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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 2017

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 2017 together with comparative figures for the corresponding period in 2016, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2017 with audited comparative figures as at 31 March 2017. The unaudited condensed consolidated interim financial statements have been reviewed by the Company’s audit committee.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|                                   |             | <b>Unaudited</b>        |                 |
|-----------------------------------|-------------|-------------------------|-----------------|
|                                   |             | <b>Six months ended</b> |                 |
|                                   |             | <b>30 September</b>     |                 |
|                                   |             | <b>2017</b>             | <b>2016</b>     |
|                                   | <i>Note</i> | <b>HK\$'000</b>         | <b>HK\$'000</b> |
| Revenue                           | 2           | <b>2,932,492</b>        | 2,506,068       |
| Cost of sales                     |             | <b>(2,646,033)</b>      | (2,252,069)     |
| Gross profit                      |             | <b>286,459</b>          | 253,999         |
| Other gains and income, net       |             | <b>27,522</b>           | 13,464          |
| Selling expenses                  |             | <b>(100,775)</b>        | (102,778)       |
| Administrative expenses           |             | <b>(117,822)</b>        | (99,299)        |
| Other operating (expenses)/income |             | <b>(5,697)</b>          | 13,751          |
| Operating profit                  | 3           | <b>89,687</b>           | 79,137          |
| Finance costs                     |             | <b>(39,296)</b>         | (38,709)        |
| Profit before taxation            |             | <b>50,391</b>           | 40,428          |
| Taxation                          | 4           | <b>(11,669)</b>         | (9,240)         |
| Profit for the period             |             | <b>38,722</b>           | 31,188          |

|                            |             | <b>Unaudited</b>          |                    |
|----------------------------|-------------|---------------------------|--------------------|
|                            |             | <b>Six months ended</b>   |                    |
|                            |             | <b>30 September</b>       |                    |
|                            |             | <b>2017</b>               | <b>2016</b>        |
|                            | <i>Note</i> | <b>HK\$'000</b>           | <b>HK\$'000</b>    |
| Attributable to:           |             |                           |                    |
| Owners of the Company      |             | <b>33,714</b>             | 27,705             |
| Non-controlling interests  |             | <b>5,008</b>              | 3,483              |
|                            |             | <u><b>38,722</b></u>      | <u>31,188</u>      |
| Earnings per share         |             |                           |                    |
| — Basic                    | 5           | <u><b>HK2.9 cents</b></u> | <u>HK2.4 cents</u> |
| — Diluted                  | 5           | <u><b>HK2.6 cents</b></u> | <u>HK2.2 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>Six months ended</b> |                        |
|---|-------------------------|------------------------|
|   | <b>30 September</b>     |                        |
|   | <b>2017</b>             | <b>2016</b>            |
|   | <b><i>HK\$'000</i></b>  | <b><i>HK\$'000</i></b> |
| <b>Profit for the period</b>  | <b>38,722</b>           | <b>31,188</b>          |
| <b>Other comprehensive income/(loss)</b>                            |                         |                        |
| Item that may be reclassified subsequently to profit or loss:       |                         |                        |
| — Currency translation differences                                  | <u>125,211</u>          | <u>(93,896)</u>        |
| <b>Other comprehensive income/(loss) for the period, net of tax</b> | <u>125,211</u>          | <u>(93,896)</u>        |
| <b>Total comprehensive income/(loss) for the period</b>             | <u>163,933</u>          | <u>(62,708)</u>        |
| <b>Total comprehensive income/(loss) attributable to:</b>           |                         |                        |
| — Owners of the Company   | 151,489                 | (57,585)               |
| — Non-controlling interests   | <u>12,444</u>           | <u>(5,123)</u>         |
| <b>Total comprehensive income/(loss) for the period</b>             | <u>163,933</u>          | <u>(62,708)</u>        |

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2017

|   | Unaudited<br>30 September<br>2017 | Audited<br>31 March<br>2017 |
|---|-----------------------------------|-----------------------------|
| <i>Note</i>   | <i>HK\$'000</i>                   | <i>HK\$'000</i>             |
| Non-current assets                                    |                                   |                             |
| Property, plant and equipment                         | 1,796,284                         | 1,687,638                   |
| Land use rights                                       | 122,120                           | 119,289                     |
| Investment properties                                 | 389,300                           | 550,300                     |
| Intangible assets                                     | 40,127                            | 39,361                      |
| Available-for-sale financial assets                   | 5,866                             | 5,866                       |
| Non-current deposits and prepayments                  | 87,254                            | 52,242                      |
| Deferred tax assets                                   | 6,822                             | 6,822                       |
|   | <u>2,447,773</u>                  | <u>2,461,518</u>            |
| Current assets  |                                   |                             |
| Properties under development                          | 106,980                           | 99,821                      |
| Inventories   | 702,319                           | 773,544                     |
| Accounts and other receivables                        | 1,988,229                         | 1,705,844                   |
| Financial assets at fair value through profit or loss | 1,110                             | 913                         |
| Taxation recoverable                                  | 3,423                             | 3,575                       |
| Restricted bank deposits                              | 82,806                            | 139,348                     |
| Bank balances and cash                                | 454,241                           | 457,951                     |
|   | <u>3,339,108</u>                  | <u>3,180,996</u>            |
| Non-current assets held for sale                      | <u>161,000</u>                    | —                           |
|   | <u>3,500,108</u>                  | <u>3,180,996</u>            |
| Current liabilities                                   |                                   |                             |
| Accounts and other payables                           | 1,500,484                         | 1,324,572                   |
| Trust receipt loans                                   | 644,354                           | 809,689                     |
| Taxation payable                                      | 76,965                            | 72,196                      |
| Borrowings  | 459,500                           | 528,109                     |
|   | <u>2,681,303</u>                  | <u>2,734,566</u>            |
| Net current assets                                    | <u>818,805</u>                    | <u>446,430</u>              |
| Total assets less current liabilities                 | <u><u>3,266,578</u></u>           | <u><u>2,907,948</u></u>     |

|  |             | <b>Unaudited</b>               | Audited                 |
|--|-------------|--------------------------------|-------------------------|
|  |             | <b>30 September</b>            | 31 March                |
|  |             | <b>2017</b>                    | 2017                    |
|  | <i>Note</i> | <b><i>HK\$'000</i></b>         | <b><i>HK\$'000</i></b>  |
| Equity                                       |             |                                |                         |
| Equity attributable to owners of the Company |             |                                |                         |
| Share capital                                |             | <b>127,315</b>                 | 127,315                 |
| Reserves                                     |             | <b><u>1,671,523</u></b>        | <u>1,544,224</u>        |
|  |             | <b>1,798,838</b>               | 1,671,539               |
| Non-controlling interests                    |             | <b><u>217,023</u></b>          | <u>204,579</u>          |
| Total equity                                 |             | <b><u>2,015,861</u></b>        | <u>1,876,118</u>        |
| Non-current liabilities                      |             |                                |                         |
| Accounts and other payables                  | 8           | <b>189,325</b>                 | 198,348                 |
| Borrowings                                   |             | <b>964,203</b>                 | 738,656                 |
| Deferred tax liabilities                     |             | <b><u>97,189</u></b>           | <u>94,826</u>           |
|  |             | <b><u>1,250,717</u></b>        | <u>1,031,830</u>        |
|  |             | <b><u><u>3,266,578</u></u></b> | <u><u>2,907,948</u></u> |

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 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 2017, 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 2017, 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 standards and annual improvements are mandatory for the first time for the financial year beginning on 1 April 2017 and currently relevant to the Group:

|  |  |
|--|--|
| 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 standards and the adoption of these standards do not have significant impacts on the Group’s condensed consolidated interim financial information.

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

|   |   | <b>Effective for<br/>accounting periods<br/>beginning on or<br/>after</b> |
|---|---|---|
| Amendments to Annual Improvements Project HKFRS 1 and HKAS 28 | Annual improvements 2014–2016 cycle   | 1 January 2018  |
| Amendments to HKFRS 2   | Classification and measurement of share-based payment transactions                    | 1 January 2018  |
| Amendments to HKFRS 4   | Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts               |   |
| HKFRS 9   | Financial instruments   | 1 January 2018  |
| HKFRS 15  | Revenue from contracts with customers   | 1 January 2018  |
| Amendments to HKFRS 15  | Clarifications to HKFRS 15  | 1 January 2018  |
| Amendments to HKAS 40   | Transfers of investment property  | 1 January 2018  |
| HK(IFRIC)-Int 22  | Foreign currency transactions and advance consideration                               | 1 January 2018  |
| HKFRS 16  | Leases  | 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  |

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 2017, 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 retailing and wholesaling of fast-moving consumer goods ("FMCG") business.

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, intangible assets, properties under development, inventories, receivables, financial instruments, non-current assets held for sale 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 2017 is as follows:

|  | <b>Unaudited</b>                          |                            |  |                 |                  |
|--|---|----------------------------|--|-----------------|------------------|
|  | <b>Six months ended 30 September 2017</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                  | 2,368,027                                 | 600,446                    | 10,179                                     | 62,010          | 3,040,662        |
| Inter-segment revenue                  | (98,104)                                  | (6,801)                    | —  | (3,265)         | (108,170)        |
| <b>Revenue from external customers</b> | <b>2,269,923</b>                          | <b>593,645</b>             | <b>10,179</b>                              | <b>58,745</b>   | <b>2,932,492</b> |
| Reportable segment results             | 46,535                                    | 43,555                     | 9,250                                      | (2,970)         | 96,370           |
| Corporate expenses                     |   |                            |  |                 | (6,683)          |
| Operating profit                       |   |                            |  |                 | 89,687           |
| Finance costs                          |   |                            |  |                 | (39,296)         |
| <b>Profit before taxation</b>          |   |                            |  |                 | <b>50,391</b>    |
| Taxation                               |   |                            |  |                 | (11,669)         |
| <b>Profit for the period</b>           |   |                            |  |                 | <b>38,722</b>    |
| <b>OTHER PROFIT AND LOSS ITEMS</b>     |   |                            |  |                 |                  |
| Depreciation                           | 4,436                                     | 23,013                     | 116  | 4,734           | 32,299           |
| Amortisation charges                   | 504                                       | 2,035                      | —  | 67              | 2,606            |

**Unaudited**  
**As at 30 September 2017**

|                           | <b>Paper trading</b><br><i>HK\$'000</i> | <b>Paper manufacturing</b><br><i>HK\$'000</i> | <b>Property development and investment</b><br><i>HK\$'000</i> | <b>Others</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|---------------------------|---|---|---|----------------------------------|---------------------------------|
| <b>SEGMENT ASSETS</b>     |   |   |   |                                  |                                 |
| Reportable segment assets | 2,327,241                               | 2,755,144                                     | 681,919   | 173,196                          | 5,937,500                       |
| Taxation recoverable      |   |   |   |                                  | 3,423                           |
| Deferred tax assets       |   |   |   |                                  | 6,822                           |
| Corporate assets          |   |   |   |                                  | 136                             |
| Total assets              |   |   |   |                                  | <u>5,947,881</u>                |

The segment information for the six months ended 30 September 2016 and as at 31 March 2017 are as follows:

|   | <b>Paper trading</b><br><i>HK\$'000</i> | <b>Paper manufacturing</b><br><i>HK\$'000</i> | <b>Property development and investment</b><br><i>HK\$'000</i> | <b>Others</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|---|---|---|---|----------------------------------|---------------------------------|
| <b>Unaudited</b><br><b>Six months ended 30 September 2016</b> |   |   |   |                                  |                                 |
| <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>                        | <u>1,859,609</u>                        | <u>553,164</u>                                | <u>10,178</u>   | <u>83,117</u>                    | <u>2,506,068</u>                |
| 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>                                 |   |   |   |                                  | 40,428                          |
| Taxation  |   |   |   |                                  | (9,240)                         |
| <b>Profit for the period</b>                                  |   |   |   |                                  | <u>31,188</u>                   |
| <b>OTHER PROFIT AND LOSS ITEMS</b>                            |   |   |   |                                  |                                 |
| Depreciation  | 4,148                                   | 23,230  | —   | 5,881                            | 33,259                          |
| Amortisation charges  | 525                                     | 2,059   | —   | 70                               | 2,654                           |



|                           | Audited             |                 |                 |                 |                         |
|---------------------------|---------------------|-----------------|-----------------|-----------------|-------------------------|
|                           | As at 31 March 2017 |                 |                 |                 |                         |
|                           | Paper               | Paper           | Property        | Others          | Total                   |
|                           | trading             | manufacturing   | development     |                 |                         |
|                           | <i>HK\$'000</i>     | <i>HK\$'000</i> | and investment  | <i>HK\$'000</i> | <i>HK\$'000</i>         |
|                           |                     |                 | <i>HK\$'000</i> |                 |                         |
| <b>SEGMENT ASSETS</b>     |                     |                 |                 |                 |                         |
| 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                     |
|                           |                     |                 |                 |                 | <u>139</u>              |
| Total assets              |                     |                 |                 |                 | <u><u>5,642,514</u></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 |                  |
|                         | 2017                          | 2016             |
|                         | <i>HK\$'000</i>               | <i>HK\$'000</i>  |
| Hong Kong               | 465,469                       | 380,918          |
| The PRC ( <i>note</i> ) | 2,203,806                     | 1,897,941        |
| Singapore               | 30,446                        | 44,176           |
| Korea                   | 213,296                       | 170,193          |
| Malaysia                | 19,475                        | 12,840           |
|                         | <u>2,932,492</u>              | <u>2,506,068</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>2017</b>                          | <b>2016</b>            |
|   | <b><i>HK\$'000</i></b>               | <b><i>HK\$'000</i></b> |
| Crediting                                     |                                      |                        |
| Interest income                               | 2,382                                | 2,200                  |
| Write-back of provision for inventories       | —                                    | 3,283                  |
| Write-back of provision for receivables       | <u>1,616</u>                         | <u>13,627</u>          |
| Charging                                      |                                      |                        |
| Depreciation of property, plant and equipment | 32,299                               | 33,259                 |
| Amortisation of land use rights               | 2,117                                | 2,175                  |
| Amortisation of intangible assets             | 489                                  | 479                    |
| Provision for impairment on inventories       | 473                                  | —                      |
| Provision for impairment on receivables       | <u>6,137</u>                         | <u>3,917</u>           |

### 4. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 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>2017</b>                          | <b>2016</b>            |
|                       | <b><i>HK\$'000</i></b>               | <b><i>HK\$'000</i></b> |
| Hong Kong profits tax | 4,932                                | 5,203                  |
| Overseas taxation     | <u>6,737</u>                         | <u>4,037</u>           |
|                       | <u>11,669</u>                        | <u>9,240</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 shares dividends of HK\$33,186,000 (2016: HK\$27,177,000) by the weighted average number of 1,141,076,000 (2016: 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 (2016: Nil) has been granted under the scheme.

|  | <b>Unaudited</b>                     |                    |
|--|--------------------------------------|--------------------|
|  | <b>Six months ended 30 September</b> |                    |
|  | <b>2017</b>                          | <b>2016</b>        |
| Profit attributable to owners of the Company ( <i>HK\$'000</i> )                 | <u><b>33,714</b></u>                 | <u>27,705</u>      |
| Weighted average number of ordinary shares in issue ( <i>'000</i> )              | <b>1,141,076</b>                     | 1,141,076          |
| Adjustments for:   |                                      |                    |
| — Assumed conversion of preference shares ( <i>'000</i> )                        | <u><b>132,065</b></u>                | <u>132,065</u>     |
| Weighted average number of shares for diluted earnings per share ( <i>'000</i> ) | <u><b>1,273,141</b></u>              | <u>1,273,141</u>   |
| Diluted earnings per share   | <u><b>HK2.6 cents</b></u>            | <u>HK2.2 cents</u> |

## 6. INTERIM DIVIDENDS

|   | <b>Unaudited</b>                     |                        |
|---|--------------------------------------|------------------------|
|   | <b>Six months ended 30 September</b> |                        |
|   | <b>2017</b>                          | <b>2016</b>            |
|   | <b><i>HK\$'000</i></b>               | <b><i>HK\$'000</i></b> |
| Proposed — HK\$0.004 (2016: HK\$0.004) per ordinary share   | <b>4,564</b>                         | 4,564                  |
| Proposed — HK\$0.004 (2016: HK\$0.004) per preference share | <u><b>528</b></u>                    | <u>528</u>             |
|   | <u><b>5,092</b></u>                  | <u>5,092</u>           |

At a meeting held on 28 November 2017, 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 2018.

## 7. ACCOUNTS AND OTHER RECEIVABLES

|   | <b>Unaudited</b><br><b>30 September</b><br><b>2017</b><br><b>HK\$'000</b> | Audited<br>31 March<br>2017<br><i>HK\$'000</i> |
|---|---|--|
| Accounts and bills receivables — net of provision | <b>1,406,435</b>  | 1,255,015                                      |
| Other receivables, deposits and prepayments       | <b>581,794</b>  | 450,829  |
|   | <b><u>1,988,229</u></b>   | <b><u>1,705,844</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><br><b>30 September</b><br><b>2017</b><br><b>HK\$'000</b> | Audited<br>31 March<br>2017<br><i>HK\$'000</i> |
|--------------------|---|--|
| Current to 60 days | <b>1,236,194</b>  | 1,066,100                                      |
| 61 to 90 days      | <b>92,287</b>   | 90,253   |
| Over 90 days       | <b>77,954</b>   | 98,662   |
|                    | <b><u>1,406,435</u></b>   | <b><u>1,255,015</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

|                             | Unaudited<br>30 September<br>2017<br><i>HK\$'000</i> | Audited<br>31 March<br>2017<br><i>HK\$'000</i> |
|-----------------------------|--|--|
| Accounts and bills payables | 1,432,505  | 1,325,959                                      |
| Accruals and other payables | 233,114  | 196,961  |
| Dividend payable            | 24,190   | —  |
|                             | <u>1,689,809</u>                                     | <u>1,522,920</u>                               |
| Less: non-current portions: |  |  |
| Accounts and other payables | <u>(189,325)</u>                                     | <u>(198,348)</u>                               |
|                             | <u><u>1,500,484</u></u>                              | <u><u>1,324,572</u></u>                        |

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

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

|                    | Unaudited<br>30 September<br>2017<br><i>HK\$'000</i> | Audited<br>31 March<br>2017<br><i>HK\$'000</i> |
|--------------------|--|--|
| Current to 60 days | 657,394  | 646,261  |
| 61 to 90 days      | 207,696  | 127,377  |
| Over 90 days       | 567,415  | 552,321  |
|                    | <u>1,432,505</u>                                     | <u>1,325,959</u>                               |

## MANAGEMENT DISCUSSION AND ANALYSIS

### The Economy

During the financial period under review, China's economy advanced 6.8% year-on-year in the third quarter of 2017, following a 6.9% growth in the previous two periods amid government's effort to reduce overcapacity and debt risk. Industrial output and retail sales increased further while the gain in fixed investment eased. Exports and imports rose rapidly as boosted by stronger global demand. China's manufacturing activities in September 2017 grew at its fastest pace in five years as factories cranked up output to take advantage of strong demand and high prices fueled by a building boom.

In Hong Kong, the territory's economy experienced a strong growth, with real gross domestic product in the third quarter of 2017 increased by 3.6% over a year earlier, compared with the 3.9% increase in the second quarter. Such growth was mainly underpinned by the reviving regional trade flows.

### The Paper Industry

For the reporting period, price for printing papers continued to stay at high levels with several rounds of price hikes achieved amid the rising pulp costs. For packaging boards with recycled grades, after a downward adjustments in March 2017, following the ban of import of recovered paper and suspension of import recovered paper quota as well as a serious environment-related scrutiny on plants, fibre costs soared up and supply dropped. This in turn boosted the price run for paper products of packaging grades. At the same time, banks in the Mainland were not easing liquidity for customers for their working capital uses. There were concerns about whether customers were able to withstand the soaring paper prices in their operation while they were facing the environmental scrutiny from the authority.

### Overview of Operations

#### *Financial Performance*

Amid the surge of paper prices the Group took measures to mitigate the exposure to the price volatility of paper products by keeping less stock in the inventory and carrying out more indent sales while closely monitoring the working situation of customers. Those measures implemented for the period have taken effect and been reflected in the Group's performance for the period. With the rise in selling price, the Group reported a 17.0% growth in overall turnover to HK\$2,932,492,000 while there was a 5.7% decrease in sales volume to 540,719 metric tonnes. Gross profit increased from previous period's by 12.8% to HK\$286,459,000 with a 3.7% decrease in gross profit margin from 10.1% to 9.8%. Profit for the period rose significantly from previous period's by 24.2% to HK\$38,722,000. Profit attributable to the owners of the Company rose by 21.7% from the previous period's HK\$27,705,000 to HK\$33,714,000 with a basic earnings per share of HK2.7 cents. As Renminbi currency appreciated during the period, a currency translation gain of HK\$125,211,000 recorded as other comprehensive income, mainly arising from the translation of the PRC subsidiaries' financial statements into the Group's reporting currency on consolidation.

The Group intends to keep an appropriate level of cash reserve to enhance its working capital position with a view to seek future investment opportunities. As at 30 September 2017, the Group had cash and bank balance (including restricted bank deposit) of HK\$537,047,000 with a gearing ratio at a level of 43.2% compared to 46.6% last corresponding period which was attributable to

appropriate measures taken in sales and procurement strategies. This enables the Group to maintain interest costs at HK\$39,296,000. The stringent credit policy and procedures, close follow-ups with customers on liquidity and settlement situation have enabled the Group's debtor turnover day to be shortened by 8 days. As a result, the provision for impairment loss of receivables was able to be kept at a low level of HK\$6,137,000, representing 0.2% of the Group's total revenue while the write back of the provision is HK\$1,616,000.

### ***Paper Business***

Against the background of rising selling price, with the Group's extensive sales network and strong procurement capability among suppliers, the Group achieved a significant growth of 18.7% in turnover from HK\$2,412,773,000 to HK\$2,863,568,000. In volume term, the sales tonnage decreased by 5.7% resulting from the adoption of sales and procurement strategies to lower the risk of volatility of paper prices. Operating profit was HK\$90,090,000, a rise of 6.8% compared with last corresponding period.

For paper trading business, the Group reported a strong rise of 22.1% in turnover of HK\$2,269,923,000 and a 2.4% increase in sales tonnage resulting from the upsurge of paper prices. Turnover from paper trading business in the PRC market rose significantly by 19.8% to HK\$1,609,254,000 with a decrease of 5.8% in volume ascribing to putting more focus on the sustainability of customers against the price spiral of paper products. At the same time, Hong Kong market achieved a turnover of HK\$427,876,000, grew significantly by 28.6% compared to the corresponding last period. As for other Asian countries, the Group has put efforts and resources on expansion of the business in the region and secured supports from mills to allocate tonnages. The business's turnover rose significantly by 27.2% in sales to HK\$232,793,000 as compared to the corresponding last period with a 36.5% growth in sales tonnage.

For paper manufacturing business, facing the volatility of raw materials costs prevailing in the market, the Group adopted its sales strategy focusing on profitability instead of sales tonnage to mitigate the exposure to the price run of recovered paper. The segment's turnover increased by 5.3%, including inter-segment revenue, to HK\$600,446,000 with a 23.0% drop in the sales tonnage. Operating profit increased by 16.5% to HK\$43,555,000 with its operating profit margin at 7.6%.

### ***Property Development and Investment***

#### ***Property Development***

For the Nantong business park project, the project entity has obtained the interim qualification certificate for real estate development enterprise in the PRC granting it permission to develop the subject land. Deposits of RMB2,000,000 have been received from two potential purchasers for two blocks of properties with an estimated sale price of RMB26,800,000 in total on the phase one site covering a total gross floor area of 6,530 sq.m.. The blocks of properties are under construction and, subject to the granting of relevant permits by the relevant PRC governmental authority, are expected to be completed and transferred to the potential purchasers within this financial year. As at 30 September 2017, the costs of properties under development amounted to HK\$106,980,000.

## *Property Investment*

For the period, the rental income from investment properties with a value of HK\$551,300,000 was the same as the last period at HK\$10,179,000. This provides a continual steady income and cash inflow to the Group, serves as a solid contributor to the Group's operating income and enhances the financial position of the Group.

During the period under review, construction work has commenced for the Xiamen project and foundation work has been completed as at 30 September 2017. The marketing team is discussing with a number of potential tenants to lease out part of the property for factory and warehousing 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\$8,387,000 and HK\$22,037,000 respectively during the period.

With the strategy of concentrating on the wholesale business after franchising out the retail stores in November 2016, a series of profit- and market-oriented procurement strategies have been implemented to improve profit margin and enhance product mix. Talented sales team are in place to expand the diversified customer base. Supply chain infrastructure has been equipped to enable higher service standard. Customer base has been exploring from single channel to variety of sales channels for the period. The segment's revenue decreased by 27.8% from HK\$37,966,000 to HK\$27,414,000. With the change of business strategy, the segment achieved an operating profit of HK\$446,000 compared to the operating loss of HK\$9,620,000 in the previous period.

## **Prospects**

China's manufacturing activity in October 2017 continued to grow with the purchasing managers' index recorded at 51.6. With an aim to provide more liquidity support to small and medium sized enterprises, the People Bank of China announced a targeted easing of bank's reserve requirement ratio starting from 2018. This expects to improve credit efficiency in the economy and rebalance growth.

Price for printing paper grades keeps in a continual uptrend in October 2017 amid climbing pulp costs while price for recycled board grades softened as demand eased off. Following the stringent environmental policy adopted by the authorities, paper price is expected to sustain at higher level once demand picks up. At the backdrop of steady economic growth in the domestic market in China, the Group continues to take appropriate and flexible approaches on sales and procurement to pursue profitability while mitigating the risk exposure on customers and stocks. For manufacturing segment, the Group put in more resources in upgrading the production facilities and power plant to attain cost savings in the production processes. For expanding oversea sales to countries other than Hong Kong and mainland China, the Group shall secure more tonnage allocations from our channels of suppliers. At the same time the Group continues to uphold and strengthen those measures taken since previous period in streamlining and centralizing internal processes to achieve effectiveness and efficiency.



For the property development and investment segment, the Group have placed considerable resources and emphasis on running the existing projects while seeking new opportunities on any new potential projects in order to further expand the business. For the Nantong business park project, the Group's design and marketing team is discussing with a number of interested customers for the blocks of properties to be built. A further deposit of RMB3,060,000 has been received from a potential purchaser after the period end. 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 Group's property development team will carry on the construction works to build an office with warehouse on the land in Xiamen which is expected to be completed by the financial year end.

For the FMCG business segment, with innovative strategic sourcing activities, supported by the new procurement strategy, the Group will continue to sourcing directly from overseas to ensure better margin and secure more suppliers with wide variety of products so as to improve the operating result of the segment.

## **INTERIM DIVIDEND**

The Board has resolved to declare the payment of an interim dividend of HK0.4 cent (2016: HK0.4 cent) per share for the six months ended 30 September 2017. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 22 December 2017. The interim dividend will be paid around 10 January 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 20 December 2017 to 22 December 2017 (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 Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 pm on 19 December 2017.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2017, the Group employed 1,727 staff members, 154 of whom are based in Hong Kong and 1,295 are based in the PRC and 278 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 2017, short term deposits plus bank balances amounted to HK\$537 million (including restricted bank deposits of HK\$83 million) and bank borrowings amounted to HK\$2,068 million.

As at 30 September 2017, the Group's gearing ratio was 43.2% (31 March 2017: 44.1%), calculated as net debt divided by total capital. Net debt of HK\$1,531 million is calculated as total borrowings of HK\$2,068 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\$537 million. Total capital is calculated as total equity of HK\$2,016 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.31 times (31 March 2017: 1.16 times).

With bank balances and other current assets of approximately HK\$3,500 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 2017, bank borrowings in Renminbi amounted to HK\$66 million (31 March 2017: HK\$86 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 2017 amounted to HK\$2,062,783,000 (31 March 2017: HK\$2,070,360,000).

## **CHARGE OF ASSETS**

As at 30 September 2017, trust receipt loans of HK\$104,711,000 (31 March 2017: HK\$121,971,000) and bank loans of HK\$46,241,000 (31 March 2017: HK\$34,595,000) 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 2017 before it was tabled for the Board's approval.

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

During the six months ended 30 September 2017, 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 2017 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 2017/18 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, 28 November 2017

*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*