

# Chairman's Statement

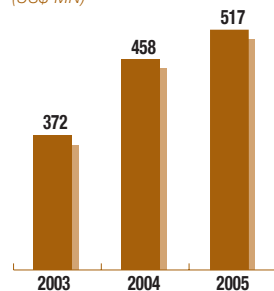
*"to maintain and strengthen our position as one of the leading wholesalers in the U.S. residential furniture market and to become one of the leading players in the furniture industry globally"*

On behalf of the Board of Directors of Samson Holding Ltd. (the "Company"), I am pleased to present to the shareholders the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005.

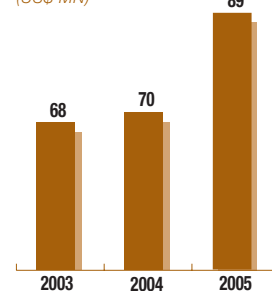
## Results

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

**Turnover**  
(US\$ MN)



**Profit for the year**  
(US\$ MN)



## Dividend

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

## Business Development and Outlook

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

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

### *We aim to achieve this through the following principal strategies:*

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

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

#### **2. Increasing and diversifying our OEM business**

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

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

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

#### **4. Growing through value-accretive acquisition strategies**

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

#### **5. Improving operational efficiency and rationalizing costs**

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

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

#### **6. Recruiting and training skilled personnel to enhance our team**

We believe that the ability to grow as a successful business depends on the quality of our management and employees. We are committed to recruiting, training and retaining skilled and experienced people throughout our operations globally to better serve our customers.

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

### **Shareholders' Value and Corporate Governance**

The management is committed to continuously creating shareholders' value. Since 2002, we have grown earnings per share at a compounded annual rate of 12.1% and the stock has performed by appreciated 54.5% at 13 April 2006 since IPO. The Company has a great emphasis on manageable growth and cost reduction to generate strong cash flow and earning to invest in the future. The superior financial results and shareholders' value will be achieved without compromising integrity and business ethics. By working with the Board and external advisers, the Company will be a good corporate citizen complying with all relevant governance required by the authorities.

## **Appreciation**

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

### **Shan Huei KUO**

*Chairman*

The People's Republic of China

13 April 2006