

**BEA securities**

EAST ASIA SECURITIES COMPANY LIMITED

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HONG KONG RESEARCH**7th November 2005****Main Board Listing - Research**

順誠控股有限公司

Samson Holding Ltd. [Stock Code: 0531]

Sole Global Coordinator, Bookrunner and Sponsor : Morgan Stanley Dean Witter Asia Limited
Joint Lead Managers : Morgan Stanley Dean Witter Asia Limited
Merrill Lynch Far East Limited

Sector : Consumer discretionary**Business** : Manufacture and wholesale of residential furniture

Total share offer: 690,000,000 shares
(25% of the enlarged share capital)

Public Offer: 69,000,000 shares (10%)**Placing:** 621,000,000 shares (90%)**Greenshoe:** 103,500,000 shares (15%)**Price:** HK\$2.60 – HK\$3.25 per share**Market Cap.:** HK\$7,176 million – HK\$8,970 million**Fully diluted FY2005 P/E:** 10.5x – 13.1x**Adjusted NTA/share:** HK\$0.9126 – HK\$1.0218**Staffing:** 11,295**HK Public Offer period:**7th November 2005 – 10th November 2005**Receiving banks:**

BOC (Hong Kong) Limited

Fubon Bank (Hong Kong) Limited

Share registrar: Computershare Hong Kong
Investor Services Limited

Listing date: 17th November 2005**Business of Samson Holding (“the Group”)**

The Group produces and markets a wide range of residential furniture at mid to high price range for U.S. wholesalers under the brand names of “Universal Furniture” and “Legacy Classic”. It has over 3,000 customers, comprised primarily of national or regional department stores and retail chain stores throughout the U.S., Canada and other parts of the world.

In addition to the branded business, the Group’s manufacturing division in China, operating under the name of Lacquer Craft produces furniture for OEM customers for distribution under their own brand names.

Manufacturing facilities of the Group are located in Dongguan and Jiashan in China. The Dongguan facility is primarily dedicated to producing furniture for the OEM business while the Jiashan facility produces most of the Group’s branded furniture products.

Major Shareholders after Listing

*Advent – owned by Mr. Shan Huei Kuo (Chairman), his spouse Ms. Yi Mei Liu (Deputy Chairman) and their family members 70.5%

**Elite Management – held by 13 individual employees, none of which are directors of the group 4.5%

75.00%

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Use of Proceeds

Net proceeds from the offer are estimated to be HK\$1,302.3 million.

(Assuming an issue price of HK\$2.93 per share, which is the mid-point of the indicative price range and the over-allotment option is not exercised)

	HK\$ million
For expanding Jiashan facility's manufacturing and warehouse capacity	468
For expanding Dongguan facility's manufacturing and warehouse capacity	156
For building Legacy Classic's new office and warehouse	117
For paying down existing bank loans	561.3
Total	1,302.3

Financial Highlights

	Year ended 31 st December			6 months ended 30 th June	
	2002	2003	2004	2004	2005
	USD '000	USD '000	USD '000	USD '000	USD '000
Turnover	361,407	371,753	457,542	202,173	228,261
Gross profit	129,016	132,168	146,952	70,242	79,270
Operating profit	68,462	74,604	77,279	38,065	44,644
Net profit	62,759	67,605	70,070	35,041	40,768
EPS (USD)	0.027	0.029	0.030	0.015	0.018

Strengths/Opportunities

- ✓ Scale and location of the Group's manufacturing facilities in Dongguan and Jiashan China allow it to enjoy a highly competitive cost structure and strong purchasing power in sourcing raw materials.
- ✓ The Group has a proven track record in acquiring and integrating other furniture business. For instance, the Group acquired Universal furniture in the USA several years ago and turned it into its flagship brand. As the residential furniture industry is going through a phase of consolidation, this experience will come in handy for the group.
- ✓ The outsourcing trend of the U.S. furniture companies is expected to continue which should benefit the OEM business of the Group.

Weaknesses/Threats

- × In January 2005, the United States Department of Commerce issued an anti-dumping order imposing an anti-dumping deposit rate of 2.66% on imports of the Group's wooden bedroom furniture into the USA. As sales of wooden bedroom furniture accounted for about 40% to 50% of its turnover, profit margin of the Group will be adversely affected.
- × The Group derived over 90% of its turnover from sales in the USA. As the U.S. market is relatively matured compared with other countries and price competition is inevitable, earnings growth of the Group is expected to remain in single digit. According to the prospectus, the Group's earnings per share are forecasted to grow at 6.7% y-o-y for FY2005.
- × Priced at 10.5x –13.1x FY2005E PER, valuation of this IPO is higher than the sector's average of 8.7x.

Recommendation: Unexciting