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 2010

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 2010 and balance sheet as at that date together with comparative figures for the financial year ended 31 March 2009. The annual results have been reviewed by the Company's audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the financial year ended 31 March 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Revenue	2	**3,861,245**	3,744,184
Cost of sales		**(3,420,242)**	(3,388,345)
Gross profit		**441,003**	355,839
Other gains and income, net		**19,881**	10,904
Selling expenses		**(178,204)**	(139,298)
Administrative expenses		**(142,546)**	(124,314)
Other operating expenses		**(13,115)**	(18,662)
Operating profit	3	**127,019**	84,469
Finance costs		**(29,984)**	(48,481)
Share of profit of an associated company		**405**	166
Profit before taxation		**97,440**	36,154
Taxation	4	**(33,843)**	(16,780)
Profit for the year		**63,597**	19,374

	Note	2010 HK$'000	2009 HK$'000
Attributable to:			
Equity holders of the Company		**63,041**	19,433
Minority interests		**556**	(59)
		63,597	19,374
Earnings per share	5		
Basic		**HK12.8 cents**	HK4.4 cents
Diluted		**HK10.1 cents**	HK4.0 cents
Dividends	6	**19,089**	5,723
Dividends per share			
Interim		**HK1.0 cent**	HK1.0 cent
Proposed final		**HK2.0 cents**	—
		HK3.0 cents	HK1.0 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2010

	2010 *HK$'000*	2009 *HK$'000*
Profit for the year	**63,597**	19,374
Other comprehensive income/(loss)		
Currency translation differences	**11,719**	(1,572)
Share of reserves of an associated company	**200**	(2,119)
Deferred tax liabilities on assets revaluation	**—**	(2,910)
Other comprehensive income/(loss) for the year, net of tax	**11,919**	(6,601)
Total comprehensive income for the year	**75,516**	12,773
Attributable to:		
— Equity holders of the Company	**73,765**	13,658
— Minority interests	**1,751**	(885)
Total comprehensive income for the year	**75,516**	12,773

CONSOLIDATED BALANCE SHEET

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**753,689**	673,755
Prepaid premium for land leases		**62,113**	63,260
Investment properties		**115,000**	115,000
Intangible assets		**41,280**	38,631
Interest in an associated company		—	60,140
Deferred tax assets		**4,956**	5,379
		977,038	956,165
Current assets			
Inventories		**696,455**	435,750
Accounts receivable, deposits and prepayments	7	**1,388,730**	976,854
Financial assets at fair value through profit or loss		**15,197**	11,434
Taxation recoverable		**1,441**	2,428
Restricted bank deposits		**129,792**	70,046
Bank balances and cash		**463,614**	594,704
		2,695,229	2,091,216
Non-current asset held for sale		**60,745**	—
		2,755,974	2,091,216
Current liabilities			
Accounts payable and accruals	8	**1,299,176**	946,792
Trust receipt loans		**795,680**	523,060
Taxation payable		**17,285**	10,466
Financial liabilities at fair value through profit or loss		—	356
Borrowings		**254,171**	152,962
		2,366,312	1,633,636
Net current assets		**389,662**	457,580
Total assets less current liabilities		**1,366,700**	1,413,745

	Note	2010 HK$'000	2009 HK$'000
Equity			
Equity attributable to owners of the parent			
Share capital	9	**63,585**	63,485
Reserves		**951,030**	895,654
Proposed final dividend		**12,731**	—
		963,761	895,654
		1,027,346	959,139
Minority interests		**10,797**	8,146
Total equity		**1,038,143**	967,285
Non-current liabilities			
Borrowings		**300,143**	393,763
Deferred tax liabilities		**28,414**	18,722
Other payable		**—**	33,975
		328,557	446,460
		1,366,700	1,413,745

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

(i) The Group has adopted the following new and amended HKFRS, which are relevant to the Group's operations, since 1 April 2009:

- HKAS 1 (revised) "Presentation of financial statements". The revised standard requires "non-owner changes in equity" to be presented separately from owner changes in equity. As a result the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all "non-owner changes in equity" are presented in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the profit and loss account and statement of comprehensive income). The Group has elected to present two statements: profit and loss account and a statement of comprehensive income. The consolidated accounts have been prepared under the revised disclosure requirements.

- HKAS 23 (revised) "Borrowing costs". The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This amendment does not have a material impact on the Group's consolidated accounts as the Group has already chosen the allowed alternative treatment to capitalise borrowing costs attributable to qualifying assets under the original HKAS 23.

- HKFRS 2 (amendment) "Share-based payment". The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have any financial impact on the Group's consolidated accounts as no share options were issued under the Company's share option scheme as at 31 March 2010.

- HKFRS 7 "Financial instruments — Disclosures" (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8 "Operating segments". HKFRS 8 replaces HKAS 14 "Segment reporting". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. There is no significant change in the operating segments for the Group. Operating segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-marker has been identified as the Executive Directors who make strategic decisions.

  Goodwill relating to previous acquisition of marine service business remains in that operating segment included in "Others" (note 2).

(ii) New standards, revised standards and amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments to existing standards and interpretations, which are relevant to the Group's operations, have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2010 or later periods, but the Group has not early adopted them:

HKFRS (amendments)	Improvements to HKFRS 2009
HKFRS (amendments)	Improvements to HKFRS 2010
HKFRS 2 (amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (revised)	Business combinations
HKFRS 9	Financial instruments
HKAS 24 (revised)	Related party disclosures
HKAS 27 (revised)	Consolidated and separate financial statements
HKAS 32 (amendment)	Classification of right issues
HKAS 39 (amendment)	Eligible hedged items
HK(IFRIC) 14 (amendments)	Prepayment of a minimum funding requirement
HK(IFRIC) 17	Distributions of non-cash assets to owners
HK(IFRIC) 19	Extinguishing financial liabilities with equity instruments

The Group has already commenced an assessment of the related impact of adopting the above new, revised or amended standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

2. SEGMENT INFORMATION

(a) Primary reporting format — business segments

At 31 March 2010, 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;

(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 and provision of logistics services.

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	**126,139**	**22,212**	**(5,100)**	**143,251**
Corporate expenses				**(16,232)**
Operating profit				**127,019**
Finance costs				**(29,984)**
Share of profit of an associated company	**405**	**—**	**—**	**405**
Profit before taxation				**97,440**
Taxation				**(33,843)**
Profit for the year				**63,597**
Other items for the year ended 31 March 2010:				
Finance income	**3,558**	**45**	**209**	**3,812**
Depreciation of property, plant and equipment	**6,228**	**12,839**	**8,668**	**27,735**
Amortisation of prepaid premium for land leases	**712**	**—**	**65**	**777**
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	**2,597,675**	**825,112**	**241,879**	**3,664,666**
Non-current asset held for sale	**60,745**	**—**	**—**	**60,745**
Reportable segment assets	**2,658,420**	**825,112**	**241,879**	**3,725,411**
Taxation recoverable				**1,441**
Deferred tax assets				**4,956**
Corporate assets				**1,204**
Total assets				**3,733,012**
Reportable segment liabilities	**1,828,508**	**215,118**	**42,998**	**2,086,624**
Taxation payable				**17,285**
Deferred tax liabilities				**28,414**
Corporate liabilities				**562,546**
Total liabilities				**2,694,869**

The segment information for the year ended and as at 31 March 2009 is as follows:

	Paper trading *HK$'000*	Paper manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total segment revenue	3,395,969	228,923	252,339	3,877,231
Inter-segment revenue	—	(94,388)	(38,659)	(133,047)
Revenue from external customers	3,395,969	134,535	213,680	3,744,184
Reportable segment results	81,869	4,198	9,495	95,562
Corporate expenses				(11,093)
Operating profit				84,469
Finance costs				(48,481)
Share of profit of an associated company	166	—	—	166
Profit before taxation				36,154
Taxation				(16,780)
Profit for the year				19,374
Other items for the year ended 31 March 2009:				
Finance income	6,437	315	93	6,845
Depreciation of property, plant and equipment	5,596	2,227	11,300	19,123
Amortisation of prepaid premium for land leases	719	—	62	781
Amortisation of intangible assets	86	—	—	86
Capital expenditure	50,719	426,033	3,657	480,409

	Paper trading *HK$'000*	Paper manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	2,170,735	550,886	257,420	2,979,041
Interest in an associated company	60,140	—	—	60,140
Reportable segment assets	2,230,875	550,886	257,420	3,039,181
Taxation recoverable				2,428
Deferred tax assets				5,379
Corporate assets				393
Total assets				3,047,381
Reportable segment liabilities	1,229,190	229,291	44,117	1,502,598
Taxation payable				10,466
Deferred tax liabilities				18,722
Corporate liabilities				548,310
Total liabilities				2,080,096

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]	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,174,870**	1,411,330	**223,625**	289,262
The PRC[2]	**2,251,900**	1,929,284	**651,892**	564,416
Singapore	**119,412**	180,081	**94,907**	95,509
Korea	**268,001**	165,196	**1,444**	1,180
Malaysia	**47,062**	58,293	**214**	419
	3,861,245	3,744,184	**972,082**	950,786

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	
	2010	2009
	HK$'000	*HK$'000*
Charging		
Raw materials and consumables	**357,092**	133,488
Change in finished goods	**3,006,833**	3,147,104
Provision for impairment on receivables	**16,701**	13,542
Depreciation of property, plant and equipment	**27,735**	19,123
Amortisation of prepaid premium for land leases	**777**	781
Amortisation of intangible assets	**543**	86
Crediting		
Provision for impairment on receivables written back	**7,103**	2,863

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong profits tax	**9,361**	8,964
Overseas taxation	**14,742**	6,436
(Over)/under provision in previous years	**(375)**	330
Deferred taxation relating to origination and reversal of temporary differences	**10,115**	1,050
	33,843	16,780

5. EARNINGS PER SHARE

(a) 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.

	Group	
	2010	2009
Profit attributable to shareholders *(HK$'000)*	**63,041**	19,433
Weighted average number of ordinary shares in issue *('000)*	**492,254**	438,302
Basic earnings per share	**HK12.8 cents**	HK4.4 cents

(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 have 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 (2009: nil) has been granted under the scheme. The exercise of warrants does not have any dilutive effect and therefore is not included in the calculation of diluted earnings per share.

	Group	
	2010	2009
Profit attributable to shareholders *(HK$'000)*	**63,041**	19,433
Weighted average number of ordinary shares in issue *('000)*	**492,254**	438,302
Adjustments for:		
— Assumed conversion of preference shares *('000)*	**132,065**	52,138
Weighted average number of shares for diluted earnings per share *('000)*	**624,319**	490,440
Diluted earnings per share	**HK10.1 cents**	HK4.0 cents

6. DIVIDENDS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Interim — HK$0.01 (2009: HK$0.01) per ordinary share	**5,038**	4,292
Interim — HK$0.01 (2009: HK$0.01) per preference share	**1,320**	1,431
Proposed final — HK$0.02 (2009: Nil) per ordinary share	**10,090**	—
Proposed final — HK$0.02 (2009: Nil) per preference share	**2,641**	—
	19,089	5,723

At a meeting held on 13 July 2010, the Directors proposed a final dividend of HK$0.02 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 2011.

7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables — net of provision	**1,032,742**	715,510
Other receivables, deposits and prepayments	**352,957**	261,344
Amount due from a minority shareholder	**3,031**	—
	1,388,730	976,854

The ageing analysis of trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current to 60 days	**824,317**	505,951
61 to 90 days	**121,262**	101,404
Over 90 days	**87,163**	108,155
	1,032,742	715,510

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

8. ACCOUNTS PAYABLE AND ACCRUALS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trade and bills payables	**1,114,062**	703,948
Accruals and other payables	**185,114**	232,472
Loan from a minority shareholder	**—**	999
Amount due to an associated company	**—**	9,373
	1,299,176	946,792

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current to 60 days	**904,833**	513,811
61 to 90 days	**104,888**	157,187
Over 90 days	**104,341**	32,950
	1,114,062	703,948

9 SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	2010	2009	**2010**	2009
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares				
At the beginning of year	**1,456,913,987**	800,000,000	**145,691**	80,000
Increase in authorised share capital *(note(a))*	**—**	656,913,987	**—**	65,691
At the end of year	**1,456,913,987**	1,456,913,987	**145,691**	145,691
Convertible non-voting preference shares				
At the beginning of year	**143,086,013**	—	**14,309**	—
Increase in authorised share capital *(note(a))*	**—**	143,086,013	**—**	14,309
At the 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 beginning of year	**491,758,039**	429,258,039	**49,176**	42,926
Conversion from preference shares *(note(c))*	**11,021,078**	—	**1,102**	—
Exercise of bonus warrants *(note(b))*	**1,000,000**	62,500,000	**100**	6,250
At the end of year	**503,779,117**	491,758,039	**50,378**	49,176
Convertible non-voting preference shares				
At the beginning of year	**143,086,013**	—	**14,309**	—
Increase in authorised share capital *(note(a))*	**—**	143,086,013	**—**	14,309
Conversion to ordinary shares *(note(c))*	**(11,021,078)**	—	**(1,102)**	—
At the end of year	**132,064,935**	143,086,013	**13,207**	14,309
Total	**635,844,052**	634,844,052	**63,585**	63,485

Notes:

(a) Pursuant to a special resolution passed at the Special General Meeting on 24 October 2008, the authorised share capital of the Company was increased to HK$160,000,000 divided into 1,456,913,987 ordinary shares of HK$0.10 each and 143,086,013 convertible non-voting preference shares ("CP shares") of HK$0.10 each by the creation of additional 656,913,987 ordinary shares of HK$0.10 each and 143,086,013 CP shares of HK$0.10 each.

(b) On 5 December 2008, the Company issued 95,390,675 warrants on the basis of one warrant for every six existing ordinary shares and CP shares of the Company held by the shareholders ("bonus warrants"). 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, 1,000,000 ordinary shares (2009: 62,500,000 ordinary shares) of HK$0.10 each were issued upon the exercise of 1,000,000 (2009: 62,500,000) units of bonus warrants. As at 31 March 2010, 31,890,675 (2009: 32,890,675) units of bonus warrants remained outstanding.

(c) On 27 October 2008, 143,086,013 CP shares of HK$0.10 each were issued at HK$0.70 each and a total consideration of HK$100,160,000 was received.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the financial year under review, the world economy was resuscitated on a worldwide scale through a quantitative easing monetary policy and the growth of corporate earnings. Against this economic backdrop, the economies of both the Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China (the "PRC") showed tremendous improvement.

The GDP of the PRC reported a year-on-year growth of 8.7% for the calendar year 2009. This figure further improved to 11.9% in the first quarter of 2010, the greatest growth rate since before the financial tsunami of 2008, indicating that a sustained improvement trend was taking place.

Hong Kong's economy clawed its way back after being battered by the global downturn. Although Hong Kong's GDP reported a drop of 2.7% in the calendar year 2009, during the last quarter of 2009, the figure resumed year-on-year growth of 2.6%. In the first quarter of 2010, GDP further climbed by 8.2% to pre-crisis levels.

The Printing and Paper Product Industries

Mirroring economic growth, the price for various types of paper products has been rallying from a trough reached in December 2008, and has maintained an upward trend to date, attributable to the gradual recovery of paper demand, the continuously increasing production costs and rising pulp prices. From September 2009 to March 2010, the prices of book printing paper and packaging boards has increased by approximately 20%, rising sharply during February and March 2010 in particular. This was mainly a supply shortage result caused by the earthquake in Chile, a major pulp export country. Pulp supply was expected to be tight following the Chilean earthquake's disruption of the supply chain while the demand for paper products is picking up.

Operations Review

The Group has successfully managed the business through the uncertain times prevailing in the financial year ended 31 March 2010. In addition to achieving a revenue increase, the Group recorded a significant growth in profit. The key here was timely and appropriate initiatives to deal with the challenges during the year under review, which include adopting flexible sales strategies and effective inventory policies to capture the opportunities offered by the market conditions together with the Group's paper mill in Shandong operating for a full year. Turnover increased by 3.1% year-on-year, rising from HK$3,744 million to HK$3,861 million. In volume terms, it grew strongly by 24.1%. Profit attributable to shareholders surged 2.3 times from HK$19 million last year to HK$63 million this year. Through stringent cost control measures, effective inventory policies and contributions from the higher-margin paper manufacturing segment, the Group's overall gross profit margin registered a strong growth of 20% from 9.5% last year to 11.4% this year while net profit margin surged 2.3 times to 1.65%. Basic earnings per share were HK12.8 cents, compared to HK4.4 cents last year.

With a gradual global economic recovery underway, the appetite for paper products has been on the rise. To cope with the growing demand for its products, the Group has increased its inventory level, excluding raw materials of HK$82 million for paper mill production, by 55% to HK$614 million when compared with the level reported as at 31 March 2009. Despite the value increase of the inventory level, the inventory turnover period for paper products in volume is shortened by two days as compared with that in the financial year 2009. Accounts receivable have also increased by 44.3% from HK$716 million last year to HK$1,033 million this year as a result of significant growth in sales in the last quarter of the financial year. The Group is maintaining a healthy financial position with a cash and bank balance of HK$593 million and gearing ratio at 42.2%. To mitigate credit exposure while expanding in businesses, the Group continued to tighten credit policy and was prudent in customer selection. This policy has proven to be successful, allowing the Group to shorten the collection period by nine days compared with the last corresponding year. Provision for doubtful debts, after a provision of HK$7 million was written back, kept at a low level of 0.25% of the Group's total revenue.

By business segment, paper trading, paper manufacturing, consumable aeronautic parts and services, marine services and other business accounted for 87.4%, 9.2%, 1.6%, 1.5% and 0.3% of the Group's total turnover respectively.

Paper Trading Business

The continuous effort of the Group to enhance its sales network in the PRC has paid off. Coupled with flexible sales strategies and the effective inventory controls on the back of rising market demand of paper products, the Group's sales, in volume terms, in paper trading business, rose 12.6% to 590,600 metric tonnes while turnover decreased slightly by 0.6% to HK$3,376 million. The appropriate measures taken to capitalise on changing market conditions successfully resulted in expanded margins. This was most graphically evidenced by the strong growth in the Group's operating profit of 54.0%, from HK$81.9 million to HK$126.1 million, and operating margin, up 55.2% to 3.7%.

Over the years, the Group has sought to expand its sales network within the PRC to tap opportunities offered by this flourishing market. Today, the Group operates more than 13 sales offices across the country, serving customers along the industrially-vibrant coast of the PRC in Beijing, Tianjin, Shenyang, Shanghai, Wuxi, Hangzhou, Nanjing, Qingdao, Guangzhou, Foshan, Shenzhen, and Xiamen, as well as in Nanning and Chongqing in the interior. As a result, sales in the country accounted for 56% of the total turnover of paper products in the paper trading business. Hong Kong remained as the Group's second largest market with 35% of total sales of paper products whereas other Asian markets occupied the remaining 9%.

The two key products of the paper trading business, book printing papers and packaging boards, accounted for 50.7% and 37.9% of the Group's total turnover in the paper trading business respectively. Sales contribution from these two products for the year remained stable.

Paper Manufacturing Business

The Group's strategy to move upstream into paper manufacturing operations has proved to be successful in lifting revenue and profitability, creating a synergy with the Group's extensive sales network in the PRC. During the year under review, the paper manufacturing business made a full year's contribution to the Group after the acquisition of the Shandong mill in 2008. The Shandong mill, which is currently producing duplex boards at an annual production capacity of 170,000 metric tonnes, reported buoyant turnover growth up 122% or HK$279 million, to HK$508 million, including inter-company sales of HK$151 million as a result of the full year commercial operation of two production lines. In terms of sales tonnage, it increased by 1.5 times with two production lines running at full capacity. The mill made an operating profit of HK$31.6 million (2009: HK$7.1 million) (including inter-company profit of HK$9.4 million (2009: HK$2.9 million)), up 3.5 times compared with that of the last corresponding year, with operating margins at 6.2%. The significant rise in operating profit is attributable to the commercial operation and machine optimisation of two production lines.

Consumable Aeronautic Parts and Services Business

This segment has two operational sectors, a consumable aeronautic parts trading business and a leasing service business. Hard hit by the global economic crisis, the segment reported a turnover of HK$62 million (2009: HK$105 million) and an operating loss of HK$6.6 million during the year. The loss was mainly arrived from the business of leasing services to flight charterers. The leasing service business started operation in May 2007 and has so far achieved a profit of HK$0.7 million up to 31 March 2010. Due to fluctuating performance of the leasing service, the Group has decided to cease this operation from 31 March 2010 onwards. The Group plans to continue to operate the remaining business in the segment, the consumable aeronautic parts trading business, which reported an operating profit HK$4.5 million during the year.

Marine Services Business

The lingering effects of the financial crisis continued to dampen consumer confidence around the globe, also affecting the marine service business. To maintain good customer relationship with shipyards, the Group provided discounts on project jobs during the year which decreased both turnover and profitability of the segment. Turnover of the segment was HK$57 million (2009: HK$75 million) with an operating loss of HK$1.7 million. Despite the operating loss, the business managed to have an EBITDA of HK$7.2 million for the financial year under review. As the global economy recovers, the Group anticipates healthy growth with profitability from this business.

Prospects

From a global perspective, the rise of the economy of the PRC, a country that holds the highest foreign reserves in the world, is undeniable. For the past two decades, the PRC has been a leading export country. Despite the fear of de-leveraging from debt, the credit crunch and the recent European national credit crisis, which ultimately led to a slowing in the export rate, the country is still managing to achieve sustainable growth. The PRC government has not only begun to change its fundamental economic focus from export to domestic consumption, it has also seized the initiative of sustaining development in such areas as environmental protection.

The Ministry of Industry and Information Technology of PRC announced recently that the target of elimination on non-compliance paper production capacity has been increased from 0.53 million tonnes to 4.32 million tonnes in 2010. The resulting industry consolidation provides a good opportunity for the Group to further expand its market share in the country and strengthen its position in the paper manufacturing business. The effect of Chilean earthquake and rising pulp prices have sharply increased the price of paper products in the first quarter of 2010. The market and downstream buyers require some time to adapt to the rapid rise of paper prices. In this situation, it is thus expected that paper prices will remain stable in the coming months.

For the paper manufacturing business, the Group plans to further enhance manufacturing facilities to cater for rising demand. A new production line (PM5) at the Shandong paper mill is scheduled to commence trial operation in September 2010. The mill is designed to produce an additional 200,000 metric tonnes of kraftliner boards and corrugated mediums per year, which contributes to a total annual production capacity of 370,000 metric tonnes. Focusing on developing the Shandong paper mill, the Group has shelved its plan to build a paper mill in Nantong, Jiangsu in the PRC. It continues to exercise prudence and to monitor the market situation to make necessary adjustments in planning when appropriate.

In the coming year, the Group will set up more sales offices in cities in the northern PRC and allocate resources to further develop its business network and explore more opportunities in the country.

By further strengthening the Group's presence in the PRC and enhancing its position in the paper manufacturing business, which generates synergy with the paper trading business, the Group is confident in its ability to leap forward, growing in parallel with the PRC and ultimately maximising returns for shareholders.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK2.0 cents per share (2009: Nil) payable on 4 October 2010 to persons who are registered shareholders of the Company on 27 September 2010 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK1.0 cent per share (2009: HK1.0 cent), the total dividend for the financial year is HK3.0 cents per share (2009: HK1.0 cent).

CLOSURE OF REGISTER OF MEMBERS

The transfer books and the register of members of the Company will be closed from Tuesday, 21 September 2010 to Monday, 27 September 2010 (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 Monday, 20 September 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2010, the Group employed 1,575 staff members, 151 of whom are based in Hong Kong and 1,098 are based in the PRC and 326 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 and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2010, short term deposits plus bank balances amounted to HK$593 million (including restricted bank deposits of HK$130 million) and bank borrowings amounted to HK$1,350 million.

As at 31 March 2010, the Group's gearing ratio was 42.2% (2009: 29.5%), calculated as net debt divided by total capital. The increase in the ratio is due to the growth in working capitals catering for the customers' demand. Net debt of HK$757 million is calculated as total borrowings of 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$593 million. Total capital is calculated as total equity of HK$1,038 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.16 times (2009: 1.28 times).

With bank balances and other current assets amounted to 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 2010, bank borrowings in Renminbi amounted to HK$84 million (2009: HK$43 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 2010, the Group has no outstanding interest rate swap contracts (2009: Nil).

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2010, 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 2010 amounted to HK$1,345 million (2009: HK$1,059 million).

Certain prepaid premium for land leases, buildings and investment properties of the Company's subsidiaries, with a total carrying value of HK$165 million as at 31 March 2010 (2009: HK$166 million) were pledged to banks as securities for bank loans of HK$47 million (2009: HK$70 million) and trust receipt loans of HK$238 million (2009: HK$161 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 2010 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 2009/2010 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, 13 July 2010

* *for identification purpose only*