other Information (cont'd)

### Directors' Interests in Shares and Underlying Shares

As at 30 June 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

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

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

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

##### (2) Share Options of the Company

The interests of the directors of the Company in the share options of the Company are detailed under the heading of "Share Options" above.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 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 disclosed no person as having a notifiable interest or short position in the shares or underlying shares of the Company as at 30 June 2010.

### Independent and Audit Committee Review

The unaudited interim results for the six months ended 30 June 2010 have been reviewed by Deloitte Touche Tohmatsu, such report is included in this report, and the Company's Audit Committee.

# Report on Review of Interim Financial Information



**TO THE BOARD OF DIRECTORS OF SAMSON HOLDING LTD.**

*(incorporated in the Cayman Islands with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 10 to 22 which comprises the condensed consolidated statement of financial position of Samson Holding Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

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

## Conclusion

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

30 August 2010

# Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 US\$'000 (Unaudited)	2009 US\$'000 (Unaudited)
Revenue	3	220,596	177,480
Cost of sales		(153,558)	(124,901)
Gross profit		67,038	52,579
Other income		2,542	2,313
Other gains and losses		573	3,222
Distribution costs		(11,408)	(8,728)
Sales and marketing expenses		(19,674)	(15,651)
Administrative expenses		(16,477)	(17,003)
Finance costs		(279)	(500)
Profit before taxation		22,315	16,232
Taxation	4	(2,300)	63
Profit for the period	5	20,015	16,295
Earnings per share, in US cents	7		
– Basic		0.657	0.534
– Diluted		0.656	–

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 US\$'000 (Unaudited)	2009 US\$'000 (Unaudited)
Profit for the period	5	<b>20,015</b>	16,295
Other comprehensive (expense) income for the period:			
Exchange differences arising on translation of foreign operations		<b>(1,013)</b>	(2,976)
(Loss) gain on changes in fair value of available-for-sale investments		<b>(1,734)</b>	5,922
		<b>(2,747)</b>	2,946
Total comprehensive income for the period		<b>17,268</b>	19,241

# Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	At 30 June 2010 US\$'000 (Unaudited)	At 31 December 2009 US\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	154,043	160,599
Lease premium for land – non-current portion		10,101	10,157
Goodwill		11,475	11,475
Other intangible assets		1,669	1,669
Available-for-sale investments	9	37,695	39,429
Other investments	10	1,000	–
Cash surrender value of life insurance		589	597
Deferred tax assets		3,775	2,989
		<b>220,347</b>	226,915
<b>CURRENT ASSETS</b>			
Inventories		92,225	77,330
Trade and other receivables	11	108,866	84,990
Lease premium for land – current portion		241	260
Tax recoverable		119	862
Derivative financial instruments		2,444	1,655
Other investments	10	25,000	–
Held-for-trading investments	12	10,828	–
Pledged bank deposits		2,799	3,025
Cash and cash equivalents		237,438	242,426
		<b>479,960</b>	410,548
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	57,806	51,259
Tax payable		3,960	2,087
Derivative financial instruments		365	29
Bank borrowings – due within one year	14	70,712	19,172
		<b>132,843</b>	72,547
<b>NET CURRENT ASSETS</b>		<b>347,117</b>	338,001
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>567,464</b>	564,916
<b>NON-CURRENT LIABILITIES</b>			
Deferred compensation		639	597
Deferred tax liabilities		1,594	285
		<b>2,233</b>	882
		<b>565,231</b>	564,034
<b>CAPITAL AND RESERVES</b>			
Share capital	15	152,410	152,410
Share premium and reserves		412,821	411,624
		<b>565,231</b>	564,034

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Share option reserve US\$'000	Merger reserve US\$'000	Statutory reserve US\$'000	Exchange reserve US\$'000	Investment revaluation reserves US\$'000	Accumulated profits US\$'000	Total US\$'000
At 1 January 2009 (audited)	152,732	186,011	460	446	1,581	1,174	37,594	-	138,124	518,122
Profit for the period	-	-	-	-	-	-	-	-	16,295	16,295
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,976)	-	-	(2,976)
Gain on changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	5,922	-	5,922
Total comprehensive income for the period	-	-	-	-	-	-	(2,976)	5,922	16,295	19,241
Recognition of equity-settled share based payments	-	-	-	67	-	-	-	-	-	67
Shares cancelled	(322)	(391)	322	-	-	-	-	-	(322)	(713)
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(8,494)	(8,494)
At 30 June 2009 (unaudited)	152,410	185,620	782	513	1,581	1,174	34,618	5,922	145,603	528,223
Profit for the period	-	-	-	-	-	-	-	-	23,945	23,945
Exchange differences on translation of foreign operations	-	-	-	-	-	-	804	-	-	804
Gain on changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	17,548	-	17,548
Total comprehensive income for the period	-	-	-	-	-	-	804	17,548	23,945	42,297
Recognition of equity-settled share based payments	-	-	-	41	-	-	-	-	-	41
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(6,527)	(6,527)
At 31 December 2009 (audited)	152,410	185,620	782	554	1,581	1,174	35,422	23,470	163,021	564,034
Profit for the period	-	-	-	-	-	-	-	-	20,015	20,015
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,013)	-	-	(1,013)
Loss on changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	(1,734)	-	(1,734)
Total comprehensive income for the period	-	-	-	-	-	-	(1,013)	(1,734)	20,015	17,268
Recognition of equity-settled share based payments	-	-	-	23	-	-	-	-	-	23
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(16,094)	(16,094)
At 30 June 2010 (unaudited)	152,410	185,620	782	577	1,581	1,174	34,409	21,736	166,942	565,231

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 US\$'000 (Unaudited)	2009 US\$'000 (Unaudited)
Net cash (used in) from operating activities		(15,089)	39,733
Purchase of other investments		(26,000)	–
Purchase of property, plant and equipment		(1,210)	(1,927)
Decrease in restricted bank deposits		–	4,378
Other investing cash flows		2,214	1,157
Net cash (used in) from investing activities		(24,996)	3,608
New bank borrowings raised		73,356	5,038
Repayment of bank borrowings		(21,816)	(15,123)
Dividend paid		(16,094)	(38,292)
Payment on repurchase of shares	15	–	(713)
Other financing cash flows		(279)	(500)
Net cash from (used in) financing activities		35,167	(49,590)
Net decrease in cash and cash equivalents		(4,918)	(6,249)
Cash and cash equivalents at 1 January		242,426	218,908
Effect of foreign exchange rate changes		(70)	243
Cash and cash equivalents at 30 June		237,438	212,902
Represented by:			
Bank balances and cash		215,489	212,139
Deposits placed in financial institutions		21,949	763
		237,438	212,902

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

## 1. Basis of Preparation of the Condensed Consolidated Financial Statements

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

## 2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009 except as stated below.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

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 interim period 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 condensed consolidated financial statements of the Group for the current or prior accounting periods.



# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2010

## 2. Principal Accounting Policies (cont'd)

Results of the Group in future periods 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 condensed 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.

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 condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows; and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2010

## 3. Segmental Information

For the purpose of resources allocation and performance assessment, the Group's executive directors, the chief operating decision maker of the Group, review operating results and financial information on a brand by brand basis. Their review focuses on the operating result of each brand. Accordingly, each brand constitutes an operating segment of the Group. As each brand shares similar economic characteristics, has similar products, has a similar production process and has a 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\$35,956,000 (2009: US\$28,200,000) 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. Taxation

	Six months ended 30 June	
	2010 US\$'000	2009 US\$'000
Tax charge (credit) comprises:		
Current tax charge (credit):		
The People's Republic of China (the "PRC")		
Enterprise Income Tax ("EIT")	380	150
The United States of America (the "U.S.")		
income tax charge (credit)	1,692	(70)
The United Kingdom (the "U.K.") income tax (credit) charge	(293)	206
	1,779	286
Deferred tax charge (credit)	521	(349)
	2,300	(63)

Hong Kong Profits Tax is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for the periods under review.

Taxation arising in other jurisdictions is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year.

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2010

## 4. Taxation (cont'd)

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 their first profit-making year and to a 50% relief from the EIT for the following three years. 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 six months ended 30 June 2010 and 2009 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, the income tax rate applicable to LCDG was 25% for both periods.

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 the subsidiaries of the Company which were incorporated in the U.S. Pursuant to the Internal Revenue Code of the U.S., U.S. taxpayers are entitled either to claim a tax refund or enjoy a tax credit to reduce future tax liabilities, if a tax loss occurs during the period and tax payment had been made in previous years. During the six months ended 30 June 2009, two U.S. subsidiaries of the Company were entitled to claim the aforesaid tax credit and a tax credit has been recognised in the condensed consolidated financial statements.

The U.K. income tax charge is calculated at 28% of the estimated assessable profits of Willis Gambier (UK) Limited ("Willis Gambier"), a subsidiary of the Company, which was incorporated in the U.K. Pursuant to the Corporation Tax Act 2010 of the U.K., U.K. taxpayers are entitled either to claim a tax refund or enjoy a tax credit to reduce future tax liabilities, if a tax loss occurs during the period and tax payment had been made in previous years. During the six months ended 30 June 2010, Willis Gambier was entitled to claim the aforesaid tax credit and a tax credit has been recognised in the condensed consolidated financial statements.

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

## 5. Profit for the Period

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2010	2009
	US\$'000	US\$'000
Amortisation of club debenture	-	4
Interest income	(1,824)	(1,448)
Depreciation of property, plant and equipment	7,959	8,397
Gain on fair value changes on derivative financial instruments	(453)	(1,846)
Loss on fair value changes on held-for-trading investments	1,617	-
Loss on disposal of property, plant and equipment	30	94
Release of lease premium for land	120	120
Reversal of allowance for inventories*	(233)	(2,903)

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

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2010

## 6. Dividend

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

During the six months ended 30 June 2009, a special dividend of HK\$0.0756 per share, amounting to approximately HK\$230,932,000 (equivalent to approximately US\$29,798,000), and a final dividend of HK\$0.0216 per share, amounting to approximately HK\$65,842,000 (equivalent to approximately US\$8,494,000), in aggregate amounting to approximately HK\$296,774,000 (equivalent to approximately US\$38,292,000), was paid to shareholders for the year ended 31 December 2008.

The Board has resolved that an interim dividend of HK\$0.02 per share (30 June 2009: HK\$0.0166), amounting to approximately HK\$60,964,000 (equivalent to approximately US\$7,816,000) (30 June 2009: HK\$50,600,000 (equivalent to approximately US\$6,527,000)) be paid to the shareholders of the Company whose names appear on the register of members on 17 September 2010.

## 7. Earnings Per Share

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>US\$'000</b>	US\$'000
Profit for the period and earnings for the purpose of basic and diluted earnings per share	<b>20,015</b>	16,295
	<b>Number of shares</b>	Number of shares
Weighted average number of shares for the purpose of basic earnings per share	<b>3,048,219,773</b>	3,051,133,000
Effect of dilutive potential ordinary shares:		
Share options	<b>1,706,163</b>	–
Weighted average number of shares for the purpose of diluted earnings per share	<b>3,049,925,936</b>	3,051,133,000

No diluted earnings per share had been presented for the six months ended 30 June 2009 because the adjusted exercise price of the Company's share option granted as determined in accordance with HKFRS 2 "Share-based Payment" was higher than the average market price of shares for the period.

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2010

## 8. Movements in Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of US\$1,210,000 (1 January 2009 to 31 December 2009: US\$2,840,000) for the business expansion.

## 9. Available-for-sale Investments

As at 30 June 2010 and 31 December 2009, the Group held the investment in equity securities which represented 14.9% equity interests of a company listed in the New York Stock Exchange.

## 10. Other Investments

As at 30 June 2010, an amount of US\$1,000,000 represented an investment in an unlisted certificate issued by a financial institution with coupon rate at London Interbank Offered Rate ("LIBOR") plus 2% per annum and maturity date of 25 April 2012. 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 30 June 2010, an amount of US\$25,000,000 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. In the opinion of directors, the amount will be recovered within twelve months from the end of the reporting period and therefore it is classified as current asset.

## 11. Trade and Other Receivables

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

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

	<b>30 June 2010 US\$'000</b>	31 December 2009 US\$'000
Trade receivables:		
0 – 30 days	<b>48,207</b>	37,374
31 – 60 days	<b>23,565</b>	23,614
Over 60 days	<b>12,393</b>	9,395
	<b>84,165</b>	70,383
Other receivables and prepayments	<b>24,701</b>	14,607
	<b>108,866</b>	84,990

## 12. Held-for-trading Investments

As at 30 June 2010, the held-for-trading investments include equity securities listed in Hong Kong and the U.S. amounting to US\$8,361,000 and US\$2,467,000, respectively.

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2010

## 13. Trade and Other Payables

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

	<b>30 June 2010 US\$'000</b>	31 December 2009 US\$'000
Trade payables:		
0 – 30 days	<b>23,269</b>	17,184
31 – 60 days	<b>3,790</b>	3,961
Over 60 days	<b>2,291</b>	1,740
	<b>29,350</b>	22,885
Other payables and accruals	<b>28,456</b>	28,374
	<b>57,806</b>	51,259

## 14. Bank Borrowings

During the current interim period, the Group obtained new bank borrowings amounting to US\$73,356,000 (2009: US\$5,038,000). The borrowings carry at variable-rate interests ranging from LIBOR plus 0.35% to LIBOR plus 1.00% per annum and fixed-rate interests ranging from 1.33% to 1.44% per annum (2009: fixed interest rates ranging from 0.2% to 0.6% per annum) and are repayable within one year. The proceeds were used for general working capital purposes.

## 15. Share Capital

	<b>Number of shares</b>	<b>Nominal value US\$'000</b>
Ordinary of US\$0.05 each		
Authorised:		
At 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 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 30 June 2009, 31 December 2009 and 30 June 2010	3,048,219,773	152,410

During the period ended 30 June 2009, 6,430,000 ordinary shares repurchased were cancelled on delivery of share certificates. The nominal value of US\$322,000 of all the shares cancelled during the prior period was credited to capital redemption reserve pursuant to section 37(4) of the Companies Law (2007 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 of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

# Notes to the Condensed Consolidated Financial Statements (cont'd)

For the six months ended 30 June 2010

## 16. Capital Commitments

	30 June 2010 US\$'000	31 December 2009 US\$'000
Capital expenditure in respect of acquisition of property, plant and equipment: – contracted for but not provided in the condensed consolidated financial statements	1,117	423

## 17. Related Party Transactions

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

Name of related company	Nature of transactions	Six months ended 30 June	
		2010 US\$'000	2009 US\$'000
Samson Global Co., Ltd. ("Samson Global")	Rental paid	19	18

Samson Global 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 member of key management personnel during the period was as follows:

	Six months ended 30 June	
	2010 US\$'000	2009 US\$'000
Short-term benefits	964	962
Share-based payments expense	–	1
	964	963

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