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森信 Samson group 集團

SAMSON PAPER HOLDINGS LIMITED
森信紙業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

ANNOUNCEMENT OF RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

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 2011 and balance sheet as at that date together with comparative figures for the financial year ended 31 March 2010. The annual results have been reviewed by the Company's audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the financial year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000 (restated)
Revenue	2	**4,676,899**	3,861,245
Cost of sales		**(4,244,695)**	(3,420,242)
Gross profit		**432,204**	441,003
Other gains and income, net		**58,893**	19,881
Selling expenses		**(178,399)**	(178,204)
Administrative expenses		**(167,567)**	(143,588)
Other operating expenses		**(10,005)**	(13,115)
Operating profit	3	**135,126**	125,977
Finance costs		**(47,000)**	(29,984)
Share of profit of an associated company		**—**	405
Profit before taxation		**88,126**	96,398
Taxation	4	**(15,915)**	(33,843)
Profit for the year		**72,211**	62,555

	Note	2011 HK$'000	2010 HK$'000 (restated)
Attributable to:			
Owners of the parent		**73,450**	61,999
Non-controlling interests		**(1,239)**	556
		72,211	62,555
Earnings per share	5		
Basic		**HK6.7 cents**	HK6.0 cents
Diluted		**HK5.8 cents**	HK4.9 cents
Dividends	6	**19,097**	19,089
Dividends per share			
Interim		**HK1.0 cent**	HK1.0 cent
Proposed final		**HK1.0 cent**	HK2.0 cents
		HK2.0 cents	HK3.0 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Profit for the year	**72,211**	62,555
Other comprehensive income		
Currency translation differences	**52,118**	11,719
Revaluation of land and buildings, net of deferred tax	**32,852**	13,601
Revaluation of available-for-sale financial assets	**(167)**	—
Share of reserves of an associated company	**—**	200
Other comprehensive income for the year, net of tax	**84,803**	25,520
Total comprehensive income for the year	**157,014**	88,075
Attributable to:		
— Owners of the parent	**157,667**	86,324
— Non-controlling interests	**(653)**	1,751
Total comprehensive income for the year	**157,014**	88,075

CONSOLIDATED BALANCE SHEET
As at 31 March 2011

	Note	As at 31 March 2011 HK$'000	As at 31 March 2010 HK$'000 (restated)	As at 1 April 2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment		**1,330,148**	828,789	734,155
Prepaid premium for land leases		**42,343**	41,883	42,483
Investment properties		**150,000**	115,000	115,000
Intangible assets		**45,168**	41,280	38,631
Interest in an associated company		**—**	—	60,140
Available-for-sale financial assets		**4,327**	—	—
Non-current deposit		**14,863**	—	—
Deferred tax assets		**7,195**	4,956	5,379
		1,594,044	1,031,908	995,788
Current assets				
Inventories		**836,973**	696,455	435,750
Accounts receivable, deposits and prepayments	7	**1,431,250**	1,388,730	976,854
Financial assets at fair value through profit or loss		**6,282**	15,197	11,434
Taxation recoverable		**6,004**	1,441	2,428
Restricted bank deposits		**152,258**	129,792	70,046
Bank balances and cash		**682,724**	463,614	594,704
		3,115,491	2,695,229	2,091,216
Non-current asset held for sale		**—**	60,745	—
		3,115,491	2,755,974	2,091,216
Current liabilities				
Accounts payable and accruals	8	**1,362,261**	1,299,176	946,792
Trust receipt loans		**815,841**	795,680	523,060
Taxation payable		**15,239**	17,285	10,466
Financial liabilities at fair value through profit or loss		**—**	—	356
Borrowings		**520,572**	283,796	195,587
		2,713,913	2,395,937	1,676,261
Net current assets		**401,578**	360,037	414,955
Total assets less current liabilities		**1,995,622**	1,391,945	1,410,743

	Note	As at 31 March 2011 HK$'000	As at 31 March 2010 HK$'000 (restated)	As at 1 April 2009 HK$'000 (restated)
Equity				
Equity attributable to owners of the parent				
Share capital	9	**127,315**	63,585	63,485
Reserves		**1,072,095**	996,674	928,739
Proposed final dividend		**12,731**	12,731	—
		1,084,826	1,009,405	928,739
		1,212,141	1,072,990	992,224
Non-controlling interests		**10,144**	10,797	8,146
Total equity		**1,222,285**	1,083,787	1,000,370
Non-current liabilities				
Borrowings		**720,986**	270,518	351,138
Deferred tax liabilities		**52,351**	37,640	25,260
Other payable		**—**	—	33,975
		773,337	308,158	410,373
		1,995,622	1,391,945	1,410,743

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated accounts of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of properties, available-for-sale financial assets and financial assets/liabilities at fair value through profit or loss.

(i) Amended standard and interpretation adopted by the Group

The following revised standard and interpretation are mandatory for the first time for the financial year beginning on or after 1 April 2010.

- HKAS 17 (Amendment) 'Leases' deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepaid premium for land leases", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired prepaid premium for land leases as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The land interest of the Group that is held for own use is accounted for as property, plant and equipment using the revaluation model and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

  The effect of the adoption of this amendment is as below:

	31 March 2011	31 March 2010	1 April 2009
	HK$'000	*HK$'000*	*HK$'000*
Increase/(decrease) in assets:			
Property, plant and equipment	**110,500**	75,100	60,400
Prepaid premium for land leases	**(19,683)**	(20,230)	(20,777)
Increase in liabilities:			
Deferred tax liabilities	**15,402**	9,226	6,538
Increase/(decrease) in equity:			
Retained earnings	**(2,525)**	(1,042)	—
Asset revaluation reserve	**77,940**	46,686	33,085

- In November 2010, HKICPA issued HK — Int 5 "Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause". The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

  In order to comply with the requirements of HK-Int 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

  The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 April 2010, with consequential reclassification adjustments to comparatives for the year ended 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

  The effect of the adoption of this interpretation is as below:

	31 March 2011	31 March 2010	1 April 2009
	HK$'000	*HK$'000*	*HK$'000*
Increase in current liabilities:			
Bank loans — unsecured	**16,805**	5,250	—
Bank loans — secured	**24,375**	24,375	42,625
Decrease in non-current liabilities			
Bank loans — unsecured	**(16,805)**	(5,250)	—
Bank loans — secured	**(24,375)**	(24,375)	(42,625)

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning on or after 1 April 2010 but do not have a significant impact on the Group (although they may affect the accounting for future transactions and events)

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 36 (Amendment)	Impairment of assets
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement — eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendments)	Group cash-settled share-based payment transaction
HKFRS 3 (Revised)	Business combinations
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations
HK(IFRIC) — Int 9	Reassessment of embedded derivatives
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners
HK(IFRIC) — Int 18	Transfer of assets from customers

(iii) New standards, amendments and interpretations have been issued but not effective for the financial year beginning on or after 1 April 2010 and have not been early adopted

The following standards, amendments and interpretations have been issued but are not effective for the financial year beginning on or after 1 April 2010 and have not been early adopted. The directors are currently assessing the impact on their adoption.

		Effective for annual periods of the Group beginning on or after
HKAS 12 (Amendment)	Income taxes	1 April 2012
HKAS 24 (Revised)	Related party disclosures	1 April 2011
HKFRS 9	Financial instruments	1 April 2013
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 April 2011
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments	1 October 2010
Annual Improvements Project	HKICPA's improvements to HKFRSs published in May 2010	1 October 2010 and 1 April 2011, as appropriate

2. SEGMENT INFORMATION

At 31 March 2011, the Group is organised on a worldwide basis into three main business segments:

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

(2) Paper manufacturing: manufacturing of paper products in Shandong, the PRC;

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

The segment information for the year ended and as at 31 March 2011 is as follows:

	Paper trading	Paper manufacturing	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	**4,067,863**	**699,761**	**107,276**	**4,874,900**
Inter-segment revenue	**(91,048)**	**(103,345)**	**(3,608)**	**(198,001)**
Revenue from external customers	**3,976,815**	**596,416**	**103,668**	**4,676,899**
Reportable segment results	**98,222**	**49,325**	**(1,342)**	**146,205**
Corporate expenses				**(11,079)**
Operating profit				**135,126**
Finance costs				**(47,000)**
Profit before taxation				**88,126**
Taxation				**(15,915)**
Profit for the year				**72,211**
Other items for the year ended 31 March 2011:				
Finance income	**5,307**	**117**	**5**	**5,429**
Depreciation of property, plant and equipment	**9,968**	**15,983**	**7,586**	**33,537**
Amortisation of prepaid premium for land leases	**807**	**—**	**72**	**879**
Amortisation of intangible assets	**539**	**13**	**—**	**552**
Capital expenditure	**55,877**	**424,803**	**1,922**	**482,602**

	Paper trading	Paper manufacturing	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	**3,245,252**	**1,280,522**	**170,428**	**4,696,202**
Taxation recoverable				**6,004**
Deferred tax assets				**7,195**
Corporate assets				**134**
Total assets				**4,709,535**
Reportable segment liabilities	**1,890,909**	**257,280**	**29,246**	**2,177,435**
Taxation payable				**15,239**
Deferred tax liabilities				**52,351**
Corporate liabilities				**1,242,225**
Total liabilities				**3,487,250**

The segment information for the year ended and as at 31 March 2010 is as follows:

	Paper trading *HK$'000*	Paper manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total segment revenue	3,429,186	508,163	132,552	4,069,901
Inter-segment revenue	(52,716)	(151,398)	(4,542)	(208,656)
Revenue from external customers	3,376,470	356,765	128,010	3,861,245
Reportable segment results, restated	128,392	22,212	(8,395)	142,209
Corporate expenses				(16,232)
Operating profit, restated				125,977
Finance costs				(29,984)
Share of profit of an associated company	405	—	—	405
Profit before taxation, restated				96,398
Taxation				(33,843)
Profit for the year, restated				62,555
Other items for the year ended 31 March 2010:				
Finance income	3,558	45	209	3,812
Depreciation of property, plant and equipment, restated	7,195	12,839	8,668	28,702
Amortisation of prepaid premium for land leases, restated	787	—	65	852
Amortisation of intangible assets	528	15	—	543
Capital expenditure	15,226	93,329	1,121	109,676

	Paper trading *HK$'000*	Paper manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets, restated	2,709,132	825,112	185,292	3,719,536
Non-current asset held for sale	60,745	—	—	60,745
Reportable segment assets, restated	2,769,877	825,112	185,292	3,780,281
Taxation recoverable				1,441
Deferred tax assets				4,956
Corporate assets				1,204
Total assets, restated				3,787,882
Reportable segment liabilities	1,828,508	215,118	42,998	2,086,624
Taxation payable				17,285
Deferred tax liabilities, restated				37,640
Corporate liabilities				562,546
Total liabilities, restated				2,704,095

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

	Group			
	Revenue		Non-current assets[1]	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
Hong Kong	**1,627,745**	1,174,870	**325,332**	278,495
The PRC[2]	**2,599,135**	2,251,900	**1,171,272**	651,892
Singapore	**96,159**	119,412	**88,900**	94,907
Korea	**297,847**	268,001	**1,246**	1,444
Malaysia	**56,013**	47,062	**99**	214
	4,676,899	3,861,245	**1,586,849**	1,026,952

1 Non-current assets exclude deferred tax assets.

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

3. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	Group	
	2011	2010
	HK$'000	*HK$'000*
		(restated)
Charging		
Raw materials and consumables	**476,022**	357,092
Changes in finished goods	**3,726,425**	3,006,833
Net losses on investments in financial assets	**33**	—
Provision for impairment on receivables	**6,598**	16,701
Depreciation of property, plant and equipment	**33,537**	28,702
Amortisation of prepaid premium for land leases	**879**	852
Amortisation of intangible assets	**552**	543
Crediting		
Net gains on investments in financial assets	**—**	4,048
Net gains on disposal of an associated company	**4,520**	—
Provision for impairment on receivables written back	**3,342**	7,103

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 profit and loss account represents:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong profits tax	**7,518**	9,361
Overseas taxation	**5,702**	14,742
Over provision in previous years	**(3,287)**	(375)
Deferred taxation relating to origination and reversal of temporary differences	**5,982**	10,115
	15,915	33,843

5. EARNINGS PER SHARE

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

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent less preference dividends of HK$69,488,000 (restated 2010: HK$60,679,000) by the weighted average number of 1,034,524,000 (adjusted 2010: 1,006,550,000) 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 two categories of dilutive potential ordinary shares: preference shares and warrants. The preference shares are assumed to be converted into ordinary shares. For the warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. The Company has a share option scheme but no share option (2010: nil) has been granted under the scheme.

	Group	
	2011	2010
		(restated)
Profit attributable to owners of the parent *(HK$'000)*	**73,450**	61,999
Weighted average number of ordinary shares in issue *('000)*	**1,034,524**	1,006,550
Adjustments for:		
— Warrants *('000)*	**996**	—
— Preference shares *('000)*	**238,440**	264,130
Weighted average number of shares for diluted earnings per share *('000)*	**1,273,960**	1,270,680
Diluted earnings per share	**HK5.8 cents**	HK4.9 cents

6. DIVIDENDS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interim — HK$0.01 (2010: HK$0.01) per ordinary share	**5,045**	5,038
Interim — HK$0.01 (2010: HK$0.01) per preference share	**1,321**	1,320
Proposed final — HK$0.01 (2010: HK$0.02) per ordinary share	**11,410**	10,090
Proposed final — HK$0.01 (2010: HK$0.02) per preference share	**1,321**	2,641
	19,097	19,089

At a meeting held on 27 June 2011, the Directors proposed a final dividend of HK$0.01 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2012.

7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables — net of provision	**1,080,041**	1,032,742
Other receivables, deposits and prepayments	**351,209**	352,957
Amount due from a non-controlling interest	**—**	3,031
	1,431,250	1,388,730

The aging analysis of trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current to 60 days	**835,826**	824,317
61 to 90 days	**156,488**	121,262
Over 90 days	**87,727**	87,163
	1,080,041	1,032,742

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

8. ACCOUNTS PAYABLE AND ACCRUALS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade and bills payables	**1,208,880**	1,114,062
Accruals and other payables	**153,381**	185,114
	1,362,261	1,299,176

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

	Group 2011 HK$'000	2010 HK$'000
Current to 60 days	**812,794**	904,833
61 to 90 days	**208,759**	104,888
Over 90 days	**187,327**	104,341
	1,208,880	1,114,062

9. SHARE CAPITAL

	Number of shares of HK$0.10 each 2011	2010	Share capital 2011 HK$'000	2010 HK$'000
Authorised:				
Ordinary shares				
At the beginning and end of year	**1,456,913,987**	1,456,913,987	**145,691**	145,691
Convertible non-voting preference shares				
At the beginning and end of year	**143,086,013**	143,086,013	**14,309**	14,309
Total	**1,600,000,000**	1,600,000,000	**160,000**	160,000
Issued and fully paid:				
Ordinary shares				
At the beginning of year	**503,779,117**	491,758,039	**50,378**	49,176
Conversion from preference shares	—	11,021,078	—	1,102
Exercise of bonus warrants *(note(a))*	**726,329**	1,000,000	**73**	100
Issurance of bonus shares *(note(b))*	**636,570,381**	—	**63,657**	—
At the end of year	**1,141,075,827**	503,779,117	**114,108**	50,378
Convertible non-voting preference shares				
At the beginning of year	**132,064,935**	143,086,013	**13,207**	14,309
Conversion to ordinary shares	—	(11,021,078)	—	(1,102)
At the end of year	**132,064,935**	132,064,935	**13,207**	13,207
Total	**1,273,140,762**	635,844,052	**127,315**	63,585

Notes:

(a) On 5 December 2008, the Company issued 95,390,675 warrants on the basis of one warrant for every six existing ordinary shares ("bonus warrants") and convertible non-voting preference shares ("CP shares") of the Company held by the shareholders. The holders of bonus warrants are entitled to subscribe any time during 5 December 2008 to 4 June 2010 for ordinary shares at a subscription price of HK$0.80 per share. During the year, 726,329 ordinary shares (2010: 1,000,000 ordinary shares) of HK$0.10 each were issued upon the exercise of 726,329 (2010: 1,000,000) units of bonus warrants. All the bonus warrants expired on 4 June 2010 and as at 31 March 2011, no (2010: 31,890,675) bonus warrants were outstanding.

(b) At the Special General Meeting of the Company held on 7 January 2011, the shareholders of the Company approved the issue of 636,570,381 bonus shares on the basis of one bonus share for every ordinary share and CP share. The bonus shares are credited as fully paid by way of capitalisation of an amount equal to the total par value of the bonus shares standing to the credit of the share premium account of the Company. Upon issuance, the bonus shares rank pari passu in all respects with the then existing ordinary shares in issue except that they do not rank for the interim dividend for the six months ended 30 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the year under review, the revival of the global economy progressed. The economies of the Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China (the "PRC") were booming, benefitting from the new capital influx under the continued quantitative easing monetary policy in the US. The outbreak of the sovereignty debt crisis in Europe, leading to concern in markets during the second quarter of 2010, affected the consumer sentiment to a certain extent.

The GDP of the PRC rose by 10.3% in the calendar year of 2010, the highest growth rate among all major national economies in the world. As the PRC government began to tighten credit and money supply to curb inflation, its GDP still reported a rapid growth of 9.7% in the first quarter of 2011, indicating that the flourishing economy continued.

In terms of the local economy, the GDP of Hong Kong reported a rise of 7.0% in the first quarter of 2011, a moderate slowdown when compared to the actual growth of 7.2% in the calendar year of 2010. Since Hong Kong's economy was adversely affected by the financial crisis and its GDP actually dropped to negative figures during 2009, the rebound in 2010 was particularly strong. Although the earthquake, tsunami and subsequent nuclear crisis struck Japan, Hong Kong's third largest trading partner, it is believed that these incidents would not have significant impact on the growth of Hong Kong's economy as trade with Japan only accounted for 6.8% of total value of Hong Kong's trade.

The Printing and Paper Product Industries

In early 2010, there was a surge in paper prices mainly due to the earthquake in Chile, which has affected the pulp supply, and extended the production schedule of paper products, leading to customers stocking up inventories in the first half of the calendar year. However, the effect of the earthquake was only temporary. In addition, customers adopted a more prudent and conservative procurement approach as a result of the sovereignty debt crisis in Europe. The end result of these developments was that market demand for paper products gradually slowed down. Furthermore, facing the tightening monetary policy in the PRC, paper product suppliers had to speed up sales to ease the inventory pressure and increase their cash on hand. Surges in energy and raw material costs also exerted pressure on the production costs, but the price of paper products did not rise at the same rate under the fierce market competition. From September 2010 to March 2011, the prices of book printing papers and packaging boards have increased approximately 3% and 7% respectively.

Operations Review

For the year ended 31 March 2011, the Group recorded a satisfactory performance. Driven by the synergies gradually created within its trading business plus the rapid growth of the manufacturing business, the Group has set a new record in total turnover. Turnover grew by 21.1% year-on-year from HK$3,861,000,000 to HK$4,677,000,000. In terms of volume, it increased by 7.5%. Profit for the year has risen by 15.4% from HK$62,555,000 last year to HK$72,211,000. The Group has opened six new sales offices in the PRC during the year to capture the opportunities brought about by the rapid growth of the PRC economy. In order to grapple for larger market share amidst fierce market competition as a result of tightened monetary policy in the PRC since October 2010, the Group's overall gross profit margin dropped from 11.4% last year to 9.2%, while net profit margin declined slightly by 0.1 percentage point to 1.5% from last year. Earnings per share were HK 6.7 cents, compared to HK6.0 cents last year.

The Board recommended payments of a final dividend of HK1 cent per share, which is comparable to last year's HK2 cents prior to the issuance of one-for-one bonus share. Together with the interim dividend of HK1 cent per share, the total dividends were HK2 cents per share for the year.

The Group has been adhering to conservative financial strategy. During the year under review, tightening of monetary policy in the PRC spurred the Group to prudently reserve more fundings to support working capital needs of capturing new market and sales opportunity. As at 31 March 2011, the Group had cash and bank balance of HK$835,000,000 with a gearing ratio maintaining at a healthy level of about 50%. During the year, the Group continued to exercise a stringent credit policy. Despite the notable growth in turnover, the collection period was shortened by 1 day to 82 days. Net provision for doubtful and bad debts for the year reduced from HK$9,600,000 to HK$3,256,000, a further indication of a solid financial position.

By business segment, paper trading, paper manufacturing and other businesses accounted for 85.0%, 12.8% and 2.2% of the Group's total turnover respectively.

Paper Business

The Group is the only vertically integrated paper trader and manufacturer in Hong Kong. Its unique business model has brought important synergies to the Group. In light of the growing demand for paper products in the PRC market coupled with the favorable geographical location of its paper mill in Shandong, the Group is well-positioned to capture the tremendous demand for paper from various industrial areas in the nearby Yangtze River and Bohai Rim regions. As a result, turnover of the Group's paper products increased by 22.5% from HK$3,733,000,000 in the same period last year to HK$4,573,000,000. Operating profit was HK$148,000,000, a decrease of 2% from HK$151,000,000 in the same period last year as a result of fierce market competition in the paper trading business. In terms of volume, the Group sold 755,000 metric tonnes of paper products during the year under review, a rise of 7.5% when compared to the last corresponding year.

Paper Trading Business

Owing to the Group's well-established sales network in the PRC and the persistently strong market demand for paper products, sales volume of the paper trading business increased by 2.9%. Sales value grew by 17.8% to HK$3,977,000,000. During the year, the Group has accelerated the pace of opening new sales offices to fully capture the opportunities presented by the rapid growth of the PRC economy. To enhance market penetration amid the keen market condition resulted in 23.4% drop of operating profit from HK$128,000,000 to HK$98,000,000. Although no significant contribution has been made during the year, the newly set-up sales offices progressively increased the market share of the Group. The Group believes that the new offices will start contributing from next year onward, generating stronger synergies with existing networks and boost the sales of paper products for the manufacturing business, when the operations of the new sales offices advance.

Since its establishment in 1965, the Group has strived to extend its presence within the PRC with the aim to increase its market share. As of today, the Group has more than 20 sales offices across the country, covering both major coastal industrial and large inland cities. As a result, sales in China accounted for 50.2% of the total turnover of paper products. Hong Kong remained as the Group's second largest market with 40.9% of total sales of paper products while other Asian markets contributed to the remaining 8.9%.

The two key products of the paper trading business, book printing papers and packaging boards, accounted for 49.7% and 39.1% of the Group's total turnover generated from paper trading business respectively. The sales contributions from these two products remained stable.

Paper Manufacturing Business

To tap the enormous demand in the PRC, the Group extended its business into paper manufacturing after the acquisition of the Shandong paper mill in 2008. The move has been proven to be successful in lifting its revenue and profitability. Taking into account of HK$103,000,000 from internal sales, turnover surged by 37.8% (or HK$192,000,000) to HK$700,000,000. with sales volume rose by 10.7% As its two production lines commenced full operation during the year and the third one (PM5) started production in late February 2011, the current production capacity of Shandong paper mill has increased from 170,000 metric tonnes to 370,000 metric tonnes.

The effective cost control measures and economies of scale of the paper manufacturing business boosted the operating profit for the year to HK$49,000,000, 122% higher than last year. Operating profit margin also grew by 33.9%% to 8.3%. The expanding sales network in the PRC also served as an ideal sales platform for the manufacturing business, and enabled the Group to maintain a balance between production and sales since the paper mill started production. The Group expects to see stronger support for the manufacturing business as the sales offices start to develop business in their own right.

Other Businesses

The aeronautic parts and services business and marine services business recorded a turnover of HK$37,000,000 and HK$59,000,000 respectively during the year under review. The aeronautic parts and services business reported an operating profit of HK$395,000 while the marine services businesses managed to make an operating profit of HK$3,537,000 before including the loss of HK$4,761,000 on sale of equipments.

Prospects

Although there is certain pessimistic view in the market on the progress of economic transition in the PRC and lowered their estimates of economic growth for the following two years, the International Monetary Fund expects the GDP of the PRC to increase by 9.6% and 9.5% during 2011 and 2012 respectively. The increase is sufficient to maintain the PRC's leading position among G20 members. Therefore, the Group remains sanguine about the long-term development of the country.

Under the Twelfth Five-year Plan, reduction of carbon emission is one of the key priorities of the country. More stringent environmental regulations are to be imposed on the paper manufacturing industry. The Ministry of Industry and Information Technology of the PRC has announced that the target of elimination on non-compliant paper production capacity has been significantly increased from 4,320,000 metric tonnes in 2010 to 7,445,000 metric tonnes in 2011. This accounts for around 7 to 8% of capacity of the entire paper manufacturing industry in the PRC. This industrial consolidation provides a golden opportunity for the Group to capture a greater share in the PRC market and advance our leading presence in the paper manufacturing industry. Hence, in the long run, the Group strives to boost itself to the next level and become one of the leaders within the PRC paper manufacturing industry.

The new production line at the Shandong paper mill has commenced production in late February 2011. The Group's total annual capacity almost doubled to 370,000 metric tonnes. It is expected that the new capacity of this production line is to be fully reflected in the next financial year. The cities in the Northern PRC are developing rapidly and have strong potential while the Shandong paper mill has sufficient land to support further development for a total production capacity exceeding 1,000,000 metric tonnes. Thus, the Group intends to increase production facilities as appropriate to boost its capacity in response to market demand.

For its paper trading business, the Group expects the sales offices opened during the year will start contributing to the business in the near future. Under our existing development approach, we will increase the number of sales offices in the PRC, to build a more expansive sales network and enhance the market penetration across the country.

The Group's overall long-term objectives are to develop into one of the leaders in the paper manufacturing industry and consolidate the leading presence of its trading business in the PRC and Hong Kong, leveraging the expanding economy of the PRC.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK1.0 cent per share (2010: HK2.0 cents) payable on 6 October 2011 to persons who are registered shareholders of the Company on 27 September 2011 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK1.0 cent per share (2010: HK1.0 cent), the total dividend for the financial year is HK2.0 cents per share (2010: HK3.0 cents).

CLOSURE OF REGISTER OF MEMBERS

The transfer books and the register of members of the Company will be closed from Wednesday, 21 September 2011 to Tuesday, 27 September 2011 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shop 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 20 September 2011.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2011, the Group employed 1,809 staff members, 145 of whom are based in Hong Kong and 1,386 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. 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, medical insurance and the use of a share option scheme to reward high-calibre staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2011, short term deposits plus bank balances amounted to HK$835 million (2010: HK$593 million) (including restricted bank deposits of HK$152 million (2010: HK$130 million)) and bank borrowings amounted to HK$2,056 million (2010: HK$1,345 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2011, the Group's gearing ratio was 50.0% (2010: 41.1%), calculated as net debt divided by total capital. Net debt of HK$1,222 million (2010: HK$757 million) is calculated as total borrowings of HK$2,057 million (2010: HK$1,350 million) (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK$835 million. Total capital is calculated as total equity of HK$1,222 million (2010: HK$1,084 million) plus net debt. The increase in gearing ratio was mainly attributable to the Group's additional bank borrowings for its investment in new production facilities to capture new market and sales opportunity and the corresponding increase in the demand for working capital as a result of growth in turnover. The current ratio (current assets divided by current liabilities) was 1.15 times (2010: 1.15 times).

With bank balances and other current assets amounted to HK$3,115 million (2010: HK$2,756 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 2011, bank borrowings in Renminbi amounted to HK$411 million (2010: HK$84 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. As at 31 March 2011, the Group has no outstanding interest rate swap contracts (2010: Nil).

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2011, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2011 amounted to HK$2,056 million (2010: HK$1,345 million).

Certain land and buildings and investment properties of the Company's subsidiaries, with a total carrying value of HK$291 million as at 31 March 2011 (2010: HK$219 million) were pledged to banks as securities for bank loans of HK$128 million (2010: HK$47 million) and trust receipt loans of HK$215 million (2010: HK$238 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 financial statements as at 31 March 2011 before recommending them to the Board for approval.

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 2010/2011 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 2011

* *for identification purpose only*