森信集團 Samson group

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 2006

The board of directors (the "Board") of Samson Paper Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2006 and balance sheet as at that date together with comparative figures for the financial year ended 31 March 2005 as follows:–

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

	Note	**2006** **HK$'000**	2005 HK$'000 (As restated)
Turnover	2	**3,120,108**	2,944,408
Cost of sales		**(2,854,305)**	(2,661,027)
Gross profit		**265,803**	283,381
Other gains and revenues		**21,205**	10,060
Selling expenses		**(104,024)**	(103,040)
Administrative expenses		**(74,427)**	(72,828)
Other operating expenses		**(8,865)**	(13,596)
Operating profit	3	**99,692**	103,977
Finance costs		**(53,587)**	(31,714)
Share of (loss)/profit of associated companies		**(5,402)**	2,499
Profit before taxation		**40,703**	74,762
Taxation	4	**(8,914)**	(16,574)
Profit for the year		**31,789**	58,188
Attributable to:			
Equity holders of the Company		**30,449**	56,584
Minority interests		**1,340**	1,604
		31,789	58,188
Dividends	5	**10,731**	21,463
Earnings per share – basic	6	**7.1 cents**	13.2 cents
Dividends per share			
Interim		**1.5 cents**	2.0 cents
Proposed final		**1.0 cent**	3.0 cents
		2.5 cents	5.0 cents

CONSOLIDATED BALANCE SHEET

	As at 31 March	
	2006	2005
	HK$'000	*HK$'000*
		(As restated)
Non-current assets		
Property, plant and equipment	**81,137**	79,911
Prepaid premium for land leases	**71,415**	73,098
Interests in associated companies	**60,682**	65,621
Deferred tax assets	**2,524**	4,044
Finance lease receivables	**2,421**	–
	218,179	222,674
Current assets		
Inventories	**337,424**	353,441
Accounts receivable, deposits and prepayments	**1,106,010**	1,071,344
Other financial assets at fair value through profit or loss	**24,879**	–
Other investments	**–**	30,197
Taxation recoverable	**1,688**	–
Restricted bank deposits	**33,323**	–
Bank balances and cash	**307,798**	297,313
	1,811,122	1,752,295
Current liabilities		
Accounts payable and accrued charges	**507,725**	480,840
Trust receipt loans	**437,204**	565,415
Taxation payable	**–**	3,612
Other financial liabilities at fair value through profit or loss	**703**	–
Bank borrowings	**221,655**	266,370
	1,167,287	1,316,237
Net current assets	**643,835**	436,058
Total assets less current liabilities	**862,014**	658,732
Financed by:		
Share capital	**42,926**	42,926
Reserves	**586,751**	554,643
Proposed final dividend	**4,292**	12,878
Shareholders' funds	**633,969**	610,447
Minority interests	**3,930**	3,437
Total equity	**637,899**	613,884
Non-current liabilities		
Bank borrowings	**221,222**	36,840
Deferred tax liabilities	**2,893**	8,008
	224,115	44,848
	862,014	658,732
Net asset value per share	**147 cents**	142 cents

Notes:

1. **Basis of preparation and accounting policies**

   The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The adoption of new/revised HKFRSs

In 2006, the Group adopted the new/revised Hong Kong Accounting Standards ("HKASs") and interpretations of HKFRSs below, which have not been early adopted by the Group for the preparation of the 2005 consolidated accounts and are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 3	Business Combination

The adoption of HKAS 1,2,7,8,10,16,21,23,24,27,28 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures.

HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity accounts.

HKAS 2,7,8,10,16,23,24,27, 28 and 33 had no material effect on the Group's policies.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights with a carrying value of HK$71,415,000 as at 31 March 2006 (31 March 2005: HK$73,098,000) are reclassified as prepaid premium for land leases payments instead of property, plant and equipment, which are expensed in the consolidated profit and loss account on a straight-line basis over the period of the leases.

The adoption of HKAS 32 and HKAS 39 has resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 3 and HKAS 36 results in a change in the accounting policy for goodwill. Until 31 March 2005, goodwill was:

– Amortised on a straight line basis over a period of 10 years; and
– Assessed for impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 and HKAS 36:

– The Group ceased amortisation of goodwill from 1 April 2005;
– Accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;
– From the year ended 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

Effect of the above changes in accounting policies on profit after taxation for the year ended 31 March 2006:

	Attributable to equity holders *HK$'000*
Increase in profit after taxation-HKFRS 3 and HKAS 36	709

Effect of the above changes in accounting policies on balance sheet as at 31 March 2006 and 31 March 2005:

	31 March 2006			31 March 2005		
	HKAS 17 *HK$'000*	**HKAS 32 & 39** *HK$'000*	**HKFRS3 & HKAS 36** *HK$'000*	HKAS 17 *HK$'000*	HKAS 32 & 39 *HK$'000*	HKFRS3 & HKAS 36 *HK$'000*
Decrease in property, plant and equipment	**71,415**	–	–	73,098	—	
Increase in prepaid premium for land leases	**71,415**	–	–	73,098	–	–
Increase in retained earnings	**4,636**	–	–	–	–	–
Decrease in deferred tax liabilities	**4,636**	–	–	–	–	–
Increase in other financial assets at fair value through profit or loss	–	**1,798**	–	–	–	–
Increase in other financial liabilities at fair value through profit or loss	–	**703**	–	–	—	
Decrease in other receivable	–	**1,095**	–	–	–	–
Increase in interests in associated companies	–	–	**709**	–	–	–

The following new Standards or Interpretations or Amendments that have been issued but are not yet effective were not early-adopted. The management are in the process of assessing the impact.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in Specific Market-Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

2. Segment information

The Group is engaged in the trading and marketing of paper products. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. No business segment analysis is presented as over 90% of the Group's turnover and profit contribution came from the distribution business of paper products during the financial year.

An analysis of the Group's turnover for the financial year by geographical segment, based on geographical location in which the customers are located is as follows:–

	2006	2005
	HK$'000	*HK$'000*
Hong Kong	**1,502,063**	1,538,822
People's Republic of China* (the "PRC")	**1,490,137**	1,385,533
Others	**127,908**	20,053
	3,120,108	2,944,408

No contribution to operating profit from any of the above geographical segments is substantially out of line with the normal ratio of profit to turnover.

* "the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan"

3. Operating profit

Operating profit is stated after crediting and charging the following:–

	2006	2005
	HK$'000	*HK$'000*
Crediting:		
Interest income	**13,140**	7,419
Charging:		
Depreciation of property, plant and equipment	**6,875**	8,235
Amortisation of prepaid premium for land leases	**1,750**	1,692

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005:17.5%) on the estimated assessable profits for the financial year. Taxation on profits assessable overseas has been calculated at the applicable rates of taxation prevailing in the countries in which the Group and the associated companies operate, based on existing legislation, interpretation and practices in respect thereof.

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

	2006	2005
	HK$'000	*HK$'000*
		(As restated)
Hong Kong profits tax		
Current	**6,179**	12,808
(Over)/under provision in previous financial years	**(107)**	143
Overseas taxation	**1,800**	4,178
Deferred taxation relating to origination and reversal of temporary differences	**1,042**	(555)
	8,914	16,574

5. **Dividends**

	2006 *HK$'000*	2005 *HK$'000*
Interim – HK$0.015 (2005: HK$0.02) per share	**6,439**	8,585
Proposed final – HK$0.01 (2005: HK$0.03) per share	**4,292**	12,878
	10,731	21,463

At a meeting held on 21 July 2006, the Directors proposed a final dividend of HK1 cent 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 2007.

6. **Earnings per share-basic**

The calculation of basic earnings per share is based on the audited consolidated profit attributable to shareholders of the Company of HK$30,449,000 (2005: HK$56,584,000) and on the weighted average number of 429,258,039 shares (2005: 429,258,039 shares) of the Company in issue during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the financial year under review, the economy of Hong Kong and the PRC continued to gain growth momentum. Hong Kong's GDP grew 8.2% in the first quarter of the calendar year of 2006, against 7.3% in the same period in 2005.

For the PRC, the economy maintained a 9.9% GDP growth in the calendar year of 2005 while recording a 10.3% growth in the first quarter of 2006.

The Printing & Publishing Industries

With the global economy reviving continuously, the prospects of the printing and publishing industries are looking bright. According to the Hong Kong Census and Statistics Department, the total export value of printed matters was HK$15,989 million for the twelve months ended 31 March 2006, an increase of 13.2% when comparing with HK$14,119 million for same period in last year. The total import value was HK$9,064 million.

The PRC remained the largest exporter of printed matters valuing at HK$6,791 million to Hong Kong for the twelve months ended 31 March 2006, which represented a 74.9% of the total value of printed matters imported to Hong Kong.

During the review year, new production lines at several paper mills in the PRC commenced production. They added enormous tonnages in supplies to the paper market and a drop in paper prices resulted. To cope with customers' demand for quality at low prices, paper merchants have to offer products at highly competitive prices and shoulder heavy pressure on their profit margins. By the end of the financial year, the prices of book printing papers had stabilised while those of packaging boards had fallen approximately 5% when compared with the levels in September 2005.

Operations Review

During the year, the Group continued to expand its customer base, contributing to both revenue and sales volume growth. The Group achieved revenue of approximately HK$3,120 million for the financial year ended 31 March 2006, representing a 6% growth as compared with the previous financial year.

Due to the over supply and fierce competition in the paper market, the Group's gross profit for the year decreased by 6.2% to approximately HK$266 million compared with the last financial year. Gross profit margin was 8.5%. To counter pressure on its margin, the Group continued to apply stringent cost control measures, which lowered selling and administrative expenses from 6% of its turnover to 5.7%. Other operating expenses were also lowered by 34.8% to approximately HK$8.9 million. The continuous interest rate surge of the US, however, pushed up the Group's finance costs from 1.1% of the total turnover to 1.7%. Profit attributable to shareholders was approximately HK$30.4 million. Earnings per share were HK7.1 cents.

The Board resolved to pay a final dividend of HK1 cent per share. Together with the interim dividend of HK1.5 cents per share already paid, total dividend for the financial year amounted to HK2.5 cents (2005: HK5 cents).

As one of the largest paper trading companies in the region, the Group is committed to providing the timeliest services and extensive product choices. Revenue attributable to the sales of paper products for the year increased by 5.5% to approximately HK$3,071 million. Sales volume increased by 11.4% to 586,993 metric tonnes.

The Group has presence in major cities in the PRC including Beijing, Chongqing, Foshan, Shanghai, Shenzhen and Wuxi. At its focused effort to develop the PRC market and sell to quality customers, the Group's sales of paper products in the PRC market recorded an 8.1% growth to approximately HK$1,483 million, making up 48.3% of the Group's total turnover of paper products and close to the 48.7% coming from Hong Kong, the Group's largest market in the region.

During the year, the Group continued to explore new markets and extended its market reach to Malaysia and other countries that together contributed approximately 3% of the Group's total sales. Since tremendous demand for quality paper products is anticipated from these markets, the Group expects revenues from them to grow in the years to come.

Sales contribution by product was maintained at a stable level. Packaging boards and book printing papers accounted for 41.3% and 49.7% of the Group's total turnover respectively.

The Group's paper manufacturing arm, the Singapore-listed United Pulp & Paper Company Limited recorded a loss of S$5.7 million attributable to S$2.8 million non-recurring charges for plant and machinery write downs and S$2.5 million non-recurring development expenses incurred to effect product improvement, and also high fuel costs. The Group had to share a loss of HK$5.2 million with its associate in Singapore.

To expand its revenue stream and to add value to its service to customers, the Group has diversified into consumable aeronautic parts and transportation services in recent years. The consumable aeronautic parts business, served by a distribution network spanning 13 countries, recorded an increase in revenues of 84.5% to HK$37 million. As for the transportation service segment, revenue decreased by 3.6% to HK$12 million as a result of keen competition in the PRC transportation service market. To boost this segment's revenue, the Group invested in the freight forwarding business in Hong Kong in January 2006. This new business started to generate a good amount of revenue in its first month operation. Sustained revenue growth is expected for the business as the local economy continues to boom. The two business segments contributed profit of HK$1.6 million and HK$0.3 million respectively.

Average stock turnover for the financial year under review stood at 39 days, compared to 41 days a year ago. The Group's policy has always been to maintain average inventory level at approximately one month with close regard to prevailing and expected market conditions.

Prospects

Looking ahead, the Group will carry on providing excellent quality products and services to customers to foster its reputation and client relationship. Characterised by strong export and domestic demands, the rapidly growth PRC economy has buttressed the Hong Kong economy, and in turn the printing and publishing industries.

Today, the PRC market is the second largest paper market in the world. Its printing and publishing industries are growing steadily with plenty of potential yet to be exploited. It is destined for prominence in the paper market of the world. Economic globalization and integration of markets will continue to nurture the paper market in the PRC. Moreover, the PRC paper industry is going through consolidating, with weak industry players to be ousted ultimately. The market can look forward to sufficient supply of products of improved quality, and paper prices will pick up again when the industry consolidation ends.

According to China Paper Association, the PRC market consumed 59.3 million metric tonnes of paper in the calendar year of 2005, representing 9% growth as compared with the previous year. The average personal paper consumption was therefore 45kg for the calendar year of 2005.

The Group will continue to explore and develop potential markets, for example, the newly developed Malaysia market and allocate more resources to deepen penetration of existing markets so as to maintain market shares and at the same time secure more business opportunities.

Having been in the paper business for over 40 years, the Group has always aspired to maintain its lead in the region market whilst diversifying into other potential areas to promote growth. The Group believes investing in aeronautic parts and transportation services businesses is a sound decision and has strong strategic value. It will continue to expand the scope of the two new business segments and explore new value-added services to further diversify its sources of profit.

Finally, on behalf of the Board, I would like to thank our customers, suppliers, bankers and staff for their support and efforts in the past year.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK1 cent per share (2005: HK3 cents) payable on 3 October 2006 to persons who are registered shareholders of the Company on 25 September 2006 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK1.5 cents per share (2005: HK2 cents), the total dividend for the financial year is HK2.5 cents per share (2005: HK5 cents).

CLOSURE OF REGISTER OF MEMBERS

The transfer books and the register of members of the Company will be closed from Tuesday, 19 September 2006 to Monday, 25 September 2006 (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 Suite 1901-5, 19/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 pm on Monday, 18 September 2006.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2006, the Group employed 496 staff members, 193 of whom are based in Hong Kong and 303 are based in the PRC and others. 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-caliber 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 and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2006, short term deposits plus bank balances and bank borrowings amounted to HK$341 million and HK$880 million respectively.

As at 31 March 2006, the Group's current ratio (current assets divided by current liabilities) stood at 1.55 times, (31 March 2005: 1.33 times). The gearing ratio, measured on the basis of the Group's long term loans over the Group's shareholders' funds, was 34.9% (31 March 2005: 6%) as a result of the syndicated loan of HK$300 million raised during the year.

With bank balances and other current assets of HK$1,811 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.

The Group's borrowings are principally denominated in United States and Hong Kong dollars. This arrangement allows the Group to better contain its currency exchange risks. The Group also 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 2006, bank borrowings in Renminbi amounted to HK$87.9 million (31 March 2005: HK$140 million). The majority of the Group's borrowings bear interest costs which are based on floating interest rates. As at 31 March 2006, the Group has outstanding interest rate swap contracts amounting to HK$270 million in total.

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2006, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amounts of facilities utilized by the subsidiaries as at 31 March 2006 amounted to HK$880 million (31 March 2005: HK$869 million).

Certain prepaid premium for land lease and buildings in Hong Kong of the Company's subsidiaries, with a total carrying value of HK$120 million as at 31 March 2006 (31 March 2005: 120 million) were pledged to banks as securities for bank loans of HK$43.6 million (31 March 2005: HK$40.6 million) and trust receipt loans of HK$154 million (31 March 2005: HK$174 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. During the financial year, the Committee has met twice with the senior management of the Company and the Company's external auditors to review the interim and annual financial statements before recommending them to the Board for approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the financial year, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any shares in the Company.

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

A detailed results announcement containing all the information in respect of the Company required by paragraphs 45 of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website 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, 21 July 2006

Please also refer to the published version of this announcement in The Standard.