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## 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 2016

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 2016 together with comparative figures for the corresponding period in 2015, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2016 with audited comparative figures as at 31 March 2016. The unaudited condensed consolidated interim financial statements have been reviewed by the Company’s audit committee.

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	<b>2,506,068</b>	2,606,557
Cost of sales		<b>(2,252,069)</b>	(2,357,117)
Gross profit		<b>253,999</b>	249,440
Other gains and income, net		<b>13,464</b>	10,803
Selling expenses		<b>(102,778)</b>	(87,123)
Administrative expenses		<b>(99,299)</b>	(99,395)
Other operating income/(expenses)		<b>13,751</b>	(1,555)
Operating profit	3	<b>79,137</b>	72,170
Finance costs		<b>(38,709)</b>	(41,715)
Profit before taxation		<b>40,428</b>	30,455
Taxation	4	<b>(9,240)</b>	(6,099)
Profit for the period		<b>31,188</b>	24,356

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Owners of the Company		<b>27,705</b>	19,293
Non-controlling interests		<b>3,483</b>	5,063
		<u><b>31,188</b></u>	<u>24,356</u>
Earnings per share			
— Basic	5	<u><b>HK2.4 cents</b></u>	<u>HK1.6 cents</u>
— Diluted	5	<u><b>HK2.2 cents</b></u>	<u>HK1.5 cents</u>
Interim dividend per share		<u><b>HK0.4 cent</b></u>	<u>HK0.4 cent</u>
Interim dividends	6	<u><b>5,092</b></u>	<u>5,092</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>31,188</b>	24,356
<b>Other comprehensive loss</b>		
Item that may be reclassified subsequently to profit and loss:		
— Currency translation differences	<u>(93,896)</u>	<u>(21,532)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u>(93,896)</u>	<u>(21,532)</u>
<b>Total comprehensive (loss)/income for the period</b>	<u>(62,708)</u>	2,824
<b>Total comprehensive (loss)/income attributable to:</b>		
— Owners of the Company	(57,585)	(2,208)
— Non-controlling interests	<u>(5,123)</u>	<u>5,032</u>
<b>Total comprehensive (loss)/income for the period</b>	<u><u>(62,708)</u></u>	<u><u>2,824</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET***As at 30 September 2016*

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2016</b>	2016
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,665,797</b>	1,755,225
Land use rights		<b>136,973</b>	143,266
Investment properties		<b>515,500</b>	515,500
Intangible assets		<b>40,640</b>	41,618
Available-for-sale financial assets		<b>5,732</b>	5,732
Non-current deposits and prepayments		<b>6,614</b>	6,614
Deferred tax assets		<b>9,705</b>	8,983
		<b>2,380,961</b>	2,476,938
<b>Current assets</b>			
Properties under development		<b>59,031</b>	60,968
Inventories		<b>528,633</b>	610,372
Accounts and other receivables	7	<b>1,950,163</b>	2,021,894
Financial assets at fair value through profit or loss		<b>721</b>	637
Taxation recoverable		<b>1,958</b>	1,838
Restricted bank deposits		<b>94,553</b>	166,181
Bank balances and cash		<b>453,148</b>	359,466
		<b>3,088,207</b>	3,221,356
<b>Current liabilities</b>			
Accounts and other payables	8	<b>1,121,476</b>	1,392,023
Trust receipt loans		<b>875,695</b>	885,623
Taxation payable		<b>58,539</b>	53,517
Derivative financial instruments		<b>—</b>	55
Borrowings		<b>732,142</b>	510,465
		<b>2,787,852</b>	2,841,683
Net current assets		<b>300,355</b>	379,673
Total assets less current liabilities		<b>2,681,316</b>	2,856,611

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2016</b>	2016
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Equity			
Equity attributable to owners of the Company			
Share capital		<b>127,315</b>	127,315
Reserves		<b>1,511,112</b>	1,576,972
		<b>1,638,427</b>	1,704,287
Non-controlling interests		<b>178,711</b>	183,834
Total equity		<b>1,817,138</b>	1,888,121
Non-current liabilities			
Accounts and other payables	8	<b>238,953</b>	71,140
Borrowings		<b>526,271</b>	804,019
Deferred tax liabilities		<b>98,954</b>	93,331
		<b>864,178</b>	968,490
		<b>2,681,316</b>	2,856,611

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2016, as described in those annual consolidated financial statements.

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

The following amendments to standard are mandatory for the first time for the financial year beginning 1 April 2016 and adopted by the Group:

Annual Improvements Project HKFRS 14	Annual improvements 2012–2014 cycle Regulatory deferral accounts	1 January 2016 1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendment to HKAS 1	Disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016

The adoption of the above amendments to standards do not have a material impact to the Group’s financial position for all periods presented in this announcement.

The following new and revised standards have been issued but are not effective for the financial year beginning on 1 April 2016 and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendment to HKAS 7	Disclosure initiative	1 January 2017
Amendment to HKAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has commenced an assessment of the impact of the above new and amended standards and considers that they will not have any significant impact on the results of the Group’s operations and financial position. The Group plans to adopt the above new and amendments to standards when they become effective.

## 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 financial statements.

As at 30 September 2016, the Group is organised on a worldwide basis into four 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) Property development and investment: developing properties for sale and leasing of investment properties; and
- (4) 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 and retail business.

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, intangible assets, properties under development, inventories, receivables, financial instruments and operating cash. They exclude deferred tax assets, taxation recoverable and corporate assets.

The segment information for the six months ended and as at 30 September 2016 is as follows:

	<b>Unaudited</b>				
	<b>Six months ended 30 September 2016</b>				
	<b>Paper trading</b>	<b>Paper manufacturing</b>	<b>Property development and investment</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>SEGMENT RESULTS</b>					
Total segment revenue	1,999,714	570,004	11,052	86,619	2,667,389
Inter-segment revenue	(140,105)	(16,840)	(874)	(3,502)	(161,321)
<b>Revenue from external customers</b>	<b>1,859,609</b>	<b>553,164</b>	<b>10,178</b>	<b>83,117</b>	<b>2,506,068</b>
Reportable segment results	46,921	37,397	10,711	(12,486)	82,543
Corporate expenses					(3,406)
Operating profit					79,137
Finance costs					(38,709)
<b>Profit before taxation</b>					<b>40,428</b>
Taxation					(9,240)
<b>Profit for the period</b>					<b>31,188</b>
<b>OTHER PROFIT AND LOSS ITEMS</b>					
Depreciation	4,148	23,230	—	5,881	33,259
Amortisation charges	525	2,059	—	70	2,654

	Unaudited As at 30 September 2016				
	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT ASSETS</b>					
Reportable segment assets	2,220,767	2,529,843	516,239	190,511	5,457,360
Taxation recoverable					1,958
Deferred tax assets					9,705
Corporate assets					145
Total assets					<u>5,469,168</u>

The segment information for the six months ended 30 September 2015 and as at 31 March 2016 are as follows:

	Unaudited Six months ended 30 September 2015				
	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT RESULTS</b>					
Total segment revenue	2,131,065	496,443	8,331	99,238	2,735,077
Inter-segment revenue	(114,522)	(9,494)	(737)	(3,767)	(128,520)
<b>Revenue from external customers</b>	<u>2,016,543</u>	<u>486,949</u>	<u>7,594</u>	<u>95,471</u>	<u>2,606,557</u>
Reportable segment results	43,288	45,486	7,437	(15,543)	80,668
Corporate expenses					(8,498)
Operating profit					72,170
Finance costs					(41,715)
<b>Profit before taxation</b>					30,455
Taxation					(6,099)
<b>Profit for the period</b>					<u>24,356</u>
<b>OTHER PROFIT AND LOSS ITEMS</b>					
Depreciation	4,959	21,615	—	4,968	31,542
Amortisation charges	1,353	2,091	—	73	3,517



	Audited As at 31 March 2016				
	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT ASSETS</b>					
Reportable segment assets	2,199,458	2,698,056	579,624	210,181	5,687,319
Taxation recoverable					1,838
Deferred tax assets					8,983
Corporate assets					154
Total assets					<u>5,698,294</u>

The Group's four 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	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	380,918	481,336
The PRC ( <i>note</i> )	1,897,941	1,939,717
Singapore	44,176	53,354
Korea	170,193	112,196
Malaysia	12,840	19,954
	<u>2,506,068</u>	<u>2,606,557</u>

*Note:* The PRC, for the presentation purpose in these financial statements, 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:

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Crediting		
Interest income	2,200	5,753
Write-back of provision for inventories	3,283	1,944
Write-back of provision for receivables	13,627	4,921
	<u>13,627</u>	<u>4,921</u>
Charging		
Depreciation of property, plant and equipment	33,259	31,542
Amortisation of land use rights	2,175	2,727
Amortisation of intangible assets	479	790
Provision for impairment on receivables	3,917	15,236
	<u>3,917</u>	<u>15,236</u>

### 4. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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:

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax	5,203	4,540
Overseas taxation	4,037	1,559
	<u>4,037</u>	<u>1,559</u>
	<u>9,240</u>	<u>6,099</u>

## 5. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company less preference dividends of HK\$27,177,000 (2015: HK\$18,765,000) by the weighted average number of 1,141,076,000 (2015: 1,141,076,000) ordinary shares in issue during the period.

### (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 one category of dilutive potential ordinary shares: preference shares. The Company has a share option scheme but no share option (2015: Nil) has been granted under the scheme.

	Unaudited	
	Six months ended 30 September	
	2016	2015
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>27,705</u>	<u>19,293</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	1,141,076	1,141,076
Adjustments for:		
— Assumed conversion of preference shares ( <i>'000</i> )	<u>132,065</u>	<u>132,065</u>
Weighted average number of shares for diluted earnings per share ( <i>'000</i> )	<u>1,273,141</u>	<u>1,273,141</u>
Diluted earnings per share	<u>HK2.2 cents</u>	<u>HK1.5 cents</u>

## 6. INTERIM DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed — HK\$0.004 (2015: HK\$0.004) per ordinary share	4,564	4,564
Proposed — HK\$0.004 (2015: HK\$0.004) per preference share	<u>528</u>	<u>528</u>
	<u>5,092</u>	<u>5,092</u>

At a meeting held on 23 November 2016, the Directors proposed an interim dividend of HK\$0.004 per share. This proposed dividend is not reflected as a dividend payable in these condensed financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2017.

7. ACCOUNTS AND OTHER RECEIVABLES

	<b>Unaudited</b> <b>30 September</b> <b>2016</b> <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Accounts and bills receivables — net of provision	<b>1,258,914</b>	1,370,261
Other receivables, deposits and prepayments	<b>691,249</b>	651,633
	<b><u>1,950,163</u></b>	<b><u>2,021,894</u></b>

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

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

The aging analysis of accounts and bills receivables based on invoice date, is as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2016</b> <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Current to 60 days	<b>1,036,781</b>	1,120,722
61 to 90 days	<b>103,375</b>	116,879
Over 90 days	<b>118,758</b>	132,660
	<b><u>1,258,914</u></b>	<b><u>1,370,261</u></b>

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

## 8. ACCOUNTS AND OTHER PAYABLES

	<b>Unaudited</b> <b>30 September</b> <b>2016</b> <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Accounts and bills payables	1,093,958	1,236,617
Accruals and other payables	258,196	226,546
Dividend payable	8,275	—
	<u>1,360,429</u>	<u>1,463,163</u>
Less: non-current portions:		
Accounts and other payables	<u>(238,953)</u>	<u>(71,140)</u>
	<u><u>1,121,476</u></u>	<u><u>1,392,023</u></u>

The carrying values of the gross accounts and other payables approximate their fair values.

The aging analysis of accounts and bills payables based on invoice date is as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2016</b> <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Current to 60 days	729,537	913,964
61 to 90 days	151,120	161,266
Over 90 days	213,301	161,387
	<u>1,093,958</u>	<u>1,236,617</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### The Economy

During the review period, the US economy grew at a moderate pace whilst the UK and Eurozone surrounded by uncertainties. The China's economy has shown a steady upward trend with gross domestic product expanded at 6.7% in the third quarter of 2016 at the same pace as in the previous two quarters, which was supported by increase in government spending, fixed asset investment and retail sales while industrial output eased.

In Hong Kong, the Territory's economy experienced a modest growth, with real GDP in the third quarter of 2016 up by 1.9% over the preceding year, compared with the 1.7% increase in the second quarter. Despite the economy expanded at a slow pace, local retail sales decreased 9.6% for the first nine months of 2016. The slowdown in inbound tourism has battered the retail market and local consumption sentiment has been lackluster.

### The Paper Industry

For the reporting period, paper and board prices have been stabled at a low level as demand grew up yet supplies remained high. Several rounds of price hikes have been achieved for packaging grades paper products in the second part of the period, which is mainly attributable to the demand uptrend fueled by online shopping spree in China's domestic market and the rising costs in fiber, energy and freight encountered by paper mills. Owing to high bad loans ratio confronted by banks in Mainland, customers were continuously experiencing relatively difficulty to have credit granted from banks to ease their liquidity for working capital uses or for business expansion. Under such market situation, keen competition continued to come along with new orders, especially those from good quality customers.

### Overview of Operations

#### *Financial Performance*

Against this competitive operating environment, in addition to closely monitoring the creditability of customers, a flexible, appropriate and cautious strategy on sales and procurement has been strictly adopted in developing the Group's businesses. Effect benefited from measures implemented in the previous period have been reflected in the Group's performance for the period, during which the Group achieved a steady growth in sales volume at 5.0% with a 3.9% decrease in overall turnover to HK\$2,506,068,000 as a result of the growth in volume coming from packaging grades paper products with relatively low average unit selling price. The gross profit increased by 1.8% to HK\$253,999,000 with a 6.0% increase in the gross profit margin from 9.6% to 10.1%. The profit for the period rose by 28.1% to HK\$31,188,000. Profit attributable to the owners of the Company rose by 43.6% from HK\$19,293,000 to HK\$27,705,000. Basic earnings per share were HK2.4 cents.

Strategies implementation has been a key priority of the Group which led to achievement of the targets set for the period. The Group intends to keep an appropriate level of cash reserve to enhance the working capital position as well as to seek further investment opportunities ahead. As at 30 September 2016, the Group had cash and bank balance (including restricted bank deposit) of HK\$547,701,000 with a gearing ratio at a healthy level of 46.6%. This enables the Group to lower interest costs by 7.2% to HK\$38,709,000. As consequence of exercising a stringent credit policy as well as reducing inventory level, the working capital is shortened by 18 days. The effort of tightening

credit control procedures and monitoring customers' business situation have gradually shown effect. As a result, the provision for impairment on receivables is at HK\$3,917,000, representing 0.2% of the Group's total revenue while the written back of the provision is HK\$13,627,000.

#### *Paper Business*

With a significant growth in paper manufacturing segment, extensive sales network in paper trading segment and strong procurement capability among suppliers, the Group registered a rise of 5.0% in sales volume from 545,583 metric tons to 573,104 metric tons while a decrease of 3.6% in turnover from HK\$2,503,492,000 to HK\$2,412,773,000 was recorded, mainly resulting from growth in volume of packaging grades paper products with relatively low average unit selling price. Operating profit was HK\$84,318,000.

For paper trading business, owing to the conservative sales strategies focusing on the customers' creditability and Group's profitability, the Group reported a 7.8% decline in turnover of HK\$1,859,609,000, and a slightly decrease of 1.2% in sales tonnage.

Turnover from paper trading business in the PRC market reduced 7.4% to HK\$1,343,802,000 whilst a slightly decrease of 0.4% in volume due to increase of sales ratio generated from packaging grades paper products with relatively lower unit selling price. At the same time, Hong Kong market achieved a turnover of HK\$332,774,000, slipped by 23.1% compared to the corresponding last period, primarily owing to less orders attained by customers amid the dull export market environment. As for other Asian countries, the business rose significantly at 38.5% in sales to HK\$183,033,000 as compared to the corresponding last period, mainly resulted from the strong growth in export sales achieved by office in Korea.

For paper manufacturing business, the segment's turnover rose by 14.8%, including inter-segment revenue, to HK\$570,004,000 with a significant growth of 21.7% in the sales tonnage, mostly resulting from its well established customer base and its sales strategy adopted with an aim to expand its market share. Operating profit is HK\$37,397,000 and its operating profit margin stood at 6.8%.

#### *Property Development and Investment*

For the period under review, the rental income generated from the investment properties with a value of HK\$515,500,000 rose by 34.0% to HK\$10,178,000. The segment provides a continuous steady inflow of income to the Group, which enhanced to strengthen the financial position of the Group. As for the Nantong business park project, the design, planning, and general layout have been finalized by a competent and professional project team during the reviewed period. In addition to that, approval on business park planning from relevant Bureau has been granted in September 2016, with which the Group stepped into the process of applying the construction permit and other relevant permits for further development. The first phase construction work on the business park is expected to be commenced in the fourth quarter of 2016.

#### *Other Businesses*

These business segments include the aeronautic parts and service business, marine services business, retail business and logistic services.

The aeronautic parts and services business and marine services business recorded turnover of HK\$16,075,000 and HK\$28,101,000 respectively during the period under review.

During the period, the retail business faced a challenging market environment, declining consumer spending and fragile consumer confidence. The management was aggressively expanding direct import products and strategically strengthening category advantages to increase our competitive position in the market. Benefits from the Group's investment on ERP computer system in 2015 has been gradually reflected and improved operation efficiency. At the same time, the Group's investment on merchandiser management training has resulted in steadily increasing product margin. The segment's revenue decreased 7.4% from HK\$41,020,000 to HK\$37,970,000. The gross profit margin of store sales improved significantly by 4.89 percentage point, partly attributable to the implementation of new pricing strategy. Amid the adverse retail business environment, the segment narrowed down an operating loss by 15.4% to HK\$9,620,000.

## **Prospects**

In October 2016, on account of boomed construction industry, stronger government spending and more upbeat growing of smaller firms, activity in China's manufacturing sector expanded at the fastest pace comparing with the past two years, signifying the China's economy was stabilizing and building a steadier footing. The nation's credit risk dilemma, however, has not been resolved. Only economy stability is confirmed and also not as risky as expected earlier yet remain heavily dependent on credit expansion to attain its GDP growth objectives.

China's provincial authorities continue to carry out the shut-down exercise of outdated production capacity. Paper prices show a sign of stabilizing as the imbalance of supply and demand situation has been gradually improved. The Group remains cautious to develop its businesses and acts in an orderly manner to fend off financial risks. In pursuing the business of paper trading and manufacturing, the Group continues to uphold those measures taken since previous period with an aim to keep a low inventory level and to lower customers' credit risk whilst maintain the profitability.

For the property development and investment segment, the Group continues to allocate more resources to concentrate on developing the Nantong business park project. The local government has exerted substantial support to the project and put tremendous effort in attracting foreign capitals and potential investors from a wide variety of businesses. Results from the Group's marketing activities on Nantong project, several investors from various industries have shown their interests in investing in the business park. Further additional steady inflow of recurring income and enhancement of profitability as well as cash flow of the Group are expected to be provided by this project.

The Group is continuing to enhance and improve retail business. Significant improvements are made to wine and frozen product categories. Its direct import product range is being expanded in order to offer consumers with a wider choice of higher quality products at a reasonable price while making a more encouraging profit to the business. The Group will not only continue investing in the consumer offerings to result in a steadily and healthy growth in sales and margin, but also committed to enhancing their competitive position in the market.

## **INTERIM DIVIDEND**

The Board has resolved to declare the payment of an interim dividend of HK0.4 cent (2015: HK0.4 cent) per share for the six months ended 30 September 2016. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 16 December 2016. The interim dividend will be paid around 11 January 2017.



## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 14 December 2016 to 16 December 2016 (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, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 pm on 13 December 2016.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2016, the Group employed 1,757 staff members, 187 of whom are based in Hong Kong and 1,240 are based in the PRC and 330 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 and medical insurance. 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 2016, short term deposits plus bank balances amounted to HK\$548 million (including restricted bank deposits of HK\$95 million) and bank borrowings amounted to HK\$2,134 million.

As at 30 September 2016, the Group's gearing ratio was 46.6% (31 March 2016: 47.0%), calculated as net debt divided by total capital. Net debt of HK\$1,586 million is calculated as total borrowings of HK\$2,134 million (including trust receipt loans, short term and long term borrowings, finance lease obligations and bank overdraft) less cash on hand and restricted deposits of HK\$548 million. Total capital is calculated as total equity of HK\$1,817 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.11 times (31 March 2016: 1.13 times).

With bank balances and other current assets of approximately HK\$3,088 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 2016, bank borrowings in Renminbi amounted to HK\$91 million (31 March 2016: HK\$123 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.

## **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 2016 amounted to HK\$2,126,886,000 (31 March 2016: HK\$2,193,804,000).

## **CHARGE OF ASSETS**

As at 30 September 2016, trust receipt loans of HK\$121,002,000 (31 March 2016: HK\$98,953,000) and bank loans of HK\$24,025,000 (31 March 2016: HK\$33,102,000) 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 2016 before it was tabled for the Board’s approval.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 September 2016, 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 2016 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](http://www.samsonpaper.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2016/17 interim report will be despatched to the shareholders of the Company and available on the same web sites in due course.

By Order of the Board  
**SHAM Kit Ying**  
*Chairman*

Hong Kong, 23 November 2016

*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.*

\* *for identification purposes*