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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 2012

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 2012 and consolidated balance sheet as at that date together with comparative figures for the financial year ended 31 March 2011. The annual results have been reviewed by the Company’s audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2012

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	2	5,025,024	4,676,899
Cost of sales		(4,569,795)	(4,244,695)
Gross profit		455,229	432,204
Other gains and income, net		54,734	58,893
Selling expenses		(174,023)	(178,399)
Administrative expenses		(179,688)	(167,567)
Other operating expenses		(2,656)	(10,005)
Operating profit	3	153,596	135,126
Finance costs		(82,311)	(47,000)
Profit before taxation		71,285	88,126
Taxation	4	(17,730)	(15,915)
Profit for the year		53,555	72,211

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		54,201	73,450
Non-controlling interests		(646)	(1,239)
		<u>53,555</u>	<u>72,211</u>
Earnings per share	5		
Basic		<u>HK 4.6 cents</u>	<u>HK 6.7 cents</u>
Diluted		<u>HK 4.3 cents</u>	<u>HK 5.8 cents</u>
Dividends	6	<u>18,843</u>	<u>19,097</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 March 2012*

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	53,555	72,211
Other comprehensive income		
Currency translation differences	44,841	52,118
Revaluation of land and buildings, net of deferred tax	48,405	32,852
Revaluation of available-for-sale financial assets	112	(167)
	<hr/>	<hr/>
Other comprehensive income for the year, net of tax	93,358	84,803
	<hr/>	<hr/>
Total comprehensive income for the year	146,913	157,014
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
— Owners of the Company	147,433	157,667
— Non-controlling interests	(520)	(653)
	<hr/>	<hr/>
Total comprehensive income for the year	146,913	157,014
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED BALANCE SHEET*As at 31 March 2012*

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,521,326	1,330,148
Prepaid premium for land leases		159,762	42,343
Investment properties		165,997	150,000
Intangible assets		44,653	45,168
Available-for-sale financial assets		5,258	4,327
Non-current deposit		15,400	14,863
Deferred tax assets		4,940	7,195
		1,917,336	1,594,044
Current assets			
Inventories		706,662	836,973
Accounts receivable, deposits and prepayments	7	1,630,971	1,431,250
Financial assets at fair value through profit or loss		2,673	6,282
Taxation recoverable		3,014	6,004
Restricted bank deposits		174,446	152,258
Bank balances and cash		765,045	682,724
		3,282,811	3,115,491
Non-current asset held for sale		76,000	—
		3,358,811	3,115,491
Current liabilities			
Accounts payable and other payables	8	1,326,672	1,362,261
Trust receipt loans		839,292	815,841
Taxation payable		15,158	15,239
Derivative financial instruments		795	—
Borrowings		749,286	520,572
		2,931,203	2,713,913
Net current assets		427,608	401,578
Total assets less current liabilities		2,344,944	1,995,622

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Equity			
Equity attributable to owners of the Company			
Share capital	9	127,315	127,315
Reserves		1,372,085	1,072,095
Proposed final dividend		12,477	12,731
		1,384,562	1,084,826
		1,511,877	1,212,141
Non-controlling interests		104,801	10,144
Total equity		1,616,678	1,222,285
Non-current liabilities			
Accounts payable	8	73,869	—
Borrowings		559,375	720,986
Deferred tax liabilities		95,022	52,351
		728,266	773,337
		2,344,944	1,995,622

Notes:

1. BASIS OF PREPARATION

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

(a) New and amended standards adopted by the Group

The Group has adopted the following new standards, amendments and interpretations on 1 April 2011:

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Financial Instruments: Presentation in Classification of Rights Issues
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments
Annual Improvements Project	HKICPA’s Improvements to HKFRS published in May 2010

The adoption of the above new standards, amendments and interpretations to standards has no significant impact to the Group’s financial position for all periods presented.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted by the Group

The following new and amended standards have been issued but are not effective for the financial year beginning 1 April 2011 and the Group has not early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (Revised 2011)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and Joint Ventures	1 January 2013
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

The directors are currently assessing the impact on their adoption and the impact of adoption of these new standards, revised standards and amendments and interpretations to existing standards in future periods is not currently known or cannot be reasonably estimated.

2. SEGMENT INFORMATION

As at 31 March 2012, the Group is organised on a worldwide basis into three main business segments:

- (1) Paper trading: trading and marketing of paper products;
- (2) Paper manufacturing: manufacturing of paper products in Shandong, the PRC;
- (3) Others: including trading and marketing of aeronautic parts and provision of related services and the provision of marine services to marine, oil and gas industries.

The segment information for the year ended and as at 31 March 2012 is as follows:

	Paper trading HK\$'000	Paper manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Total segment revenue	4,199,128	1,041,901	134,713	5,375,742
Inter-segment revenue	(145,683)	(190,627)	(14,408)	(350,718)
Revenue from external customers	4,053,445	851,274	120,305	5,025,024
Reportable segment results	92,049	71,078	5,506	168,633
Corporate expenses				(15,037)
Operating profit				153,596
Finance costs				(82,311)
Profit before taxation				71,285
Taxation				(17,730)
Profit for the year				53,555
Other items for the year ended 31 March 2012:				
Interest income	9,425	2,226	17	11,668
Depreciation of property, plant and equipment	11,776	34,082	7,673	53,531
Amortisation of prepaid premium for land leases	837	550	72	1,459
Amortisation of intangible assets	541	30	—	571
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	3,198,780	1,901,982	167,350	5,268,112
Taxation recoverable				3,014
Deferred tax assets				4,940
Corporate assets				81
Total assets				5,276,147
Reportable segment liabilities	1,798,387	410,165	31,483	2,240,035
Taxation payable				15,158
Deferred tax liabilities				95,022
Corporate liabilities				1,309,254
Total liabilities				3,659,469

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

	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment revenue	4,067,863	699,761	107,276	4,874,900
Inter-segment revenue	(91,048)	(103,345)	(3,608)	(198,001)
Revenue from external customers	3,976,815	596,416	103,668	4,676,899
Reportable segment results	98,222	49,325	(1,342)	146,205
Corporate expenses				(11,079)
Operating profit				135,126
Finance costs				(47,000)
Profit before taxation				88,126
Taxation				(15,915)
Profit for the year				72,211
Other items for the year ended 31 March 2011:				
Interest income	5,307	117	5	5,429
Depreciation of property, plant and equipment	9,968	15,983	7,586	33,537
Amortisation of prepaid premium for land leases	807	—	72	879
Amortisation of intangible assets	539	13	—	552
	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	3,245,252	1,280,522	170,428	4,696,202
Taxation recoverable				6,004
Deferred tax assets				7,195
Corporate assets				134
Total assets				4,709,535
Reportable segment liabilities	1,890,909	257,280	29,246	2,177,435
Taxation payable				15,239
Deferred tax liabilities				52,351
Corporate liabilities				1,242,225
Total liabilities				3,487,250

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

	Group			
	Revenue		Non-current assets¹	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,423,808	1,627,745	266,307	325,332
The PRC ²	3,094,932	2,599,135	1,558,148	1,171,272
Singapore	112,768	96,159	87,054	88,900
Korea	323,472	297,847	638	1,246
Malaysia	63,084	56,013	239	99
USA	6,960	—	10	—
	5,025,024	4,676,899	1,912,396	1,586,849

¹ Non-current assets excluded 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	
	2012	2011
	HK\$'000	HK\$'000
Charging		
Raw materials and consumables	735,782	476,022
Changes in finished goods	3,802,381	3,726,425
Depreciation of property, plant and equipment	53,531	33,537
Amortisation of prepaid premium for land leases	1,459	879
Amortisation of intangible assets	571	552
Losses on disposal of property, plant and equipment	—	4,701
Operating lease rentals in respect of:		
— land and buildings	15,432	10,561
Transportation costs	121,765	118,787
Unrealised losses on derivative financial instrument	795	—
Provision for impairment on inventories	—	7,287
Provision for impairment on receivables	6,461	6,598
Employee benefits expenses	110,089	102,698
Auditor's remuneration	2,522	2,455
	<u>735,782</u>	<u>476,022</u>
Crediting		
Gains on disposal of property, plant and equipment	96	—
Net exchange gains	953	623
Realised and unrealised gains on derivative financial instruments	396	633
Provision for impairment on inventories written back	42	—
Provision for impairment on receivables written back	2,143	3,342
	<u>2,143</u>	<u>3,342</u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong profits tax	6,535	7,518
Overseas taxation	5,806	5,702
Over provision in previous years	—	(3,287)
Deferred taxation relating to origination and reversal of temporary differences	5,389	5,982
	<u>17,730</u>	<u>15,915</u>

5. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company less preference dividends of HK\$52,220,000 (2011: HK\$69,488,000) by the weighted average number of 1,141,076,000 (2011: 1,034,524,000) ordinary shares in issue during the year.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: preference shares and warrants. The preference shares are assumed to be converted into ordinary shares. For 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. All warrants have been expired on 4 June 2010. The Company has a share option scheme but no share option (2011: Nil) has been granted under the scheme.

	Group	
	2012	2011
Profit attributable to the owner of the Company (<i>HK\$'000</i>)	<u>54,201</u>	<u>73,450</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,141,076	1,034,524
Adjustment for:		
— Warrants (<i>'000</i>)	—	996
— Preference shares (<i>'000</i>)	<u>132,065</u>	<u>238,440</u>
Weighted average number of shares for diluted earnings per share (<i>'000</i>)	<u>1,273,141</u>	<u>1,273,960</u>
Diluted earnings per share	<u>HK 4.3 cents</u>	<u>HK 5.8 cents</u>

6. DIVIDENDS

	Group and Company	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim — HK\$0.0050 (2011: HK\$0.01) per ordinary share	5,706	5,045
Interim — HK\$0.0050 (2011: HK\$0.01) per preference share	660	1,321
Proposed final — HK\$0.0098 (2011: HK\$0.01) per ordinary share	11,183	11,410
Proposed final — HK\$0.0098 (2011: HK\$0.01) per preference share	<u>1,294</u>	<u>1,321</u>
	<u>18,843</u>	<u>19,097</u>

At a meeting held on 21 June 2012, the directors proposed a final dividend of HK\$0.0098 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 2013.

7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable — net of provision	1,088,457	1,080,041
Other receivables, deposits and prepayments	542,514	351,209
	<u>1,630,971</u>	<u>1,431,250</u>

The aging analysis of accounts receivable is as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 60 days	771,218	835,826
61 to 90 days	132,868	156,488
Over 90 days	184,371	87,727
	<u>1,088,457</u>	<u>1,080,041</u>

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

8. ACCOUNTS PAYABLE AND OTHER PAYABLES

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts and bills payables	1,167,892	1,208,880
Accruals and other payables	232,649	153,381
	<u>1,400,541</u>	1,362,261
Less: non-current portions:		
Accounts payable (<i>note (a)</i>)	<u>(73,869)</u>	—
	<u>1,326,672</u>	<u>1,362,261</u>

Note:

- (a) As at 31 March 2012, accounts payable of HK\$24,670,000 (2011: Nil) are unsecured, interest-bearing at 4.8% per annum and are repayable twelve months after the balance sheet date. The remaining balances of HK\$49,199,000 (2011: Nil) are unsecured, interest-free and are repayable twelve months after the balance sheet date.

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

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 60 days	900,106	812,794
61 to 90 days	170,658	208,759
Over 90 days	97,128	187,327
	<u>1,167,892</u>	<u>1,208,880</u>

9. SHARE CAPITAL

	Number of shares of		Share capital	
	HK\$0.10 each		2012	2011
	2012	2011	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares				
At the beginning and end of year	1,456,913,987	1,456,913,987	145,691	145,691
Convertible non-voting preference shares				
At the beginning and end of year	143,086,013	143,086,013	14,309	14,309
Total	<u>1,600,000,000</u>	<u>1,600,000,000</u>	<u>160,000</u>	<u>160,000</u>
Issued and fully paid:				
Ordinary shares				
At the beginning of year	1,141,075,827	503,779,117	114,108	50,378
Exercise of bonus warrants	—	726,329	—	73
Issuance of bonus shares	—	636,570,381	—	63,657
At the end of year	<u>1,141,075,827</u>	<u>1,141,075,827</u>	<u>114,108</u>	<u>114,108</u>
Convertible non-voting preference shares				
At the beginning and end of year	132,064,935	132,064,935	13,207	13,207
Total	<u>1,273,140,762</u>	<u>1,273,140,762</u>	<u>127,315</u>	<u>127,315</u>

MANAGEMENT DISCUSSION AND ANALYSIS

THE ECONOMY

During the year under review, challenges arising from the sovereign debt crises within the European Union and slow recovery of the US economy created uncertainties over the global economy. Coupled with the implementation of credit controls by the Central Government of the People's Republic of China (the "PRC"), both the Hong Kong and PRC economies experienced a gradual slowdown in growth. This created a challenging business environment on both sides of the border for all industries in general.

The GDP of the PRC rose by 9.2% during the 2011 calendar year, representing a decline of 0.9% over 2010. Amid worsening global economic conditions, dampening export and domestic consumption, GDP growth in the first quarter of 2012 contracted to 8.1% — the slowest growth rate since the first quarter of 2009. Despite lackluster economic activity, the PRC still performed considerably better than many of its closest rivals.

In respect of Hong Kong, with uncertainty hovering over the global economy, this subsequently dragged down local exports, causing GDP to achieve a modest rise of just 0.4% in the first quarter of 2011, the worst growth rate since the financial crisis in 2008.

OPERATIONS REVIEW

Driven by increasing sales in paper trading business in the PRC, which was complemented by the operation of our third production line (PM5) since February 2011, a new performance benchmark was subsequently set. The Group's overall turnover grew by 7.4% year-on-year from HK\$4,677,000,000 to HK\$5,025,000,000. In addition, sales volume increased by 8.6%. However, in order to capture greater market share amid severe competition, and faced with an imbalance in supply and demand of paper products in the PRC market, the Group's gross margin was slightly reduced from 9.24% to 9.06%. In view of challenging environment, the Group adopted a flexible sales strategy with its extensive sales network and steady growth in the paper manufacturing business which successfully boosted operating profit margin from 2.89% to 3.06%. On the other hand, impacted by stringent credit control policies implemented by the PRC Government that pushed the interest rate on borrowing significantly higher, the Group's interest expense rose by 75.1% to HK\$82,000,000. Accordingly, profit for the year was down by 25.8% to HK\$53,555,000. Net profit margin stood at 1.1% (2011: 1.5%). Earnings per share were HK4.6 cents, compared to HK6.7 cents for the preceding year.

The Board has recommended the payment of a final dividend of HK0.98 cent per share. Together with an interim dividend of HK0.5 cent per share already paid, total dividend for the year will amount to HK1.48 cents per share, translating to a dividend payout ratio of 34.8%.

In February 2012, the Group formed a strategic alliance with Kokusai Pulp and Paper Co., Ltd.. The Japanese trading conglomerate engages in the trading and marketing of paper and boards and possesses a strong distribution network both within Japan and internationally. The alliance will enhance Samson Paper's competitiveness by sharing resources and benefit from operational synergies.

While we have made every effort to maintain a healthy financial position, the Group intends to build up higher cash reserve to enhance the working capital position amid the volatile market environment. As at 31 March 2012, the Group had cash and bank balance (including restricted bank deposits) of HK\$939,000,000 with a gearing ratio at a healthy level of approximately 43% versus 50% in last year. During the year, we continued to exercise a stringent credit policy. Despite the worsening operating

environment, the collection period was shortened by 6 days. Inventory turnover days was reduced by 5 days and inventory level declined to HK\$707,000,000, a further indication that our financial policy is able to fend off unstable market sentiment.

By business segment, paper trading, paper manufacturing and other businesses accounted for 80.7%, 16.9% and 2.4% of the Group's total turnover respectively.

PAPER BUSINESS

To weather the unstable operating environment and enhance the effectiveness of the existing sales offices, we continued to actively strengthen our distribution network during the year. From such effort, coupled with increased contribution from our paper manufacturing business, turnover from the paper business grew by 7.2% from HK\$4,573,000,000 last year to HK\$4,905,000,000 this year. Operating profit amounted to HK\$163,000,000, representing an increase of 10.6% when compared to HK\$148,000,000 last year. Sales volume rose by 8.6% to 820,000 tonnes over the preceding year.

By capitalizing on the enhanced capacity of our paper mill in Zaozhuang City, Shandong Province, the PRC, the PRC market remained the Group's principal market, accounting for 62.9% of total turnover. Hong Kong and other markets accounted for approximately 29.1% and 8.0% of the Group's total turnover respectively.

PAPER TRADING BUSINESS

Owing to our efforts towards nurturing ties with high-quality customers to mitigate credit risk exposure, and despite fluctuating market conditions, turnover of the paper trading business still reported growth of 1.9%, rising from HK\$3,977,000,000 to HK\$4,053,000,000. Sales tonnage also grew by 1.8% to 618,000 tonnes. Benefiting from efforts made over the past few years, we now possess an extensive sales network that stretches across more than 20 cities in the PRC. The Group devoted greater energy on fostering the development of regional sales offices during the year, thereby further improving operational efficiency. We expect our extensive sales network will be conducive to enhancing the Group's paper trading business and boosting the sale of paper products for the paper manufacturing business.

With our extensive presence in the PRC market, China accounted for 55.2% of total turnover of paper products. Hong Kong remained the Group's second largest market, contributing 35.1% of total sales, while other Asian markets took up the remaining 9.7%.

The two key products of the paper trading business, specifically, book printing papers and packaging boards, accounted for 49.9% and 36.6% of total turnover respectively. Sales contributions from these two products remained stable.

PAPER MANUFACTURING BUSINESS

The paper manufacturing business continued to be the main growth driver of the Group. With full contributions from all the production lines of the paper mill during the year under review, including the third production line (PM5) that commenced operation in February 2011, annual production capacity of this segment has more than doubled to 370,000 tonnes. Invigorated by this additional capacity, turnover from the paper manufacturing business increased by 48.9% to HK\$1,042,000,000, after taking into account inter-company sales. Sales volume also increased by 41.3%. Operating profit grew by 44.1% to HK\$71,000,000 and operating profit margin was 8.3% which was a level similar

to last year. To enhance profitability and expand the Group's product range to address weakening demand for paper products, upgrading of machinery to produce higher-margin products has been commenced during the year.

OTHER BUSINESSES

The aeronautic parts and services business and marine services business recorded turnover of HK\$47,000,000 and HK\$66,000,000 respectively, during the year under review. The former reported an operating profit of HK\$2,658,000 while the latter realized an operating profit of HK\$2,722,000.

PROSPECTS

Looking ahead, the volatile operating environment is expected to persist, compounded by an imbalanced situation in supply and demand of paper industry and anticipated credit controls on the horizon. We will therefore implement a series of measures aimed at enhancing our relationship with existing customers while also prudently selecting more high-quality customers. Upgrading equipment at the Shandong paper mill will be in place as well, thus enhancing the efficiency while specializing on higher-margin products. All of these endeavors are expected to allow the Group to achieve sustained growth once the market rebounds. We will certainly strive to deliver favorable returns to our shareholders, which remains the Group's top priority.

Aside from the aforementioned measures, the Group will continue to practise prudent financial management. Efforts will be continued to further shorten the working capital cycle in building up cash reserve, as a result, we expect to lower our borrowing level. In addition, the PRC government recently announcing to lower the interest rate in the country, which will help reduce a portion of interest costs. Going forward, the Group will further tighten the credit risk exposure of customers to cope with the uncertain market situation, and will use cash on hand even more efficiently. Management believes that through these measures, the Group will be well prepared to meet the different challenges ahead.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK0.98 cent per share (2011: HK1.0 cent) payable on 5 October 2012 to persons who are registered shareholders of the Company on 25 September 2012 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK0.5 cent per share (2011: HK1.0 cent), the total dividend for the financial year is HK1.48 cents per share (2011: HK2.0 cents).

CLOSURE OF REGISTER OF MEMBERS

The transfer books and the register of members of the Company will be closed from Wednesday, 19 September 2012 to Tuesday, 25 September 2012 (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 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2012, the Group employed 1,958 staff members, 132 of whom are based in Hong Kong and 1,511 are based in the PRC and 315 are based in other Asian countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund, medical insurance and the use of a share option scheme to reward high-calibre staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2012, short term deposits plus bank balances amounted to HK\$939 million (2011: HK\$835 million) (including restricted bank deposits of HK\$174 million (2011: HK\$152 million)) and bank borrowings amounted to HK\$2,148 million (2011: HK\$2,057 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2012, the Group's gearing ratio was 42.8% (2011: 50.0%), calculated as net debt divided by total capital. Net debt of HK\$1,209 million (2011: HK\$1,222 million) is calculated as total borrowings of HK\$2,148 million (2011: HK\$2,057 million) (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK\$939 million (2011: HK\$835 million). Total capital is calculated as total equity of HK\$1,617 million (2011: HK\$1,222 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.15 times (2011: 1.15 times).

With bank balances and other current assets amounted to HK\$3,359 million (2011: HK\$3,115 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 2012, bank borrowings in Renminbi amounted to HK\$439 million (2011: HK\$411 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 2012, the Group has entered an interest rate swap contract. The notional principal amount of the outstanding interest rate swap contract as at 31 March 2012 was HK\$20,000,000 (2011: Nil).

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2012, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2012 amounted to HK\$2,148 million (2011: HK\$2,057 million).

Certain land and buildings, investment properties and non-current asset held for sale of the Company's subsidiaries, with a total carrying value of HK\$308 million as at 31 March 2012 (2011: HK\$291 million) were pledged to banks as securities for bank loans of HK\$96 million (2011: HK\$128 million) and trust receipt loans of HK\$280 million (2011: HK\$215 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 2012 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 2011/2012 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, 21 June 2012

* *for identification purpose only*