森信 Samson group 集團

SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board of directors (the "Board") of Samson Paper Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2011 together with comparative figures for the corresponding period in 2010, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2011 with audited comparative figures as at 31 March 2011 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 30 September	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue	2	**2,676,451**	2,303,948
Cost of sales		**(2,410,586)**	(2,075,718)
Gross profit		**265,865**	228,230
Other gains and income, net		**11,402**	15,252
Selling expenses		**(94,220)**	(86,780)
Administrative expenses		**(87,966)**	(84,183)
Other operating expenses		**(2,332)**	(3,887)
Operating profit	3	**92,749**	68,632
Finance costs		**(41,533)**	(24,483)
Profit before taxation		**51,216**	44,149
Taxation	4	**(10,547)**	(10,440)
Profit for the period		**40,669**	33,709

		Unaudited Six months ended 30 September	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Owners of the parent		**40,479**	34,701
Non-controlling interests		**190**	(992)
		40,669	33,709
			(restated)
Earnings per share			
— Basic	5	**HK3.4 cents**	HK3.2 cents
— Diluted	5	**HK3.2 cents**	HK2.7 cents
Interim dividend per share		**HK0.5 cent**	HK1.0 cent
Interim dividends	6	**6,366**	6,366

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period	**40,669**	33,709
Other comprehensive income		
Currency translation differences	**11,862**	26,137
Other comprehensive income for the period, net of tax	**11,862**	26,137
Total comprehensive income for the period	**52,531**	59,846
Total comprehensive income attributable to:		
— Owners of the parent	**52,666**	60,456
— Non-controlling interests	**(135)**	(610)
	52,531	59,846

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2011

	Note	**Unaudited 30 September 2011** *HK$'000*	Audited 31 March 2011 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,358,699**	1,330,148
Prepaid premium for land leases		**42,836**	42,343
Investment properties		**150,000**	150,000
Intangible assets		**43,724**	45,168
Available-for-sale financial assets		**4,327**	4,327
Non-current deposit		**15,228**	14,863
Deferred tax assets		**7,216**	7,195
		1,622,030	1,594,044
Current assets			
Inventories		**818,277**	836,973
Accounts receivable, deposits and prepayments	7	**1,575,287**	1,431,250
Financial assets at fair value through profit or loss		**8,433**	6,282
Taxation recoverable		**2,881**	6,004
Restricted bank deposits		**127,280**	152,258
Bank balances and cash		**534,027**	682,724
		3,066,185	3,115,491
Current liabilities			
Accounts payable and accruals	8	**1,189,073**	1,362,261
Trust receipt loans		**871,812**	815,841
Taxation payable		**15,574**	15,239
Borrowings		**583,004**	520,572
		2,659,463	2,713,913
Net current assets		**406,722**	401,578
Total assets less current liabilities		**2,028,752**	1,995,622

	Note	Unaudited 30 September 2011 HK$'000	Audited 31 March 2011 HK$'000
Equity			
Equity attributable to owners of the parent			
Share capital	9	**127,315**	127,315
Reserves		**1,118,395**	1,072,095
Proposed dividend		**6,366**	12,731
		1,124,761	1,084,826
		1,252,076	1,212,141
Non-controlling interests		**10,009**	10,144
Total equity		**1,262,085**	1,222,285
Non-current liabilities			
Borrowings		**709,629**	720,986
Deferred tax liabilities		**57,038**	52,351
		766,667	773,337
		2,028,752	1,995,622

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts for the six months ended 30 September 2011 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited condensed consolidated interim accounts should be read in conjunction with the annual consolidated accounts for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated accounts for the year ended 31 March 2011, as described in those annual consolidated accounts.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendment to standard is mandatory for the first time for the financial year beginning 1 April 2011 and adopted by the Group:

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  — The name of the government and the nature of their relationship;

  — The nature and amount of any individually significant transactions; and

  — The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- Amendment to HK(IFRIC) — Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC) — Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed above and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

The Group has not adopted any new HKFRSs that are not yet effective for the current accounting period.

2. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from the perspective of the nature of products and services. The chief operating decision-maker assesses the performance of the operating segments based on a measure of segment profit/loss without allocation of finance costs which is consistent with that in the accounts.

As 30 September 2011, the Group is organised on a worldwide basis into three main business segments:

(1) Paper trading: trading and marketing of paper products;

(2) Paper manufacturing: manufacturing of paper products in Shandong, the People's Republic of China (the "PRC");

(3) Others: including trading and marketing of aeronautic parts and provision of related services and the provision of marine services to marine, oil and gas industries.

Segment assets consist primarily of property, plant and equipment, prepaid premium for land leases, investment properties, intangible assets, inventories, receivables, financial instruments, non-current asset held for sale and operating cash. They exclude deferred tax assets and taxation recoverable.

The segment information for the six months ended 30 September 2011 and as at 30 September 2011 are as follows:

	Unaudited Six months ended 30 September 2011			
	Paper Trading	**Paper Manufacturing**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT RESULTS				
Total segment revenue	**2,154,439**	**717,062**	**65,595**	**2,937,096**
Inter-segment revenue	**(90,185)**	**(162,229)**	**(8,231)**	**(260,645)**
Revenue from external customers	**2,064,254**	**554,833**	**57,364**	**2,676,451**
Reportable segment results	**47,657**	**48,202**	**1,302**	**97,161**
Corporate expenses				**(4,412)**
Operating profit				**92,749**
Finance costs				**(41,533)**
Profit before taxation				**51,216**
Taxation				**(10,547)**
Profit for the period				**40,669**
OTHER PROFIT AND LOSS ITEMS				
Depreciation	**6,024**	**17,565**	**3,525**	**27,114**
Amortisation charges	**521**	**15**	**36**	**572**

	Unaudited As at 30 September 2011			
	Paper Trading	**Paper Manufacturing**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT ASSETS				
Reportable segment assets	**3,132,171**	**1,373,707**	**171,598**	**4,677,476**
Taxation recoverable				**2,881**
Deferred tax assets				**7,216**
Corporate assets				**642**
Total assets				**4,688,215**

The segment information for the six months ended 30 September 2010 and as at 31 March 2011 are as follows:

	Unaudited Six months ended 30 September 2010			
	Paper Trading *HK$'000*	Paper Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
SEGMENT RESULTS				
Total segment revenue	2,055,275	318,566	56,611	2,430,452
Inter-segment revenue	(33,381)	(91,212)	(1,911)	(126,504)
Revenue from external customers	2,021,894	227,354	54,700	2,303,948
Reportable segment results	52,687	20,115	1,189	73,991
Corporate expenses				(5,359)
Operating profit				68,632
Finance costs				(24,483)
Profit before taxation				44,149
Taxation				(10,440)
Profit for the period				33,709
OTHER PROFIT AND LOSS ITEMS				
Depreciation	3,699	6,808	4,019	14,526
Amortisation charges	352	6	36	394

	Audited As at 31 March 2011			
	Paper Trading *HK$'000*	Paper Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
SEGMENT ASSETS				
Reportable segment assets	3,245,252	1,280,522	170,428	4,696,202
Taxation recoverable				6,004
Deferred tax assets				7,195
Corporate assets				134
Total assets				4,709,535

The Group's three operating segments operate in the following geographical areas, even though they are managed on a worldwide basis.

An analysis of the Group's revenue for the period by geographical areas is as follows:

	Unaudited Six months ended 30 September **2011** ***HK$'000***	 2010 *HK$'000*
Hong Kong	**751,492**	887,363
The PRC *(note)*	**1,648,455**	1,226,163
Singapore	**52,914**	50,112
Korea	**192,187**	113,513
Malaysia	**31,403**	26,797
	2,676,451	2,303,948

Note: The PRC, for the presentation purpose in these accounts, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan.

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 September **2011** ***HK$'000***	 2010 *HK$'000*
Crediting		
Interest income	**4,607**	3,543
Provision for impairment on receivables written back	**285**	7,382
Charging		
Depreciation of property, plant and equipment	**27,114**	14,526
Amortisation of prepaid premium for land leases	**287**	119
Amortisation of intangible assets	**285**	275
Provision for impairment on inventories	**2,279**	2,263
Provision for impairment on receivables	**2,558**	4,559

4. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Unaudited Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong profits tax	**1,495**	4,085
Overseas taxation	**4,386**	1,569
Deferred taxation relating to origination and reversal of temporary differences	**4,666**	4,786
	10,547	10,440

5. EARNINGS PER SHARE

On 20 January 2011, the Company issued 636,570,381 new ordinary shares through a bonus issue. The number of shares used for prior year calculations of earnings per share shown below have been adjusted for bonus issue in order to provide a comparable basis for the current year.

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent less preference dividends of HK$1,321,000 (2010: HK$2,641,000) by the weighted average number of 1,141,076 (adjusted 2010: 1,009,011) ordinary shares in issue during the period.

	Unaudited Six months ended 30 September	
	2011	2010 (restated)
Profit attributable to owners of the parent less preference dividend *(HK$'000)*	**39,158**	32,060
Weighted average number of ordinary shares in issue *('000)*	**1,141,076**	1,009,011
Basic earnings per share	**HK3.4 cents**	HK3.2 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has issued convertible non-voting preference shares in 2008 which are assumed to be converted into ordinary shares. The Company has a share option scheme but no share option (2010: Nil) has been granted under the scheme.

	Unaudited Six months ended 30 September	
	2011	2010 (restated)
Profit attributable to owners of the parent *(HK$'000)*	**40,479**	34,701
Weighted average number of ordinary shares in issue *('000)*	**1,141,076**	1,009,011
Adjustments for:		
— Assumed conversion of preference shares *('000)*	**132,065**	264,130
Weighted average number of shares for diluted earnings per share *('000)*	**1,273,141**	1,273,141
Diluted earnings per share	**HK3.2 cents**	HK2.7 cents

6. INTERIM DIVIDENDS

	Unaudited Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Proposed — HK$0.005 (2010: HK$0.01) per ordinary share	**5,706**	5,045
Proposed — HK$0.005 (2010: HK$0.01) per preference share	**660**	1,321
	6,366	6,366

At a meeting held on 28 November 2011, the Directors proposed an interim dividend of HK$0.005 per share. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2012.

7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2011	Audited 31 March 2011
	HK$'000	*HK$'000*
Trade receivables — net of provision	**1,256,089**	1,080,041
Other receivables, deposits and prepayments	**319,198**	351,209
	1,575,287	1,431,250

The carrying values of the Group's trade and other receivables approximate their fair values.

The Group normally grants credit to customers ranging from 30 to 90 days.

The aging analysis of trade receivables is as follows:

	Unaudited 30 September 2011	Audited 31 March 2011
	HK$'000	*HK$'000*
Current to 60 days	**879,271**	835,826
61 to 90 days	**210,063**	156,488
Over 90 days	**166,755**	87,727
	1,256,089	1,080,041

There was no concentration of credit risk with respect to trade receivables as the Group had a large number of customers, which were widely dispersed within Hong Kong, the PRC and other countries.

8. ACCOUNTS PAYABLE AND ACCRUALS

	Unaudited 30 September 2011	Audited 31 March 2011
	HK$'000	*HK$'000*
Trade and bills payables	**1,050,657**	1,208,880
Accruals and other payables	**125,685**	153,381
Dividend payable	**12,731**	—
	1,189,073	1,362,261

The carrying values of the gross accounts payable and accruals approximate their fair values.

The aging analysis of trade and bills payables is as follows:

	Unaudited 30 September 2011	Audited 31 March 2011
	HK$'000	*HK$'000*
Current to 60 days	**577,029**	812,794
61 to 90 days	**152,478**	208,759
Over 90 days	**321,150**	187,327
	1,050,657	1,208,880

9. SHARE CAPITAL

	Number of shares of HK$0.10 each		**Share capital**	
	Unaudited 30 September 2011	Audited 31 March 2011	**Unaudited 30 September 2011**	Audited 31 March 2011
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares				
At the beginning and the end of period/year	**1,456,913,987**	1,456,913,987	**145,691**	145,691
Convertible non-voting preference shares				
At the beginning and the end of period/year	**143,086,013**	143,086,013	**14,309**	14,309
Total	**1,600,000,000**	1,600,000,000	**160,000**	160,000
Issued and fully paid:				
Ordinary shares				
At the beginning of period/year	**1,141,075,827**	503,779,117	**114,108**	50,378
Exercise of bonus warrants	—	726,329	—	73
Issuance of bonus shares	—	636,570,381	—	63,657
At the end of period/year	**1,141,075,827**	1,141,075,827	**114,108**	114,108
Convertible non-voting preference shares				
At the beginning and end of period/year	**132,064,935**	132,064,935	**13,207**	13,207
Total	**1,273,140,762**	1,273,140,762	**127,315**	127,315

The shareholders of the Company adopted a share option scheme to comply with the requirements of Chapter 17 of the Listing Rules. As at 30 September 2011 and 31 March 2011, no share option was granted or outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

Economy Overview

During the period under review, the economic growth in the Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China (the "PRC") continued to boom. In the PRC market, the gross domestic product ("GDP") growth rate was 9.4% during the first three quarters of 2011. According to the International Monetary Fund ("IMF"), the vibrant investment sentiment will continue to fuel rapid economic growth in the PRC. China will become the main engine for the world's economic growth. It is expected that China's real GDP growth rate on a year-round basis will reach 9.5%. Meanwhile, in Hong Kong, the real GDP growth rate in the first three quarters of 2011 was 4.6%, and the annual growth is anticipated to reach 5.9%. Stable performance was achieved.

Although Hong Kong and China showed stable economic performance during the period under review, the global market is facing a number of uncertainties, which include a slowdown in investment along with the credit crunch policy put forward by the PRC government, a brief interruption in the manufacturing supply chain as a result of the earthquake and the nuclear radiation crisis in Japan in March this year, the debt crisis threat in Europe is remained unsolved, as well as heightened concerns about the global double-dip economic recession. Given this scenario, market sentiment has become increasingly cautious and heavy pressure was imposed on the business activities of various industries.

Printing and Paper Industry

Amid this challenging business landscape, customers were more cautious in procurement and reduced stocks in their daily operation. This further depressed the demand for paper products. In book printing paper sector, during the period under review, with the commission and production of large-scale paper manufacturing machines in a number of paper mills in the PRC, confidence in the market was weakened. Under this imbalance supply and demand situation, prices of book printing papers and packaging boards became soften in the second quarter during the period under review. Under the situation of tightening monetary policy in the PRC and cautious market sentiment, the growth in demand was slowed down, particularly in the book printing paper sector. This led to intensified market competition. Some of the peer competitors attempted to maintain their market share at the expense of profit margins. As such, margin and profitability of the Group's paper trading business were both under pressure.

Operations Review

Financial Performance

For the six months ended 30 September 2011, against the backdrop of tough operating environment, the Group registered a growth in both turnover and profit attributable to shareholders. Thanks to the adoption of flexible sales strategy, extensive sales network and strong growth in paper manufacturing business, our turnover rose by 16.2% from HK$2,303,948,000 in the same period last year to HK$2,676,451,000. Profit attributable to shareholders was HK$40,479,000, which had an increase of 16.7% over last year's HK$34,701,000. During the period under review, the gross margin for the Group's paper trading business was put under pressure by a short-term surge in the domestic paper supply, which has not yet been timely digested by the market. However, as the Group's paper mill in Shandong, the PRC generated greater sales contribution during the period under review, and profits from paper manufacturing business were generally higher than those from paper trading business, the gross margin impact was partially offset. Accordingly, the Group's overall gross profit margin was maintained at 9.9%, whereas net profit margin was maintained at 1.5%, which was a level similar to the same period last year. Earnings per share rose by 6.2% to 3.4 cents (2010/2011: 3.2 cents).

The Group has always made unwavering efforts to put stringent cost control measures in place. These efforts have been fully reflected in the period under review. The Group streamlined processes to improve operational efficiency. Our management also endeavoured to prudently predict inventory requirements at the beginning of the year, with a view to maintain the inventory to appropriate levels. Although the Group accelerated the pace of development last year by adding a third production line in a domestic mill and six sales offices, the Group's inventory level was maintained at HK$818,277,000, which remained comparable to the previous financial year-end. On the other hand, in response to higher borrowing costs along with the domestic tightening credit policies, the Group reduced the level of cash on hand to HK$661,307,000 (31 March 2011: HK$834,982,000) in order to optimize the use of cash on hand and reduce interest expenditures. In addition, the increase in the level of accounts receivable to HK$1,256,089,000 was driven by the prominent business performance. However, the turnover days for the Group's accounts receivable maintained at 81 days, thereby further reducing credit risk and raising working capital. The above facts have illustrated that the Group continued to maintain a healthy financial position.

By business segment, paper trading, paper manufacturing and other business accounted for 77.2%, 20.7% and 2.1% of the Group's total turnover respectively.

Paper Business

The Group has actively consolidated its distribution network during the review period, so as to enhance the effectiveness of the existing sales offices. With these efforts, coupled with increased contribution from our paper manufacturing business, the turnover from our paper business grew by 16.4% from HK$2,249,248,000 in the same period last year to HK$2,619,087,000. Operating profit amounted to HK$95,859,000, representing an increase of 31.7% when compared to HK$72,802,000 in the same period last year. Sales volume soared by 25.8% to 459,764 tonnes over the same period last year.

Capitalizing on the smooth operation of the Group's paper mill in Zaozhuang City, Shandong Province, the PRC, the Group has extended its business reach in China. Therefore, China will continue to be the most important market for the Group, accounting for 62.8% of the total turnover. Hong Kong and other markets accounted for about 28.7% and 8.5% of the Group's total turnover.

Paper Trading Business

The Group is proud of owning an extensive sales network in the PRC. This presence will be considerably conducive to our paper trading business. During the period under review. The segment achieved satisfactory results with turnover increased by 2.1% from HK$2,021,894,000 in the same period last year to HK$2,064,254,000. Sales tonnage increased by 7.4% to 327,165 tonnes. The Group has been actively expanding the number of sales offices over the past few years, and has now built an extensive network, with a coverage stretching across more than 20 cities in the PRC. In this light, the Group devoted great endeavours to foster the development of regional sales offices during the period under review in order to further boost operational efficiency.

Paper Manufacturing Business

Paper manufacturing business continues to be the main growth driver for the Group. With the full reflection of the contribution from the Group's paper mill during the period under review following the formal commission of the third production line (PM5) in February 2011, the annual production capacity of the Group's paper manufacturing operations increased by over a double from 170,000 tonnes to 370,000 tonnes. Invigorated by this additional capacity, the turnover from this business line increased by 1.25 times to HK$717,062,000 after taking into account of the inter-company sales. Based on the sales volume, this figure represented a growth of 117.6% over the same period last year. Despite rising raw material costs, however, benefitted from enhanced operational efficiency, operating profit grew by 139.6% over the same period last year to HK$48,202,000. Operating profit margin was 8.7%. As the market demand for the paper products remained robust during the review period, the utilization rate of the production lines of the Group's mill in Shandong was maintained at a desired level.

Other Business

The Group's aeronautic parts and services business as well as marine services business recorded a turnover of HK$ 21,862,000 and HK$ 31,052,000 respectively in the period under review.

Prospects

There was a significant increase in the domestic supply of paper products in the past few months. However, the new addition of supply has not yet been fully absorbed by the market demand. Against this background, given that the domestic economy is blessed with an outlook that is more optimistic than other Western countries, the Group believes that these impacts will merely linger for a short term. In the long run, a balance can be striked between paper supply and demand. The paper industry can thus sustain positive development.

To flexibly keep ahead of the developments in the macro-economic environment, the Group will strive to make itself well-positioned to enhance its own strengths. In fact, the cost and financial control measures exercised by the Group have been proved to be effective. This is an indication of the adequate execution capacity of the Group. Looking ahead, the Group will further tighten customer credit in order to further reduce the turnover days of accounts receivable, and will use cash on hand even more efficiently. Also, we will offer high value-added services for quality customers to reduce credit risk. The Group believes that the said targeted measures will help the Group meet different challenges in the future.

Leveraging on the widespread distribution network built by the Group over the years, together with the synergies of the paper manufacturing business, a solid foundation has been laid for the Group's business. The Group will adopt a flexible business development strategy. We will continue to enhance our competitive edges and capture each and every opportunity for promoting our development, with a vision to deliver the best return for our shareholders.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.5 cent (2010: HK1 cent) per share for the six months ended 30 September 2011, which is comparable to the same period last year's HK1 cent prior to the issurance of one-for-one bonus share. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 6 January 2012. The interim dividend will be paid on or about 16 January 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 January 2012 to 6 January 2012 (both days inclusive), during which period no transfers of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on 3 January 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2011, the Group employed 1,861 staff members, 135 of whom are based in Hong Kong and 1,459 are based in the PRC and 267 are based in other Asian countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund, medical insurance and the use of share option scheme to reward high-calibre staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 30 September 2011, short term deposits plus bank balances amounted to HK$661 million (including restricted bank deposits of HK$127 million) and bank borrowings amounted to HK$2,162 million.

As at 30 September 2011, the Group's gearing ratio was 54.4% (31 March 2011: 50.0%), calculated as net debt divided by total capital. Net debt of HK$1,503 million is calculated as total borrowings of HK$2,164 million (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK$661 million. Total capital is calculated as total equity of HK$1,262 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.15 times (31 March 2011: 1.15 times).

With bank balances and other current assets of approximately HK$3,066 million as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital to meet its present requirement.

FOREIGN EXCHANGE RISK

The Group's transaction currencies are principally denominated in Renminbi, United States dollars and Hong Kong dollars. The Group hedged its position with foreign exchange contracts and options when considered necessary. The Group has continued to obtain Renminbi loans which provide a natural hedge against currency risks. As at 30 September 2011, bank borrowings in Renminbi amounted to HK$401 million (31 March 2011: HK$411 million). The remaining borrowings are mainly in Hong Kong dollars. The majority of the Group's borrowings bear interest costs which are based on floating interest rates. As at 30 September 2011, the Group has HK$20 million interest rate swap contracts (31 March 2011: Nil).

CONTINGENT LIABILITIES

The Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of facilities utilized by the subsidiaries as at 30 September 2011 amounted to HK$2,162 million (31 March 2011: HK$2,056 million).

CHARGE OF ASSETS

As at 30 September 2011, trust receipt loans of HK$255 million (31 March 2011: HK$215 million) and bank loans of HK$119 million (31 March 2011: HK$128 million) were secured by legal charge on certain properties of the Group.

AUDIT COMMITTEE

The Audit Committee of the Company (the "Committee") was set up to review and provide supervision of the Group's financial reporting process and internal controls. The Committee has reviewed the Group's unaudited interim report for the six months ended 30 September 2011 before it was tabled for the Board's approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all the Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

In the opinion of the Directors, the Company was in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six-month period ended 30 September 2011 except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the bye-laws of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the web sites of the Company (www.samsonpaper.com) and the Stock Exchange (www.hkexnews.hk). The 2011/12 interim report will be despatched to the shareholders of the Company and available on the same web sites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. SHAM Kit Ying, Mr. LEE Seng Jin, Mr. CHOW Wing Yuen, Ms. SHAM Yee Lan, Peggy and Mr. LEE Yue Kong, Albert, one non-executive Director, Mr. LAU Wang Yip, Eric and three independent non-executive Directors, namely Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong, and Mr. NG Hung Sui, Kenneth.

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 28 November 2011

* *for identification purpose only*