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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

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 2006 together with comparative figures for the corresponding period in 2005, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2006 with audited comparative figures as at 31 March 2006. The unaudited interim financial report has been reviewed by the Company's audit committee, and the Company's auditors, PricewaterhouseCoopers, in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The auditors, on the basis of their review, concluded that they are not aware of any material modifications that should be made to the interim financial report.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30 September	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**1,686,671**	1,706,340
Cost of sales		**(1,538,614)**	(1,556,676)
Gross profit		**148,057**	149,664
Other revenues		**12,258**	7,175
Selling expenses		**(53,653)**	(57,833)
Administrative expenses		**(39,428)**	(37,274)
Other operating expenses		**(10,111)**	(7,475)
Operating profit	*3*	**57,123**	54,257
Finance costs		**(27,956)**	(24,938)
Share of profit less loss of associated companies		**303**	1,017
Profit before taxation		**29,470**	30,336
Taxation	*4*	**(4,761)**	(6,364)
Profit for the period		**24,709**	23,972
Attributable to:			
Equity holders of the Company		**24,462**	23,264
Minority interests		**247**	708
		24,709	23,972
Earnings per share for profit attributable to the equity holders of the Company – Basic	*5*	**HK5.7 cents**	HK5.4 cents
Interim dividend per share		**HK1.5 cents**	HK1.5 cents
Interim dividends	*6*	**6,439**	6,439

* The asterisk marks ...

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
Non-current assets		
Property, plant and equipment	**79,994**	81,137
Prepaid premium for land leases	**70,432**	71,415
Interest in associated companies	**59,954**	60,682
Deferred tax assets	**3,068**	2,524
Finance lease receivables	**2,905**	2,421
	216,353	218,179
Current assets		
Inventories	**332,450**	337,424
Trade and other receivables	**1,193,581**	1,106,010
Other financial assets at fair value through profit or loss	**26,296**	24,879
Taxation recoverable	**580**	1,688
Restricted bank deposits	**29,285**	33,323
Bank balances and cash	**337,101**	307,798
	1,919,293	1,811,122
Current liabilities		
Trade and other payables	**616,600**	507,725
Trust receipt loans	**490,792**	437,204
Other financial liabilities at fair value through profit or loss	**703**	703
Bank borrowings	**164,975**	221,655
	1,273,070	1,167,287
Net current assets	**646,223**	643,835
Total assets less current liabilities	**862,576**	862,014
Financed by:		
Share capital	**42,926**	42,926
Reserves	**605,587**	586,751
Proposed dividend	**6,439**	4,292
Shareholders' funds	**654,952**	633,969
Minority interests	**4,177**	3,930
Total equity	**659,129**	637,899
Non-current liabilities		
Bank borrowings	**200,749**	221,222
Deferred tax liabilities	**2,698**	2,893
	203,447	224,115
	862,576	862,014

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). These unaudited condensed interim financial statements should be read in conjunction with the 2005/06 annual financial statements.

The principal accounting policies and methods of computation used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006.

The following new standards, amendments to standards and interpretations are mandatory for the year ending 31 March 2007.

— Amendment to HKAS 19, "Actuarial gains and losses, group plans and disclosures", effective for annual periods beginning on or after 1 January 2006. As the Group does not have any defined benefit plan, this interpretation is not relevant for the Group;

— Amendment to HKAS 39, Amendment to "The fair value option", effective for annual periods beginning on or after 1 January 2006. This amendment does not have any impact on the classification and valuation of the Group's financial instruments classified as at fair value through profit or loss prior to 1 January 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss;

— Amendment to HKAS 21, Amendment "Net investment in a foreign operation", effective for annual periods beginning on or after 1 January 2006. This amendment does not have material effect on the Group's financial statements;

— Amendment to HKAS 39, Amendment "Cash flow hedge accounting of forecast intragroup transactions", effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

— Amendment to HKAS 39 and HKFRS 4, Amendment "Financial guarantee contracts", effective for annual periods beginning on or after 1 January 2006. This amendment does not have material effect on the Group's financial statements;

— HKFRS 6, "Exploration for and evaluation of mineral resources", effective for annual periods beginning on or after 1 January 2006. This standard is not relevant for the Group;

— HK(IFRIC)-Int 4, "Determining whether an arrangement contains a lease", effective for annual periods beginning on or after 1 January 2006. This amendment does not have material effect on the Group's financial statements;

— HK(IFRIC)-Int 5, "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds", effective for annual periods beginning on or after 1 January 2006. This interpretation is not relevant for the Group; and

— HK(IFRIC)-Int 6, "Liabilities arising from participating in a specific market – waste electrical and electronic equipment", effective for annual period beginning on or after 1 December 2005. This interpretation is not relevant for the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006/07 and have not been early adopted.

— HK(IFRIC)-Int 8, "Scope of HKFRS 2", effective for annual periods beginning on or after 1 May 2006

— HK(IFRIC)-Int 9, "Reassessment of embedded derivatives", effective for annual periods beginning on or after 1 June 2006

— HK(IFRIC)-Int 10, "Interim financial reporting and impairment", effective for annual periods beginning on or after 1 November 2006

— HKFRS 7, "Financial instruments: Disclosures", effective for annual periods beginning on or after 1 January 2007

— Amendment to HKAS 1, "Capital disclosures", effective for annual periods beginning on or after 1 January 2007

The Group has not early adopted these standards and interpretations in the financial statements for the year ending 31 March 2007. The Group is in the process of assessing the impact to the Group's accounting policies on the adoption of the above standards and interpretations in future periods, but is not in a position to state whether these new standards and interpretations would have a significant impact on its results of operations and financial position.

2. SEGMENT INFORMATION

The Group is principally engaged in 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 provided as over 90% of the Group's turnover and profit contribution came from the distribution business of paper products during the period.

An analysis of the Group's turnover for the period by geographical segment is as follows:

	Unaudited Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong	**729,373**	851,849
Mainland China	**764,572**	839,195
Others	**192,726**	15,296
	1,686,671	1,706,340

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

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Crediting		
Interest income	**7,752**	4,238
Charging		
Depreciation of fixed assets	**3,325**	3,502
Amortisation of prepaid premium for land leases	**983**	897

4. TAXATION

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

	Unaudited Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong profits tax	**3,763**	4,448
Overseas taxation	**1,737**	1,131
Deferred taxation	**(739)**	785
	4,761	6,364

5. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**24,462**	23,264
Weighted average number of ordinary shares in issue	**429,258**	429,258
Basic earnings per share (HK cents)	**5.7**	5.4

6. INTERIM DIVIDENDS

	Unaudited Six months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Proposed, of HK$0.015 (2005: HK$0.015) per share	**6,439**	6,439

Note: This proposed interim 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 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

In the six months ended 30 September 2006, the Hong Kong economy kept on improving with GDP leaped 6.8% in the third quarter versus 5.5% in the second quarter of the 2006 calendar year. The People's Republic of China (The "PRC") has had continuous healthy growth with GDP increased by 10.7% in the first nine months of 2006.

The Paper Industry

According to the Hong Kong Census and Statistics Department, the total export value of printed matters was HK$13,045 million for the nine months ended 30 September 2006, an increase of approximately 12.7% when comparing with HK$11,577 million for same period last year. Total import value was HK$7,634 million. The PRC remained the largest exporter of printed matters to Hong Kong with export value at HK$5,929 million for the nine months ended 30 September 2006, making up approximately 77.7% of the total value of printed matters imported by Hong Kong.

With growing demand for paper products from the PRC, the gap between paper supply and demand has narrowed. The prices of book printing papers and packaging boards remained steady during the review period.

Operations Review

The Group achieved moderate results during the period under review. Facing over supply and intense competition in the paper market, and economic austerity measures imposed by the PRC Government causing banks to tighten credit for customers, the Group strategically shifted its focus on to serving quality customers instead of just aiming for turnover growth. As a result, the Group's turnover dropped a slight 1.2% to HK$1,686 million.

However, the strategy has strengthened the Group's foundation and paved the way for its healthy growth in the future, and also mitigated the impact of market competition on the Group's performance. Although gross profit was down slightly to HK$148.0 million, gross profit margin was improved to 8.78%, against 8.77% in the same period last year and 8.52% in the full year ended 31 March 2006. Profit attributable to shareholders increased by 5.1% from approximately HK$23.3 million to approximately HK$24.5 million. Net profit margin improved from 1.36% to 1.45%. Earnings per share were HK5.7 cents (2005/06: HK5.4 cents). The Board has resolved to pay an interim dividend of HK1.5 cents per share (2005/06: HK1.5 cents).

By business segment, paper products, consumable aeronautic parts, and transportation services accounted for 96.4%, 1.7% and 1.9% respectively of the Group's turnover.

The Group continued to explore expansion opportunities in the PRC and overseas and, at the same time, strengthened its footholds in newly developed markets in Malaysia and other Asian countries. During the review period, the total sales of paper products decreased by 4% to approximately HK$1,626 million. Sales volume dropped by 4% to 310,500 metric tonnes.

The total sales of paper products in the PRC amounted to HK$762.3 million, or 47% of the Group's total paper products sales. The PRC has become the Group's largest market in the region. Although sales dropped by 8.6% as compared with same period last year, riding on its strong sales network and supplier channels across Beijing, Chongqing, Foshan, Shanghai, Shenzhen and Wuxi the Group has boosted its reputation in the PRC printing industry. Malaysia and other Asian countries together contributed 10% of the paper products sales of the Group. The operation in Malaysia registered a net profit of HK$445,000, after the adjustment of the minority interest. And the Group's associate, Singapore-listed United Pulp & Paper Company Limited, reported a net profit of S$411,000.

To enhance its service capabilities and achieve long-term growth, the Group has diversified into consumable aeronautic parts and transportation services in recent years. The consumable aeronautic parts business recorded a revenue growth of 84% to HK$27.9 million with positive contribution up 142% to HK$1.4 million. Revenue of the transportation service business jumped 4.8 times to HK$32.3 million with the freight forwarding business in Hong Kong commencing operation in January 2006. However, taking into account upfront investment cost in the new business, the operation experienced a loss of HK$940,000.

The Group has lowered its selling expenses to turnover from 3.39% to 3.18% thanks to its efforts to streamline operating flows, enhance logistic management and control costs. Effective inventory controls and shortened receivable collection period helped the Group combat the adverse impacts of high interest rate and maintain a healthy financial position. Average stock turnover for the period under review was kept at 35 days. The Group's policy has been to maintain an average inventory level of approximately one month with close regard to prevailing and anticipated market conditions.

Prospects

Moving forward, the Group will carry on providing quality products and services to foster its reputation and client relationship. It will continue to focus on quality customers and is confident that the strategy will help to improve the Group's profitability.

The strong demand for paper products from the PRC has narrowed the gap between paper supply and demand, and the directors of the Company (the "Directors") expect paper prices to stay at the same level in the foreseeable future. The management will tackle the challenge and improve overall efficiency by exercising stringent cost controls and prudent financial management.

Diversifying into other potential business areas has been a strategy of the Group to promote growth. This strategy has been successful as reflected in the good performance of the consumable aeronautic parts and transportation services businesses. To broaden its earning base, the Group entered into an agreement to acquire Hypex Holdings Limited ("Hypex") in September 2006. Hypex is an investment holding company with subsidiaries engaged in the provision of corrosion prevention services including blasting (hydro and grit) and painting work to customers in the marine, oil and gas industries in Singapore. The Group sees strong potential in Hypex in bringing good returns to the Group.

Looking ahead, paper trading business will remain as the Group's major business. However, the Group will maintain an open attitude towards other promising investment opportunities. The management is cautiously optimistic about the Group's future performance.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK1.5 cents (2005: HK 1.5 cents) per share for the six months ended 30 September 2006. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on Friday, 5 January 2007. The interim dividend will be paid on or about Friday, 12 January 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 3 January 2007 to Friday, 5 January 2007 (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, Computershare Hong Kong Investor Services Limited at Suite 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 pm on Tuesday, 2 January 2007.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2006, the total number of the Group's employees was 443. The Group's remuneration policies are primarily based on prevailing market levels and salaries are reviewed with reference to the performance of the Group and the individual employee concerned. In addition to salary payment, other staff benefits including performance bonus, education subsidies, provident fund, medical insurance and share option are offered to reward our high-calibre staff. Training on strategic planning and implementation, sales and marketing disciplines are offered to various management levels on a regular basis.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's short term deposits and bank balances and bank borrowings as at 30 September 2006 amounted to approximately HK$366 million (including restricted bank deposits of HK$29 million) and HK$857 million respectively. As at 30 September 2006, its gearing ratio, measured on the basis of the Group's long term debt over the Group's shareholders' funds was 30.7% (31 March 2006: 34.9%). With bank balances and other current assets of approximately HK$1,919 million as well as available banking and trade facilities, the Directors believe the Group has sufficient working capital to meet its present requirement.

The Group's foreign currency purchases were mainly denominated in United States dollars. Foreign exchange contracts and options were used, if necessary, to hedge the Group's foreign currency exposure. As the Group relied on the RMB banking finances to fund the operation in the PRC, which provides a natural hedge against currency risks, the appreciation of RMB does not have much impact on the Group.

CONTINGENT LIABILITIES

The Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of such facilities utilized by the subsidiaries as at 30 September 2006 amounted to HK$856,516,000 (31 March 2006: HK$880,081,000).

CHARGE OF ASSETS

As at 30 September 2006, trust receipt loans of HK$177,597,000 (31 March 2006: HK$153,845,000) and bank loans of HK$35,938,000 (31 March 2006: HK$43,646,000) were secured by legal charge on certain properties of the Group in Hong Kong.

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 2006 before it was tabled for the Board's approval. The review of the unaudited interim financial statements was conducted in conjunction with the Group's external auditors.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2006, 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 2006 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 RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the website of the Stock Exchange. The interim report for the six months ended 30 September 2006 containing all the information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange 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, 14 December 2006

* *For identification purpose only*

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