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 RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

The board of directors (the "Board") of Samson Paper Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2018 and the consolidated balance sheet as at that date together with comparative figures for the financial year ended 31 March 2017. The annual results have been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Revenue	2	**5,759,596**	5,173,620
Cost of sales		**(5,223,274)**	(4,629,890)
Gross profit		**536,322**	543,730
Fair value gains on investment properties		**143,700**	34,800
Other gains and income, net		**57,614**	29,870
Selling expenses		**(213,470)**	(212,858)
Administrative expenses		**(202,895)**	(204,016)
Other operating (expenses)/income		**(1,143)**	10,417
Operating profit	3	**320,128**	201,943
Finance costs		**(80,524)**	(73,205)
Profit before taxation		**239,604**	128,738
Taxation	4	**(35,280)**	(34,850)
Profit for the year		**204,324**	93,888

	Note	2018 HK$'000	2017 HK$'000
Attributable to:			
— Owners of the Company		**196,755**	84,714
— Non-controlling interests		**7,569**	9,174
		204,324	93,888
Earnings per share			
Basic	5	**HK17.0 cents**	HK7.2 cents
Diluted		**HK15.5 cents**	HK6.7 cents
Dividends	6	**40,104**	29,282

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**204,324**	93,888
Other comprehensive income/(loss), net of tax		
Items that will not be reclassified to profit or loss		
Revaluation of land and buildings, net of deferred tax	**18,047**	37,020
	18,047	37,020
Items that may be reclassified to profit or loss		
Currency translation difference	**276,530**	(149,751)
Revaluation of available-for-sale financial assets	**120**	134
	276,650	(149,617)
Other comprehensive income/(loss) for the year, net of tax	**294,697**	(112,597)
Total comprehensive income/(loss) for the year	**499,021**	(18,709)
Attributable to:		
— Owners of the Company	**462,653**	(19,381)
— Non-controlling interests	**36,368**	672
Total comprehensive income/(loss) for the year	**499,021**	(18,709)

CONSOLIDATED BALANCE SHEET
As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**2,016,631**	1,687,638
Land use rights		**128,067**	119,289
Investment properties		**494,000**	550,300
Intangible assets		**42,387**	39,361
Available-for-sale financial assets		**5,986**	5,866
Non-current deposits and prepayments		**107,479**	52,242
Deferred tax assets		**7,456**	6,822
		2,802,006	2,461,518
Current assets			
Properties under development		**139,502**	99,821
Inventories		**840,028**	773,544
Accounts and other receivables	7	**2,152,495**	1,705,844
Financial assets at fair value through profit or loss		**—**	913
Taxation recoverable		**4,160**	3,575
Restricted bank deposits		**168,707**	139,348
Bank balances and cash		**360,072**	457,951
		3,664,964	3,180,996
Assets classified as held for sale		**200,000**	—
		3,864,964	3,180,996
Total assets		**6,666,970**	5,642,514
Current liabilities			
Accounts and other payables	8	**1,572,200**	1,324,572
Trust receipt loans		**954,848**	809,689
Taxation payable		**97,913**	72,196
Borrowings		**490,952**	528,109
		3,115,913	2,734,566
Net current assets		**749,051**	446,430
Total assets less current liabilities		**3,551,057**	2,907,948

	Note	2018 HK$'000	2017 HK$'000
Financed by:			
Share capital		**127,315**	127,315
Reserves		**1,977,595**	1,544,224
		2,104,910	1,671,539
Non-controlling interests		**240,947**	204,579
Total equity		**2,345,857**	1,876,118
Non-current liabilities			
Accounts and other payables	8	**31,872**	198,348
Borrowings		**1,071,256**	738,656
Deferred tax liabilities		**102,072**	94,826
		1,205,200	1,031,830
		3,551,057	2,907,948

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, land and building as well as investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amendments to standards adopted by the Group

The following amendments to standards and annual improvements are mandatory for their first time for the financial year beginning 1 April 2017:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to annual improvements project HKFRS 12	Annual improvements 2014–2016 cycle

The Group has adopted these amendments to standards and annual improvements and the adoption of these standards did not have significant impact on the Group's results and financial position.

(b) New standards and amendments to standards and interpretations that have been issued but not yet effective and have not been early adopted by the Group

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1 April 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after	
Amendments to HKAS 40	Transfers of investment property	1 January 2018	
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018	
Amendments to HKFRS 4	Insurance contracts	1 January 2018	
Amendments to annual improvement project HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	(i)
HKFRS 15	Revenue from contracts with customers	1 January 2018	(ii)
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018	(ii)
HK(IFRIC)-Int 22	Foreign currency transactions and advance considerations	1 January 2018	
HKFRS 16	Leases	1 January 2019	(iii)
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019	
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019	
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out below:

(i) HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018:

The financial assets held by the Group include equity instruments currently classified as available-for-sale ("AFS") of HK$1,169,000 for which a fair value through other comprehensive income ("FVOCI") election is available. Accordingly, the Group does not expect the new guidance to materially affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the available-for-sale financial assets fair value reserve to retained earnings.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL") and the Group does not have any such liabilities. The derecognition rules have been transferred from Hong Kong Accounting Standards ("HKAS") 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The management is still assessing the impact of adopting the new impairment model based on ECL.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

HKFRS 9 is mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparative figures for the year ended 31 March 2018 will not be restated.

(ii) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is currently assessing the effects of applying the new standard on the Group's financial statements and anticipates that the application of HKFRS 15 may result in the identification of separate performance obligations in relation to revenue contracts which could affect the timing of the recognition of revenue going forward. However, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amount of revenue recognised in the respective reporting periods. More detailed assessments will be carried out by the Group to estimate the impact of the new rules on the Group's financial statements.

Date of adoption by the Group

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

(iii) HKFRS 16 Leases

Nature of change

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$80,449,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Date of adoption by the Group

HKFRS 16 is mandatory for financial years commencing on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2. SEGMENT INFORMATION

As at 31 March 2018, 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 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 retailing and wholesaling of fast-moving consumer goods ("FMCG") business.

The segment information for the year ended and as at 31 March 2018 is as follows:

	Paper trading	Paper manufacturing	Property development and investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	**4,599,923**	**1,288,979**	**39,006**	**135,912**	**6,063,820**
Inter-segment revenue	**(260,659)**	**(18,419)**	**(19,175)**	**(5,971)**	**(304,224)**
Revenue from external customers	**4,339,264**	**1,270,560**	**19,831**	**129,941**	**5,759,596**
Reportable segment results	**120,619**	**54,766**	**160,239**	**(4,631)**	**330,993**
Corporate expenses					**(10,865)**
Operating profit					**320,128**
Finance costs					**(80,524)**
Profit before taxation					**239,604**
Taxation					**(35,280)**
Profit for the year					**204,324**

Other items for the year ended 31 March 2018

Interest income	**4,460**	**398**	**72**	**159**	**5,089**
Depreciation of property, plant and equipment	**9,885**	**50,827**	**226**	**9,275**	**70,213**
Amortisation of land use rights	**171**	**4,074**	**70**	**—**	**4,315**
Amortisation of intangible assets	**863**	**81**	**—**	**64**	**1,008**
Fair value gains on investment properties	**—**	**—**	**143,700**	**—**	**143,700**
Capital expenditure	**35,372**	**181,660**	**15,766**	**978**	**233,776**
Reportable segment assets	**2,529,090**	**3,095,324**	**870,594**	**160,229**	**6,655,237**
Taxation recoverable					**4,160**
Deferred tax assets					**7,456**
Corporate assets					**117**
Total assets					**6,666,970**
Reportable segment liabilities	**2,281,424**	**223,461**	**19,463**	**34,238**	**2,558,586**
Taxation payable					**97,913**
Deferred tax liabilities					**102,072**
Corporate liabilities					**1,562,542**
Total liabilities					**4,321,113**

The segment information for the year ended and as at 31 March 2017 is as follows:

	Paper trading *HK$'000*	Paper manufacturing *HK$'000*	Property development and investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total segment revenue	4,256,511	1,179,176	28,014	161,194	5,624,895
Inter-segment revenue	(405,645)	(29,344)	(9,339)	(6,947)	(451,275)
Revenue from external customers	3,850,866	1,149,832	18,675	154,247	5,173,620
Reportable segment results	100,308	80,233	47,837	(16,869)	211,509
Corporate expenses					(9,566)
Operating profit					201,943
Finance costs					(73,205)
Profit before taxation					128,738
Taxation					(34,850)
Profit for the year					93,888

Other items for the year ended 31 March 2017

Interest income	4,168	569	3	113	4,853
Depreciation of property, plant and equipment	7,968	45,574	98	12,598	66,238
Amortisation of land use rights	167	3,979	—	77	4,223
Amortisation of intangible assets	844	56	—	65	965
Fair value gains on investment properties	—	—	34,800	—	34,800
Capital expenditure	4,762	76,532	4,341	5,147	90,782
Reportable segment assets	2,168,290	2,547,712	729,571	186,405	5,631,978
Taxation recoverable					3,575
Deferred tax assets					6,822
Corporate assets					139
Total assets					5,642,514
Reportable segment liabilities	2,138,965	155,275	1,145	36,900	2,332,285
Taxation payable					72,196
Deferred tax liabilities					94,826
Corporate liabilities					1,267,089
Total liabilities					3,766,396

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

	Revenue		**Non-current assets[1]**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**833,886**	750,924	**610,593**	653,778
The PRC[2]	**4,440,412**	3,970,675	**2,114,156**	1,733,373
Singapore	**60,326**	79,880	**53,994**	53,657
Korea	**379,880**	340,682	**2,374**	2,154
Malaysia	**45,017**	31,431	**13,431**	11,698
Others	**75**	28	**2**	36
	5,759,596	5,173,620	**2,794,550**	2,454,696

1 Non-current assets excluded deferred tax assets.

2 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 charging and crediting the following:

	2018	2017
	HK$'000	*HK$'000*
Charging		
Cost of inventories sold	**5,149,015**	4,531,533
Depreciation of property, plant and equipment	**70,213**	66,238
Amortisation of land use rights	**4,315**	4,223
Amortisation of intangible assets	**1,008**	965
Operating lease rentals in respect of land and buildings:		
— Minimum lease payment	**57,653**	54,374
— Contingent rent	**72**	52
Transportation costs	**91,802**	97,868
Provision for impairment on receivables	**7,629**	7,280
Employee benefit expenses	**152,578**	140,058
Auditor's remuneration		
— Audit services	**2,713**	3,103
— Non-audit services	**88**	122
Crediting		
Gains on disposal of property, plant and equipment	**36**	336
Write-back of provision for inventories	**331**	6,099
Write-back of provision for impairment on receivables	**7,779**	12,850

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax	**6,711**	4,297
Overseas taxation	**30,612**	32,131
Under/(over) provision in previous years	**63**	(75)
Deferred taxation relating to origination and reversal of temporary differences	**(2,106)**	(1,503)
	35,280	34,850

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$193,718,000 (2017: HK$81,677,000) by the weighted average number of 1,141,076,000 (2017: 1,141,076,000) ordinary shares in issue during the year.

(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 has been granted under the scheme.

	2018	2017
Profit attributable to the owner of the Company *(HK$'000)*	**196,755**	84,714
Weighted average number of ordinary shares in issue *('000)*	**1,141,076**	1,141,076
Adjustment for:		
— Preference shares *('000)*	**132,065**	132,065
Weighted average number of shares for diluted earnings per share *('000)*	**1,273,141**	1,273,141
Diluted earnings per share	**HK15.5 cents**	HK6.7 cents

6. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Interim — HK$0.004 (2017: HK$0.004) per ordinary share	**4,564**	4,564
Interim — HK$0.004 (2017: HK$0.004) per preference share	**528**	528
Proposed final — HK$0.0275 (2017: HK$0.019) per ordinary share	**31,380**	21,681
Proposed final — HK$0.0275 (2017: HK$0.019) per preference share	**3,632**	2,509
	40,104	29,282

At a meeting held on 27 June 2018, the directors proposed a final dividend of HK$0.0275 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2019.

7. ACCOUNTS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Accounts and bills receivable — net of provision	**1,480,253**	1,255,015
Other receivables, deposits and prepayments	**672,242**	450,829
	2,152,495	1,705,844

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

	2018	2017
	HK$'000	*HK$'000*
Current to 60 days	**1,288,059**	1,066,100
61 to 90 days	**104,488**	90,253
Over 90 days	**87,706**	98,662
	1,480,253	1,255,015

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

8. ACCOUNTS AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Accounts and bills payable	**1,366,678**	1,325,959
Accruals and other payables	**237,394**	196,961
	1,604,072	1,522,920
Less: non-current portions:		
Accounts and other payables	**(31,872)**	(198,348)
	1,572,200	1,324,572

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

	2018	2017
	HK$'000	*HK$'000*
Current to 60 days	**1,049,647**	646,261
61 to 90 days	**140,683**	127,377
Over 90 days	**176,348**	552,321
	1,366,678	1,325,959

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

For the financial year under review, China's economy grew a forecast-beating 6.8% in the first quarter of 2018 from a year earlier, overcoming the Chinese government's battle on financial risk and pollution. The national economy maintained the momentum of steady and sound development. The main contributors to the growth lie in the expansion of the service sector and strong consumption. The official purchasing managers' index rose to 51.5 in March 2018 which showed manufacturing growth picked up in response to stronger domestic and overseas demand.

The Hong Kong's gross domestic product in the first quarter of 2018 grew 4.7% from a year earlier, driven by rising asset prices, especially the booming property market and stock market. Data on retail sales, trade and employment for the first quarter of 2018 suggest that Hong Kong's fundamental remains strong.

The Paper Industry

For the first half of the financial year, price for printing paper grades kept climbing, driven by rising pulp costs. As the pulp costs continued to sustain at a high position, price for the grades stayed steady at a high level for the second half of the year. For packaging boards with recycled grades, paper prices faced drastic volatility for the year. In the third quarter of 2017, price for the packaging boards with recycled grades has been shot up to a record high levels amid the soaring furnish costs and supply cuts. When demands for the grades soften and fall in recovered paper price in the fourth quarter of 2017, there were several rounds of price downward adjustments faced by the market. After the pick up in the demand in the first quarter of 2018, price for the grades was gradually recovered and stabilized at an upward trend. At the same time, as the authorities underwent the deleveraging and de-risk campaign, banks tended not to ease liquidity for customers for their working capital uses. There were concerns whether customers were able to withstand the soaring paper prices in their businesses while they were facing the environmental scrutiny from the authorities.

Overview of Operations

Financial Performance

Against the backdrop of increasing paper prices and additional operating costs burden on customers' business, to fend off these uncertainties, the Group took measures to mitigate the effect of the price volatility of paper products and credit exposure on customers by keeping less stocks and carrying out more indent sales while monitoring closely the working situation of customers. The implemented measures have taken effect and have been reflected in the Group's performance for the year. Amid the rising paper prices, the Group recorded a 11.3% growth in overall turnover to HK$5,759,596,000 while there was a 12.2% decrease in sales volume to 996,600 metric tonnes. The gross profit slightly decreased by 1.4% to HK$536,322,000 mainly resulting from the effect of more indent sales orders with margin relatively lower than that of stock sales orders made for the year and change of business strategies of FMCG segment. With significant gain on fair value of investment properties, including those presented as assets classified as held for sale, of HK$143,700,000 (2017: HK$34,800,000) the profit for the year rose significantly by 118% to HK$204,324,000 (2017: HK$93,888,000). Profit attributable to the owners of the Company rose by 132.3% from HK$84,714,000 to HK$196,755,000. Basic earnings per share were HK17.0 cents.

Strong strategies implementation which is a key priority of the Group has led to achievement of the target set for the year. The Group intends to keep an appropriate level of cash reserve to enhance the working capital position as well as to cater for further investment opportunities ahead. As at 31 March 2018, the Group had cash and bank balance (including restricted bank deposit) of HK$528,779,000 with a gearing ratio at a healthy level of 45.8%. The finance costs are HK$80.5 million, which is 1.4% (2017: 1.4%) of the Group's total revenue. As consequence of exercising a stringent credit policy as well as closely monitoring the liquidity and business situation of customers , the Group's debtor turnover days is further shortened by 4 days The provision for impairment loss of receivables is at HK$7.6 million, representing 0.13% of the Group's total revenue while the write back of the provision is HK$7.8 million.

Paper Business

Supported by the prolonged upturn in pulp costs, paper producers for printing paper grades kept on pushing higher prices for their paper products. These high prices have exhausted customers' purchasing power. For packaging boards with recycled grades, paper prices were volatile following the movements of recovered paper price and the demand situation in the domestic market. Amid these market conditions, the Group has taken more cautious manner on various sales and procurement strategies in line with the various situation among different regions in China with an aim to achieve higher profitability and low risk in credit as well as not pursuing for the increase in market share. At the backdrop of rising selling price, the Group achieved a significant growth of 12.2% in turnover from HK$5,001 million to HK$5,610 million. In volume term, the sales tonnage decreased by 12.2%. Operating profit was HK$175,385,000, a slightly 2.9% decrease compared with last year.

For paper trading business, the Group reported a strong rise of 12.7% in turnover of HK$4,339,264,000 but a 10.3% decrease in sales tonnage ascribing to the success of price hikes of paper products and focusing on sales strategies with an aim on higher profitability. Turnover from paper trading business in the PRC market rose strongly by 12.4% to HK$3,168,213,000 with a decrease of 15.4% in volume. At the same time, Hong Kong market achieved a turnover of HK$746,077,000, grew significantly by 13.1% compared to the corresponding last year. As for other Asian countries, the Group has spent more efforts and resources on expansion of the business in the region and attained support from suppliers for more tonnage allocation to the Group. The business' turnover as a result rose 14.2% in sales to HK$424,973,000 as compared to the corresponding last year with a 7.1% growth in sales tonnage.

For paper manufacturing business, the segment's turnover rose by 10.4%, including inter-segment revenue, to HK$1,288,979,000 with a decrease of 16.0% in the sales tonnage, attributable to rising selling price of paper products. Amid the increasing operating costs faced by the business segment, operating profit decreased by 31.7% to HK$54,766,000 with its operating profit margin at 4.3%.

Property Development and Investment

Property Development

For the Nantong business park project, the project entity has been approved to develop the subject land. After the relevant construction permits have been obtained, construction work on properties with total gross floor area ('GFA') of 16,306 sq.m. on the site of phase one has been commenced. Deposits of RMB10.7 million has been received from three potential purchasers with an estimated sale value of RMB35.4 million in total on the phase one site covering an estimated total GFA of 8,551 sq.m.. Among these three potential purchasers, one purchaser intended to acquire property with GFA of 3,265 sq.m. to be built in the third quarter of 2018. As at 31 March 2018 costs under property under development amounted to HK$139.5 million.

During the year under review, construction work for the Xiamen project was in progress. An office/warehouse hybrid with total GFA of 16,296 sq.m. was under construction and, subject to management's decision, certain portion of the property may be leased to third party.

Property Investment

For the year, the rental income made from the investment properties and including those presented as assets classified as held for sale, with a value of HK$694,000,000 as at 31 March 2018 rose by 6.2% to HK$19,831,000 from HK$18,675,000 in last year. A gain on fair value change on the investment properties including those presented as assets classified as held for sale, of HK$143,700,000 was recorded as compared to a gain on fair value change of HK$34,800,000 in last year. Tapping on the development of the Nantong business park project, the Group expanded its property management division from Hong Kong to the regions in Mainland China, covering, in addition to properties developed in Nantong and Xiamen, those properties occupied by other intergroup segments as well as those properties in overseas since October 2017. Additional rental revenue for the property segment arising from these intergroup segments amounted to HK$19,175,000 for the six month ended 31 March 2018. Together with the rental earned from third parties of HK$19,831,000, the gross rental revenue of property segment is HK$39,006,000 for the year.

A PRC property management entity, called Nantong Property Management Co. Limited has been formed in June 2018 to cater for the management service provided for the property owners of properties developed in the site of Nantong business park. Additional property management service income will be generated from this new operation.

Other Businesses

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

The aeronautic parts and services business and marine services business recorded turnover of HK$15,966,000 and HK$44,175,000 respectively during the year under review.

During the year, the consumable product market has gone through a challenging year with intensifying and changing competition among supplies, gradually rising cost in operations including human resource and logistics and rapidly changing consumer behaviors. The Group's procurement team has strictly implemented the innovatively procurement strategy and successfully increased the direct import product portfolio, which led to further margin improvements and product variety diversification. With enhancement accomplished on supply chain this year, higher service standard on delivery and product quality control has been fulfilled. The segment's revenue decreased 6.3% from HK$72,751,000 to HK$68,164,000. With the change of business strategy, operating loss reduced from HK$18,511,000 to HK$1,573,000.

Prospects

The mainland's manufacturing sector grew at the fastest pace in eight months in May of 2018 easing concerns about an economic slowdown even facing risks from trade tensions with the United States and a crackdown on debts.

Price for printing paper grades becomes soften as demand weaken during the summer season but expects to stay steady at a high level when demand recovers as pulp price continues to hover at high level. For packaging board with recycled grades, paper price is expected to keep climbing in long run resulting from the growing furnish costs amid the China's tightened regulation on recovered paper imports and the environmental related closure of production lines. Higher paper costs might exert a heavy burden on customers' operating costs and thus affects the sustainability of their business. Under such market conditions, the Group continues to closely monitor and assess the customers' operation to lower down the credit risks. The Group continues to adopt sales strategies with an intention keeping less stocks and obtaining more indent orders to mitigate the volatility of paper prices. For manufacturing segment, the Group put in resource in upgrading the production facilities and power plant to attain cost savings in the production processes. Leverage on the Group's strong relationship with paper mills in China and our existing oversea sales offices, the Group is planning to expand oversea sales to countries other than Hong Kong and Mainland China. At the same time the Group continues to uphold those measures taken since previous year in streamlining and centralizing internal processes to achieve effectiveness and efficiency.

For the property development and investment segment, in respect of the Nantong business park, a construction work planning permit on properties with total GFA of 17,450 sq.m. on the site for the second stage of phase one will be applied with the municipal planning authority. Once this permit and a construction work commencement permit is awarded, the project team will discuss with potential customers for the final design of the said properties and construction work can be started. In addition, segregation of property right for sales permit for the business park project has been obtained in April 2018. Once the acceptance and examination on completion of construction properties with total GFA of 16,306 sq.m. on the said site for phase one is obtained which is expected to be carried out in the third quarter of 2018, the ownership of the properties with an estimated total GFA of 5,286 sq.m. is allowed to be transferred and the sales revenue will be recorded. It is expected that the Nantong project will generate a steady stream of revenue and cash inflow arising from the sales properties and service income in the coming year. The success of the project will further establish the Group's status in property development business. For the Xiamen project, the acceptance and examination on completion of construction property is expected to be carried out in the third quarter of 2018. Subject to management's decision, certain properties may be leased to third parties in the near future.

We will continue to assess our property portfolio in view of the market conditions from time to time and explore opportunities to broaden and rejuvenate the same to generate the best possible returns for our shareholders.

For consumable product business segment, which has achieved substantial progress in overseas procurement and improvements in operation results, the Group will concentrate in expanding the sales distribution network while continue improving on overseas procurement to secure more high quality and stable supplies, aiming to achieve greater performance of this business segment and drive sustainable growth in the long term.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK2.75 cents per share (2017: HK1.9 cents) payable on or around 12 October 2018 to persons who are registered shareholders of the Company on 24 September 2018 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK0.4 cent per share (2017: HK0.4 cent), the total dividend for the financial year is HK3.15 cents per share (2017: HK2.3 cents).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 September 2018 to 18 September 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the Meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 12 September 2018.

The Register of Members of the Company will be closed from 26 September 2018 to 28 September 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 25 September 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group employed 1,657 staff members, 125 of whom are based in Hong Kong and 1,275 are based in the PRC and 259 are based in other 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. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. 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 flows generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2018, short term deposits plus bank balances amounted to HK$529 million (2017: HK$597 million) (including restricted bank deposits of HK$169 million (2017: HK$139 million)) and bank borrowings amounted to HK$2,514 million (2017: HK$2,076 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2018, the Group's gearing ratio was 45.8% (2017: 44.1%), calculated as net debt divided by total capital. Net debt of HK$1,986 million (2017: HK$1,479 million) is calculated as total borrowings of HK$2,514 million (2017: HK$2,076 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$529 million (2017: HK$597 million). Total capital is calculated as total equity of HK$2,346 million (2017: HK$1,876 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.21 times (2017: 1.16 times).

With bank balances and other current assets amounted to HK$3,785 million (2017: HK$3,181 million) as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital for its present requirement.

FOREIGN EXCHANGE RISK

The Group's transaction currencies are principally denominated in Renminbi, United States dollar and Hong Kong dollar. 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 31 March 2018, bank borrowings in Renminbi amounted to HK$85 million (2017: HK$86 million). The remaining borrowings are mainly in Hong Kong dollar. The majority of the Group's borrowings bear interest costs which are based on floating interest rates. The Group has entered an interest rate swap contract, the notional principal amount of the outstanding interest rate swap contract as at 31 March 2018 was nil (2017: nil).

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2018, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2018 amounted to HK$2,513 million (2017: HK$2,070 million).

Certain land and buildings, assets classified as held for sale and investment properties of the Company's subsidiaries, with a total carrying value of HK$323 million as at 31 March 2018 (2017: HK$637 million) were pledged to banks as securities for bank loans of HK$49 million (2017: HK$35 million) and trust receipt loans of HK$143 million (2017: HK$122 million) granted to the Group.

AUDIT COMMITTEE

The audit committee of the Company (the "Committee") comprises two independent non-executive directors of the Company, namely Mr. Pang Wing Kin, Patrick and Mr. Tong Yat Chong and one non-executive director of the Company, namely Mr. Lau Wang Yip, Eric. The principal activities of the Committee include the review and supervision of the Group's financial reporting process and internal controls. The Committee has met with the senior management of the Company and the Company's external auditor to review the annual results for the year ended 31 March 2018 before recommending them to the Board for approval.

SCOPE OF WORK OF THE EXTERNAL AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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 annual results.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the accounting period covered by the annual results 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 DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

The 2017/2018 Annual Report of the Company containing all information required by the Listing Rules will be published on the Stock Exchange's website (www.hkexnews.com.hk) and the Company's website (www.samsonpaper.com) 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, 27 June 2018

* *for identification purpose only*