



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 2007

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 2007 and balance sheet as at that date together with comparative figures for the financial year ended 31 March 2006 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the financial year ended 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
Turnover	2	3,146,763	3,120,108
Cost of sales		<u>(2,861,845)</u>	<u>(2,854,305)</u>
Gross profit		284,918	265,803
Other gains and income		24,096	21,205
Selling expenses		(100,168)	(104,024)
Administrative expenses		(83,668)	(74,427)
Other operating expenses		<u>(12,858)</u>	<u>(8,865)</u>
Operating profit	3	112,320	99,692
Finance costs		(51,338)	(53,587)
Share of losses of associated companies		<u>(1,911)</u>	<u>(5,402)</u>
Profit before taxation		59,071	40,703
Taxation	4	<u>(7,301)</u>	<u>(8,914)</u>
Profit for the year		<u>51,770</u>	<u>31,789</u>
Attributable to:			
Equity holders of the Company		50,867	30,449
Minority interests		<u>903</u>	<u>1,340</u>
		<u>51,770</u>	<u>31,789</u>
Dividends	5	<u>17,170</u>	<u>10,731</u>
Earnings per share — basic	6	<u>11.9 cents</u>	<u>7.1 cents</u>
Dividends per share			
Interim		1.5 cents	1.5 cents
Proposed final		<u>2.5 cents</u>	<u>1.0 cent</u>
		<u>4.0 cents</u>	<u>2.5 cents</u>

CONSOLIDATED BALANCE SHEET*As at 31 March 2007*

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	118,411	81,137
Prepaid premium for land leases	48,785	71,415
Investment property	51,679	—
Intangible asset	32,414	—
Interest in associated companies	57,976	60,682
Deferred tax assets	4,055	2,524
Finance lease receivables	1,518	2,421
	<u>314,838</u>	<u>218,179</u>
Current assets		
Inventories	352,225	337,424
Accounts receivable, deposits and prepayments	1,122,076	1,106,010
Other financial assets at fair value through profit or loss	34,446	24,879
Taxation recoverable	—	1,688
Restricted bank deposits	14,095	33,323
Bank balances and cash	337,529	307,798
	<u>1,860,371</u>	<u>1,811,122</u>
Current liabilities		
Accounts payable and accrued charges	649,967	507,725
Trust receipt loans	389,509	437,204
Taxation payable	2,348	—
Other financial liabilities at fair value through profit or loss	406	703
Borrowings	262,953	221,655
	<u>1,305,183</u>	<u>1,167,287</u>
Net current assets	<u>555,188</u>	<u>643,835</u>
Total assets less current liabilities	<u>870,026</u>	<u>862,014</u>
Financed by :		
Share capital	42,926	42,926
Reserves	646,334	586,751
Proposed final dividend	10,731	4,292
	<u>657,065</u>	<u>591,043</u>
Shareholders' funds	699,991	633,969
Minority interests	6,872	3,930
Total equity	<u>706,863</u>	<u>637,899</u>
Non-current liabilities		
Borrowings	157,159	221,222
Deferred tax liabilities	6,004	2,893
	<u>163,163</u>	<u>224,115</u>
	<u>870,026</u>	<u>862,014</u>
Net asset value per share	<u>163 cents</u>	<u>147 cents</u>

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, investment property, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The following standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 April 2006 but are not relevant to or have no significant financial impact to the Group’s operation:

Amendment to HKAS 19	Actuarial gains and losses, group plans and disclosures
Amendment to HKAS 39	The fair value option
Amendment to HKAS 21	Net investment in a foreign operation
Amendment to HKAS 39	Cash flow hedge accounting of forecast intragroup transactions
Amendment to HKAS 39 and HKFRS 4	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 6 (Amendment)	Exploration for and evaluation of mineral resources
HK(IFRIC) — Int 4	Determining whether an arrangement contains a lease
HK(IFRIC) — Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) — Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies

The following new standards, amendments to standards and interpretations have been issued but are not effective for the current year and have not been early adopted:

HKFRS 7	Financial instruments: disclosures
HKFRS 8	Operating segments
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of embedded derivatives
HK(IFRIC) — Int 10	Interim financial reporting and impairment
HK(IFRIC) — Int 11, HKFRS 2	Group and treasury share transactions
HK(IFRIC) — Int 12	Service concession arrangements
Amendment to HKAS 1	Capital disclosures

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.

2. SEGMENT INFORMATION

(a) Primary reporting format — business segments

At 31 March 2007, the Group is organised on a worldwide basis into four main business segments:

- (1) Trading and marketing of paper products;
- (2) Provision of logistics services;
- (3) Trading and marketing of aeronautic parts; and
- (4) Provision of marine services to marine, oil and gas industries.

The segment results for the year ended 31 March 2007 are as follows:

	Paper	Logistics	Aeronautic	Marine	Unallocated	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment revenue	3,459,882	69,574	57,461	28,405	—	3,615,322
Inter-segment revenue	(456,450)	(12,109)	—	—	—	(468,559)
Revenue	<u>3,003,432</u>	<u>57,465</u>	<u>57,461</u>	<u>28,405</u>	<u>—</u>	<u>3,146,763</u>
Segment result	97,861	2,403	3,658	9,669	(1,271)	112,320
Finance costs						(51,338)
Share of losses of associates	(1,911)	—	—	—	—	(1,911)
Profit before taxation						59,071
Taxation (<i>note 4</i>)						(7,301)
Profit for the year						<u>51,770</u>

The segment results for the year ended 31 March 2006 are as follows:

	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic parts <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Total segment revenue	3,462,781	14,704	36,988	—	—	3,514,473
Inter-segment revenue	(391,644)	(2,721)	—	—	—	(394,365)
Revenue	3,071,137	11,983	36,988	—	—	3,120,108
Segment result	96,930	1,154	2,029	—	(421)	99,692
Finance costs						(53,587)
Share of losses of associates	(5,402)	—	—	—	—	(5,402)
Profit before taxation						40,703
Taxation (<i>note 4</i>)						(8,914)
Profit for the year						31,789

The segment assets and liabilities at 31 March 2007 and capital expenditure for the year then ended are as follows:

	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic parts <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	1,876,548	77,478	38,900	76,800	43,452	2,113,178
Associates	57,976	—	—	—	—	57,976
Segment assets	1,934,524	77,478	38,900	76,800	43,452	2,171,154
Segment liabilities	979,679	9,103	13,992	35,074	2,034	1,039,882
Capital expenditure	10,657	6,314	24	74,615	—	91,610

The segment assets and liabilities at 31 March 2006 and capital expenditure for the year then ended are as follows:

	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic parts <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	1,873,441	46,199	33,198	—	11,569	1,964,407
Associates	60,682	—	—	—	—	60,682
Segment assets	1,934,123	46,199	33,198	—	11,569	2,025,089
Segment liabilities	933,121	4,464	8,027	—	20	945,632
Capital expenditure	3,326	2,805	110	—	—	6,241

Other segment items included in the consolidated profit and loss account are as follows:

	Year ended 31 March 2007					
	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic Parts <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Depreciation of property, plant and equipment	4,329	1,332	460	1,587	101	7,809
Amortisation of prepaid premium for land leases	1,260	304	—	—	62	1,626
	Year ended 31 March 2006					
	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic Parts <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Depreciation of property, plant and equipment	5,597	767	410	—	101	6,875
Amortisation of prepaid premium for land leases	1,167	521	—	—	62	1,750

(b) Secondary reporting format — geographical segments

The Group's four business segments operate in three main geographical areas, even though they are managed on a worldwide basis.

	Turnover		Group Segment assets		Capital expenditure	
	2007	2006	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,323,616	1,502,063	1,200,087	1,363,684	7,068	1,877
The People's Republic of China* (the "PRC")	1,471,467	1,490,137	764,237	583,493	9,872	3,774
Others	351,680	127,908	206,830	77,912	74,670	590
	<u>3,146,763</u>	<u>3,120,108</u>	<u>2,171,154</u>	<u>2,025,089</u>	<u>91,610</u>	<u>6,241</u>

* 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:

	Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Charging		
Depreciation of property, plant and equipment	7,809	6,875
Amortisation of prepaid premium for land leases	1,626	1,750
Provision for impairment on receivables	19,611	9,137
	<u>29,046</u>	<u>17,762</u>
Crediting		
Unrealised gain on investments in financial assets	545	—
Provision for impairment on receivables written back	6,162	2,242
	<u>6,707</u>	<u>2,242</u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits 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	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current	3,132	6,179
Over provision in previous years	<u>(70)</u>	<u>(107)</u>
	3,062	6,072
Overseas taxation	3,002	1,801
Deferred taxation relating to origination and reversal of temporary differences	<u>1,237</u>	<u>1,041</u>
	<u>7,301</u>	<u>8,914</u>

5. DIVIDENDS

	Group	
	2007	2006
	HK\$'000	HK\$'000
Interim — HK\$0.015 (2006: HK\$0.015) per share	6,439	6,439
Proposed final — HK\$0.025 (2006: HK\$0.01) per share	<u>10,731</u>	<u>4,292</u>
	<u>17,170</u>	<u>10,731</u>

At a meeting held on 26 July 2007, the Directors proposed a final dividend of HK2.5 cents 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 2008.

6. EARNINGS PER SHARE — BASIC

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 year, excluding ordinary shares purchased by the Company.

	Group	
	2007	2006
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>50,867</u>	<u>30,449</u>
Weighted average number of ordinary shares in issue	<u>429,258</u>	<u>429,258</u>
Basic earnings per share	<u>11.9 cents</u>	<u>7.1 cents</u>

Diluted earnings per share is not presented because there were no dilutive potential shares outstanding during the 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 5.6% in the first quarter of the calendar year of 2007.

As for the PRC, a 10.7% GDP growth was reported for the calendar year of 2006 and an 11.1% growth was recorded in the first quarter of 2007.

The Printing & Publishing Industries

As the global economy continues to grow steadily, the demand for paper products of the printing and publishing industries has also been on the rise. According to the Hong Kong Census and Statistics Department, the total export value of printed matters was HK\$17,809 million for the 12 months ended 31 March 2007, an increase of 11.4% when compared to HK\$15,989 million for the same period last year. Total import value was HK\$10,517 million.

Also braced by a strong economy, the paper industry in the PRC grew rapidly and faster than the country's GDP. According to The PRC Paper Association, the PRC market consumed 66.0 million metric tons of paper in the calendar year of 2006, representing an 11.3% growth against the previous year, while total output of paper products increased by 16.1% to 65.0 million metric tons. Export of paper products also surged by 52.5% to 4.9 million metric tons. The PRC paper product market is expected to continue to grow in 2007. According to the country's Customs Bureau, export of paper products had increased by 53.6% to reach 1.1 million metric tons in the first quarter of 2007.

Operations Review

During the year, both the consumable aeronautic parts business and the logistics services business recorded substantial sales growth. The newly acquired entity, Hypex Holdings Limited ("Hypex") in the business of marine services, has started contributing revenue to the Group. As a result, the Group's overall turnover increased by 0.9% to HK\$3,147 million.

The paper business continued to be the Group's core business, accounting for 95% of the Group's total turnover. To improve profitability of the business, the Group has implemented a sales strategy that focuses on serving quality customers instead of merely securing turnover growth. This strategy has strengthened the Group's foundation for healthy growth and shielded the Group's performance to a good extent from the impact of market competition. Although the segment's turnover dropped a slight 2.2%, its profit increased by 22.7% to HK\$42.3 million. As for the consumable aeronautic parts and marine services businesses, they both performed satisfactorily with profits reaching HK\$2.9 million and HK\$7.7 million respectively. The Group's gross profit increased 7.2% to HK\$285 million with gross profit margin improved to 9.1% against 8.5% last year. Profit attributable to shareholders increased by 67.0% to approximately HK\$50.9 million. Earnings per share were HK11.9 cents (2006: HK7.1 cents).

The Board resolved to pay a final dividend of HK 2.5 cents per share for the year. Together with the interim dividend of HK1.5 cents per share already paid, total dividend for the financial year amounted to HK4.0 cents (2006: HK2.5 cents).

During the year under review, the Group continued to strengthen its position in the PRC paper market and actively extended its sales network in newly developed markets in Malaysia and other Asian countries. As a result, Hong Kong and the PRC accounted for 42.3% and 48.9% of the Group's total turnover respectively, while Malaysia and other Asian countries contributed 8.8%, a marked surge from 3% last year.

Apart from strengthening its position as one of the largest paper trading companies in the region, the Group has been successful in diversifying into the consumable aeronautic parts business and logistics service business in recent years. The Group now has an expanded revenue base supported by a host of stable revenue sources. By acquiring Hypex in December 2006, the Group made an entry into the marine services industry. The Group believes that a diverse business portfolio is conducive to the Group's long-term growth and generation of better returns to shareholders.

By business segment, paper products, consumable aeronautic parts, logistics services and marine services accounted for 95.4%, 1.8%, 1.8% and 1.0% of the Group's total turnover respectively.

Paper Business

With the Group focusing effort on selling higher quality products to quality customers, its paper product sales decreased by a slight 2.2% to approximately HK\$3,003 million, profit up 22.7% to HK\$42.3 million. In volume term, the sales of paper product decreased by 7.0% to 547,699 metric tons.

The paper product sales in the PRC market was HK\$1,468 million, making up 48.9% of the Group's total turnover from paper products. The Group has the PRC as a main growth driver of this business. It has made use of its extensive sales network and strong supplier channels to deepen penetration and extend coverage of the PRC market. For the year under review, it sold approximately 18% more local paper products to local customers. Riding on the strong market demand, the Group is confident that sales generated by the PRC market will grow healthily in the coming years.

Paper sales from Hong Kong and other countries accounted for 42.3% and 8.8% respectively of turnover from paper business. The operation in Malaysia registered a net profit of HK\$2.6 million, after minority interest adjustment, representing a sharp increase of 76.6% over that of last year's. The Group's paper manufacturing arm, Singapore-listed United Pulp & Paper Company Limited ("UPP"), reported a net loss of S\$1.9 million (HK\$10.1 million) due to the high fuel prices in the reporting year. In September 2006, UPP has switched from fuel oil to natural gas to provide an alternative source of energy for its production plant. This move resulted in substantial savings for the paper mill from the fourth quarter onwards, and the Group is optimistic that UPP to be profitable again in the year ahead.

Sales contribution by product was maintained at a stable level. Book printing papers and packaging boards accounted for 52% and 38% of the Group's total turnover respectively.

Consumable Aeronautic Parts Business

The Group's strategic move to actively diversify into other businesses in recent years to expand revenue sources has paid off. The consumable aeronautic parts business recorded an increase in revenue of 55.4% to HK\$57.5 million with profit up 82.9% against last year to HK\$2.9 million, thanks to the Group's dedicated effort in expanding its sales network, which now spans 13 countries, and striving for market recognition of its brand and high quality customer service.

Logistics Services Business

As for the logistics service business, its revenue surged by approximately 3.8 times to HK\$57.5 million due to the expansion of the freight forwarding services in Hong Kong, which commenced operation in January 2006. However, the freight forwarding services has yet to mature and it recorded a loss of HK\$4.3 million with upfront investment cost taken into account. Profit of transportation services was HK\$1.7 million before including the HK\$4.9 million fair value gain of the warehouse. Given the continuous growth of the global economy, the Group is hopeful that the new business will see break even in the coming financial year.

By region, Hong Kong and the PRC accounted for 93.4% and 6.6% respectively of the turnover from logistics service business.

Marine Services Business

To broaden its revenue base and gain foothold in the marine services business, the Group acquired 100% equity interest in Hypex at an aggregate consideration of HK\$50 million in December 2006. Hypex is an investment holding company and its subsidiaries are in the business of providing corrosion prevention services, comprising blasting (hydro and grit) and painting work, to customers in the marine, oil and gas industries. The principal market of the Hypex Group is Singapore.

The revenue of Hypex increased by 28.0% to HK\$74.6 million (S\$14.5 million) and profit increased 14.8% to HK\$7.7 million (S\$1.5 million), which is 15.4% above the guaranteed profit of \$1.3 million as stipulated in the acquisition agreement. Such satisfactory results were mainly attributable to the expansion of the grit blasting business. The acquisition of Hypex was completed on 1 December 2006 and the share of revenue and profit it contributed to the Group for the year was HK\$28 million (S\$5.4 million) and HK\$7 million (S\$1.4 million). The Group believes Hypex has good growth potentials.

Prospects

The problem of excessive supply in the paper market has been improving since the second half of the financial year. At the end of the financial year, the prices of book printing papers and packaging boards had increased by 5% and 10% respectively compared with the levels in September 2006. Paper prices will continue to rise as demand improves.

Increase in consumer spending, industrial output and export sales in the PRC has pushed up demand for containerboard products in the country. Between 2002 and 2006, consumption of containerboard products had consistently exceeded domestic production, with the shortfall in domestic supply met by imports. According to RISI projection, containerboard consumption in the PRC will continue to exceed domestic production in the next 10 years.

To facilitate grasping of emerging business opportunities in the containerboard market, the Group is going to build its first paper mill in Nantong, Jiangsu, the PRC. It has signed a sale and purchase agreement to acquire the entire issued share capital of, and shareholder's loan to, Kingsrich Group Limited ("Kingsrich") in July 2007.

The acquisition will give the Group holding in Jiangsu Yuan Tong Paper Co. Ltd. ("JYTP"). JYTP is a Sino-foreign equity joint venture in the PRC in the business of manufacturing and sales of kraftliner board and corrugated medium. Kingsrich has committed to contribute 99% of the registered capital of JYTP which will be taken up by the Group pursuant to the Agreement. The remaining 1% of the registered capital of JYTP shall be contributed by Jiangsu Nantong Gangzha Economic Development Zone Corp..

JYTP is planning to build a paper mill on a 194,000 sq.m. land in Nantong, Jiangsu, to produce kraftliner board and corrugated medium. The plant is expected to commence trial operation in January 2009 and become fully operational in April 2009. The designed production capacity of the plant is 250,000 tonnes per annum, which include 150,000 tonnes of kraftliner board and 100,000 tonnes of corrugated medium.

The Group currently trades and markets paper products of over 1,000 brands to more than 1,000 customers, the bulk of which are book printing papers and packaging boards. Kraftlinerboards, testliner boards and corrugated medium only accounted for less than 5% of its paper products sales. With the support of the Group's first own manufacturing facility and an extensive sales network covering Beijing, Chongqing, Foshan, Shanghai, Shenzhen and Wuxi in the PRC, as well as Hong Kong, Singapore, Malaysia and other Asian countries, the Group is confident of expanding its containerboard business in the next few years. By expanding its paper business upstream, the Group will not only be able to expand its branded product portfolio and secure itself with a stable supply source, but also increase its revenue and widen its overall profit margin in the future.

Besides, the Group will continue to focus on developing a network of quality customers and provide quality products and services, so as to strengthen its brand name and boost the profitability of its paper products.

In the coming year, the Group will set up more sales offices in emerging cities in the PRC. Moreover, it will carry on expanding its business in new markets in Asia, such as Malaysia, and allocate more resources to develop its business network and explore more business opportunities in these markets.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK2.5 cents per share (2006: HK1.0 cent) payable on 3 October 2007 to persons who are registered shareholders of the Company on 25 September 2007 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK1.5 cents per share (2006: HK1.5 cents), the total dividend for the financial year is HK4.0 cents per share (2006: HK2.5 cents).

CLOSURE OF REGISTER OF MEMBERS

The transfer books and the register of members of the Company will be closed from Wednesday, 19 September 2007 to Tuesday, 25 September 2007 (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, 18 September 2007.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2007, the Group employed 934 staff members, 235 of whom are based in Hong Kong and 232 are based in the PRC and 467 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-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 2007, short term deposits plus bank balances and bank borrowings amounted to HK\$352 million (including restricted bank deposits of HK\$14 million) and HK\$797 million respectively.

As at 31 March 2007, the Group's current ratio (current assets divided by current liabilities) stood at 1.43 times, (2006: 1.55 times). The gearing ratio, measured on the basis of the Group's long term loans over the Group's shareholders' funds, was 22.5 % (2006: 34.9%).

With bank balances and other current assets of HK\$1,860 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 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 2007, bank borrowings in Renminbi amounted to HK\$25 million (2006: HK\$87.9 million). The majority of the Group's borrowings bear interest costs which are based on floating interest rates.

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2007, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amounts of facilities utilised by the subsidiaries as at 31 March 2007 amounted to HK\$797 million (2006: HK\$880 million).

Certain prepaid premium for land lease and buildings in Hong Kong of the Company's subsidiaries, with a total carrying value of HK\$136 million as at 31 March 2007 (2006: HK\$120 million) were pledged to banks as securities for bank loans of HK\$30 million (2006: HK\$43.6 million) and trust receipt loans of HK\$170 million (2006: HK\$154 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

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 2006/2007 Annual Report of the Company containing all information required by the Listing Rules will be published on the Stock Exchange's website (www.hkex.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, 26 July 2007

* *For identification purpose only*