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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The board of directors (the “Board”) of Samson Paper Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2013 together with comparative figures for the corresponding period in 2012, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2013 with audited comparative figures as at 31 March 2013. The unaudited condensed consolidated interim financial statements have been reviewed by the Company’s audit committee.

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2013</b>	<b>2012</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	2,571,314	2,419,228
Cost of sales		<u>(2,338,629)</u>	<u>(2,201,700)</u>
Gross profit		232,685	217,528
Other gains and income, net		16,430	42,155
Selling expenses		(89,435)	(86,404)
Administrative expenses		(93,698)	(95,190)
Other operating income/(expenses)		<u>19,244</u>	<u>(2,690)</u>
Operating profit	3	85,226	75,399
Finance costs		<u>(51,157)</u>	<u>(42,593)</u>
Profit before taxation		34,069	32,806
Taxation	4	<u>(6,797)</u>	<u>(6,593)</u>
Profit for the period		<u><u>27,272</u></u>	<u><u>26,213</u></u>

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2013</b>	<b>2012</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Owners of the Company		<b>26,525</b>	25,287
Non-controlling interests		<b>747</b>	926
		<u><b>27,272</b></u>	<u>26,213</u>
Earnings per share			
— Basic	5	<u><b>HK2.2 cents</b></u>	<u>HK2.1 cents</u>
— Diluted	5	<u><b>HK2.1 cents</b></u>	<u>HK2.0 cents</u>
Interim dividend per share		<u><b>HK0.4 cent</b></u>	<u>HK0.4 cent</u>
Interim dividends	6	<u><b>5,092</b></u>	<u>5,092</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>27,272</b>	26,213
<b>Other comprehensive income</b>		
<u>Item that may be reclassified subsequently to profit and loss</u>		
Currency translation differences	<u>15,771</u>	<u>2,170</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>15,771</u>	<u>2,170</u>
<b>Total comprehensive income for the period</b>	<u>43,043</u>	<u>28,383</u>
<b>Total comprehensive income attributable to:</b>		
— Owners of the Company	41,182	27,458
— Non-controlling interests	<u>1,861</u>	<u>925</u>
<b>Total comprehensive income for the period</b>	<u><u>43,043</u></u>	<u><u>28,383</u></u>

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2013

		Unaudited 30 September 2013 <i>HK\$'000</i>	Audited 31 March 2013 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		1,732,393	1,695,826
Prepaid premium for land leases		156,879	157,483
Investment properties		163,601	163,601
Intangible assets		46,627	47,536
Available-for-sale financial assets		5,373	5,624
Non-current deposit		6,527	8,165
Deferred tax assets		8,988	8,249
		<u>2,120,388</u>	<u>2,086,484</u>
Current assets			
Inventories		675,168	704,536
Accounts receivable, deposits and prepayments	7	1,876,851	1,768,326
Financial assets at fair value through profit or loss		740	675
Taxation recoverable		2,619	890
Restricted bank deposits		223,392	182,948
Bank balances and cash		397,648	392,307
		<u>3,176,418</u>	<u>3,049,682</u>
Non-current asset held for sale		<u>110,000</u>	<u>110,000</u>
		<u>3,286,418</u>	<u>3,159,682</u>
Current liabilities			
Accounts payable and other payables	8	1,530,151	1,339,738
Trust receipt loans		693,884	774,408
Taxation payable		20,686	12,523
Derivative financial instruments		511	769
Borrowings		710,823	680,482
		<u>2,956,055</u>	<u>2,807,920</u>
Net current assets		<u>330,363</u>	<u>351,762</u>
Total assets less current liabilities		<u>2,450,751</u>	<u>2,438,246</u>

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2013</b>	2013
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Equity			
Equity attributable to owners of the Company			
Share capital		<b>127,315</b>	127,315
Reserves		<b>1,512,736</b>	1,476,646
Proposed dividend		<b>5,092</b>	14,005
		<b>1,517,828</b>	1,490,651
		<b>1,645,143</b>	1,617,966
Non-controlling interests		<b>109,307</b>	107,446
		<b>1,754,450</b>	1,725,412
Total equity			
Non-current liabilities			
Accounts payable	8	<b>1,486</b>	1,486
Borrowings		<b>627,006</b>	641,581
Deferred tax liabilities		<b>67,809</b>	69,767
		<b>696,301</b>	712,834
		<b>2,450,751</b>	2,438,246

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts for the six months ended 30 September 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These unaudited condensed consolidated interim accounts should be read in conjunction with the annual consolidated accounts for the year ended 31 March 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated accounts for the year ended 31 March 2013, as described in those annual consolidated accounts.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendments to standard are mandatory for the first time for the financial year beginning 1 April 2013 and adopted by the Group:

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual Improvement Project	Annual improvements 2009–2011 Cycle

The adoption of the above new and revised standards and interpretation has no significant impact to the Group’s financial position for all periods presented in this report.

The following new and revised standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2013 and have not been early adopted by the Group:

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities <sup>1</sup>
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HK (IFRIC) — Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

The directors of the Company 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

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from the perspective of the nature of products and services. The chief operating decision-maker assesses the performance of the operating segments based on a measure of segment profit/loss without allocation of finance costs which is consistent with that in the accounts.

As at 30 September 2013, 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 People's Republic of China (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.

Segment assets consist primarily of property, plant and equipment, prepaid premium for land leases, investment properties, intangible assets, inventories, receivables, financial instruments, non-current asset held for sale and operating cash. They exclude deferred tax assets and taxation recoverable.

The segment information for the six months ended 30 September 2013 and as at 30 September 2013 are as follows:

	<b>Unaudited</b>			
	<b>Six months ended 30 September 2013</b>			
	<b>Paper trading</b>	<b>Paper manufacturing</b>	<b>Others</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>SEGMENT RESULTS</b>				
Total segment revenue	2,264,038	376,257	72,926	2,713,221
Inter-segment revenue	(12,454)	(126,040)	(3,413)	(141,907)
<b>Revenue from external customers</b>	<b>2,251,584</b>	<b>250,217</b>	<b>69,513</b>	<b>2,571,314</b>
Reportable segment results	66,731	21,241	2,070	90,042
Corporate expenses				(4,816)
Operating profit				85,226
Finance costs				(51,157)
<b>Profit before taxation</b>				<b>34,069</b>
Taxation				(6,797)
<b>Profit for the period</b>				<b>27,272</b>
<b>OTHER PROFIT AND LOSS ITEMS</b>				
Depreciation	5,206	21,361	4,261	30,828
Amortisation charges	857	1,788	38	2,683

	Unaudited As at 30 September 2013			
	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT ASSETS</b>				
Reportable segment assets	3,075,334	2,152,433	166,140	5,393,907
Taxation recoverable				2,619
Deferred tax assets				8,988
Corporate assets				1,292
Total assets				<u>5,406,806</u>

The segment information for the six months ended 30 September 2012 and as at 31 March 2013 are as follows:

	Unaudited Six months ended 30 September 2012			
	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT RESULTS</b>				
Total segment revenue	2,175,788	390,193	68,210	2,634,191
Inter-segment revenue	(80,632)	(132,174)	(2,157)	(214,963)
<b>Revenue from external customers</b>	<u>2,095,156</u>	<u>258,019</u>	<u>66,053</u>	<u>2,419,228</u>
Reportable segment results	57,459	17,907	5,060	80,426
Corporate expenses				(5,027)
Operating profit				75,399
Finance costs				(42,593)
<b>Profit before taxation</b>				32,806
Taxation				(6,593)
<b>Profit for the period</b>				<u>26,213</u>
<b>OTHER PROFIT AND LOSS ITEMS</b>				
Depreciation	5,175	16,831	4,195	26,201
Amortisation charges	722	1,696	36	2,454

	Audited			Total HK\$'000
	As at 31 March 2013			
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Others HK\$'000	
<b>SEGMENT ASSETS</b>				
Reportable segment assets	2,930,047	2,134,514	172,387	5,236,948
Taxation recoverable				890
Deferred tax assets				8,249
Corporate assets				79
Total assets				<u>5,246,166</u>

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

An analysis of the Group's revenue for the period by geographical areas is as follows:

	Unaudited	
	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Hong Kong	494,837	617,600
The PRC ( <i>note</i> )	1,683,992	1,503,199
Singapore	65,252	61,874
Korea	270,073	203,155
Malaysia	51,971	31,350
USA	5,189	2,050
	<u>2,571,314</u>	<u>2,419,228</u>

*Note:* 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 crediting and charging the following:

	Unaudited	
	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
<b>Crediting</b>		
Fair value gain on investment properties	—	22,304
Interest income	5,149	9,482
Provision for impairment on inventories written back	4,720	—
Provision for impairment on receivables written back	16,710	1,365
<b>Charging</b>		
Depreciation of property, plant and equipment	30,828	26,201
Amortisation of prepaid premium for land leases	2,238	2,140
Amortisation of intangible assets	445	314
Provision for impairment on inventories	—	4,188
Provision for impairment on receivables	3,555	3,318

#### 4. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited	
	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong profits tax	4,356	1,872
Overseas taxation	2,441	4,575
Deferred taxation relating to origination and reversal of temporary differences	—	146
	<u>6,797</u>	<u>6,593</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\$25,072,000 (2012: HK\$23,993,000) by the weighted average number of 1,141,076,000 (2012: 1,141,076,000) ordinary shares in issue during the period.

##### (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 one category of dilutive potential ordinary shares: preference shares. The Company has a share option scheme but no share option (2012: Nil) has been granted under the scheme.

	Unaudited	
	Six months ended 30 September	
	2013	2012
Profit attributable to owners of the Company (HK\$'000)	<u>26,525</u>	<u>25,287</u>
Weighted average number of ordinary shares in issue ('000)	1,141,076	1,141,076
Adjustments for:		
— Assumed conversion of preference shares ('000)	<u>132,065</u>	<u>132,065</u>
Weighted average number of shares for diluted earnings per share ('000)	<u>1,273,141</u>	<u>1,273,141</u>
Diluted earnings per share	<u>HK2.1 cents</u>	<u>HK2.0 cents</u>

## 6. INTERIM DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed — HK\$0.004 (2012: HK\$0.004) per ordinary share	4,564	4,564
Proposed — HK\$0.004 (2012: HK\$0.004) per preference share	528	528
	<u>5,092</u>	<u>5,092</u>

At a meeting held on 29 November 2013, the Directors proposed an interim dividend of HK\$0.004 per share. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2014.

## 7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Unaudited	Audited
	30 September	31 March
	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable — net of provision	1,347,819	1,100,971
Other receivables, deposits and prepayments	529,032	667,355
	<u>1,876,851</u>	<u>1,768,326</u>

The carrying values of the Group's accounts and other receivables approximate their fair values.

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

The aging analysis of accounts receivable is as follows:

	Unaudited	Audited
	30 September	31 March
	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 60 days	1,055,512	838,037
61 to 90 days	151,806	136,097
Over 90 days	140,501	126,837
	<u>1,347,819</u>	<u>1,100,971</u>

There was no concentration of credit risk with respect to accounts receivable as the Group had a large number of customers, which were widely dispersed within Hong Kong, the PRC and other countries.

8. ACCOUNTS PAYABLE AND OTHER PAYABLES

	<b>Unaudited</b> <b>30 September</b> <b>2013</b> <i>HK\$'000</i>	Audited 31 March 2013 <i>HK\$'000</i>
Accounts and bills payables	1,395,836	1,154,538
Accruals and other payables	121,796	186,686
Dividend payable	14,005	—
	<hr/>	<hr/>
	1,531,637	1,341,224
Less: non-current portions:		
Accounts payable	(1,486)	(1,486)
	<hr/>	<hr/>
	<b>1,530,151</b>	<b>1,339,738</b>
	<hr/> <hr/>	<hr/> <hr/>

The carrying values of the gross accounts payable and other payables approximate their fair values.

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

	<b>Unaudited</b> <b>30 September</b> <b>2013</b> <i>HK\$'000</i>	Audited 31 March 2013 <i>HK\$'000</i>
Current to 60 days	1,071,848	922,722
61 to 90 days	180,840	126,027
Over 90 days	143,148	105,789
	<hr/>	<hr/>
	<b>1,395,836</b>	<b>1,154,538</b>
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## MANAGEMENT DISCUSSION AND ANALYSIS

### **The Economy**

During the review period, the economic conditions in Hong Kong and China remained unclear as both areas were impacted by slow world economic growth.

The mainland economy grew by 7.8% in the third quarter of 2013, up from 7.5% in the previous quarter. The quarterly performance put the economy on course toward the official 7.5% growth target for the year. With respect to China's gross domestic product ("GDP"), a year-on-year increase of 7.7% was recorded for the first three quarters of 2013, reaching RMB38.7 trillion. The economy has reaccelerated modestly. Stimulus measures such as increased railway and utilities investment are helping to stabilize the economy.

The Hong Kong economy expanded moderately, with the real GDP in the third quarter of 2013 up by 2.9% over the preceding year, slightly slower than the 3.2% growth in the second quarter. Due to the uncertain recovery in the US and weak EU economy, the import demand from major advanced markets remained weak. Nevertheless Hong Kong's merchandise exports still attained a modest growth in the third quarter thanks to the comparatively resilient Mainland economy to act as a cushion.

### **The Paper Industry**

For the reporting period, paper and board demand remained sluggish and most mills have taken market-related downtime. Despite a decrease in overall supply, paper and board prices are still stagnant, lingered at low levels due to continued lackluster demand amid a slowdown of the economy in China. Most grades' paper prices were stable, with producers mainly focusing on boosting sales rather than prices hikes.

### **Overview of Operations**

#### *Financial Performance*

Facing an adverse business environment, the Group is more determined to turn the challenges into opportunities. Tapping on its strong well established sales network across various cities in the Mainland, the Group adopted flexible sales and procurement strategies to expand its business in different regions while watching closely the customer credit risk in the situation of tight money supplies in the Mainland China. During the period, the Group's turnover recorded a growth of 6.3% reaching HK\$2,571,314,000. In terms of sales volume, the growth was even as high as 14.4%.

To further wither off the unfavored market conditions, the Group continued to optimize earning quality, taking further steps to streamline the logistics and warehousing arrangement with customers and suppliers as well as bargaining favorable pricing from suppliers. The operating profit for the period increased 13% to HK\$85,226,000. Profit attributable to the owners of the Company was HK\$26,525,000 representing a modest growth of 4.9% on the last period. Basic earnings per share were 2.2 cents compared to HK2.1 cents for the last period.

The Group has always taken relentless efforts in controlling costs, improving operational efficiency and lowering credit risk. In view of tight monetary supplies and stringent credit policies in China, the management continued to maintain an appropriate level of cash and bank balance (including restricted bank deposit), which stood at HK\$621,040,000 as at 30 September 2013. This enables the Group to leverage its robust liquidity position when necessary, bargain favorable price on

procurement, lower interest costs and maintain a healthy gearing ratio — currently at approximately 44.6%. In terms of provisions for doubtful debts, it presently represents 0.14% of the Group's total revenue. All of the measures taken also serve to reflect the Group's healthy financial position.

By business segment, paper trading, paper manufacturing and other businesses represented 87.6%, 9.7% and 2.7% of the Group's total turnover respectively.

### *Paper Business*

With sales offices in over 20 cities spreading across the PRC, the Group continued to focus to serve quality customers extensively in various cities and expanding its sales for packaging boards on indent basis. As a result, the Group's paper product business registered an increase of 6.3% in turnover from HK\$2,353,000,000 to HK\$2,502,000,000. In volume term, the tonnage has 14.4% growth from 407,900 mt to 466,400 mt. Operating profit rose 16.7% to HK\$87,972,000.

For paper trading business, the Group boosted its sales by 7.5% to HK\$2,252,000,000, with a 15.7% rise in sales tonnage, shifting its focus on expanding the sales of packaging boards in various cities in the PRC in addition to the sales of printing and writing paper.

The PRC market continued to be the main growth driver of the segment. Turnover from paper trading business in the market rose significantly by 15.2% to HK\$1,430,000,000 with a growth of 21% in volume. The Hong Kong market, the Group's second key market, represented approximately 22% of its total paper trading sales, achieved a turnover of HK\$495,000,000, a decrease of 19.9% compared to the corresponding last period resulting from the downturn of the export market to overseas. As for other Asian countries, the business grew significantly by 37.3% in sales to HK\$322,000,000 as more allocation of tonnage was obtained from mills for export in Korea office and more sales achieved on printing and writing paper products in Malaysia office for the period.

For paper manufacturing business, the segment reported a rise of 4.8% in sales tonnage, with a slight decrease of 3.6% in sales, including inter-segment revenue, to HK\$376,000,000. Operating profit increased 18.6% to HK\$21,241,000 compared to the corresponding last period with operating profit margin stood at 8.5%.

### *Other Businesses*

The aeronautic parts and services business and marine services business recorded turnover of HK\$27,594,000 and HK\$37,658,000 respectively during the period under review.

### **Prospects**

China's economic growth gathered speed in the third quarter, this will raise confidence that the country will achieve its full year growth target of 7.5%. The outlook of the economy appears stabilized.

The government authority is working on a plan to resolve the oversupply issues. The plan's general guidelines will be to further generate domestic consumption while tapping overseas market. Mergers and acquisitions will be encouraged, and more outdated equipment will be forced to retire under stricter clean production standards. The reported pulp and paper closure results in 2011 and the targets for 2012 and 2013 so far have hit 24.47 million tonnes, far surpassing the original goal of eliminating at least 10 million tonnes in the five-year plan from 2011 to 2015. In September, the authority has released a second list for its old pulp and paper capacity closure campaign for 2013, raising its goal from 6.21 million to 7.42 million tonnes per year. The industry consolidation and the capacity closures to a great extent should bring the market into balance in the coming years.

The Group will continue to implement a series of business quality improvement measures including business restructuring, warehouse consolidation, procurement flexibility and cost controls in order to capture the opportunities arising from the market, enhance its profitability as well as position itself well once the market rebounds. We will certainly strive to deliver favorable returns to our shareholders.

## **INTERIM DIVIDEND**

The Board has resolved to declare the payment of an interim dividend of HK 0.4 cent (2012: HK 0.4 cent) per share for the six months ended 30 September 2013. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 20 December 2013. The interim dividend will be paid around 6 January 2014.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 18 December 2013 to 20 December 2013 (both days inclusive), during which period no transfers of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on 17 December 2013.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2013, the Group employed 1,810 staff members, 126 of whom are based in Hong Kong and 1,328 are based in the PRC and 356 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. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund, medical insurance and the use of 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 30 September 2013, short term deposits plus bank balances amounted to HK\$621 million (including restricted bank deposits of HK\$223 million) and bank borrowings amounted to HK\$2,032 million.

As at 30 September 2013, the Group's gearing ratio was 44.6% (31 March 2013: 46.9%), calculated as net debt divided by total capital. Net debt of HK\$1,411 million is calculated as total borrowings of HK\$2,032 million (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK\$621 million. Total capital is calculated as total equity of HK\$1,754 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.11 times (31 March 2013: 1.13 times).

With bank balances and other current assets of approximately HK\$3,286 million as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital to meet its present requirement.

## **FOREIGN EXCHANGE RISK**

The Group's transaction currencies are principally denominated in Renminbi, United States dollars and Hong Kong dollars. 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 30 September 2013, bank borrowings in Renminbi amounted to HK\$455 million (31 March 2013: HK\$482 million). The remaining borrowings are mainly in Hong Kong dollars. The majority of the Group's borrowings bear interest costs which are based on floating interest rates.

## **CONTINGENT LIABILITIES**

The Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of facilities utilized by the subsidiaries as at 30 September 2013 amounted to HK\$2,025,000,000 (31 March 2013: HK\$2,090,000,000).

## **CHARGE OF ASSETS**

As at 30 September 2013, trust receipt loans of HK\$155,823,000 (31 March 2013: HK\$71,188,000) and bank loans of HK\$105,369,000 (31 March 2013: HK\$70,711,000) were secured by legal charge on certain properties of the Group.

## **AUDIT COMMITTEE**

The Audit Committee of the Company (the "Committee") was set up to review and provide supervision of the Group's financial reporting process and internal controls. The Committee has reviewed the Group's unaudited interim report for the six months ended 30 September 2013 before it was tabled for the Board's approval.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 September 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all the Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES**

In the opinion of the Directors, the Company was in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six-month period ended 30 September 2013 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 INTERIM RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT**

The interim results announcement is published on the web sites of the Company ([www.samsonpaper.com](http://www.samsonpaper.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2013/14 interim report will be despatched to the shareholders of the Company and available on the same web sites in due course.

By Order of the Board  
**SHAM Kit Ying**  
*Chairman*

Hong Kong, 29 November 2013

*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.*

\* *for identification purposes*