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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 2015

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 2015 and consolidated balance sheet as at that date together with comparative figures for the financial year ended 31 March 2014. The annual results have been reviewed by the Company’s audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> <i>(Note 9)</i>
Revenue	2	5,277,933	4,982,417
Cost of sales		<u>(4,780,503)</u>	<u>(4,518,687)</u>
Gross profit		497,430	463,730
Fair value gain on investment properties and non-current assets held for sale		121,300	32,399
Other gains and income, net		27,420	26,995
Selling expenses		(185,391)	(163,824)
Administrative expenses		(207,797)	(197,620)
Other operating (expense)/income		(7,662)	17,970
Operating profit	3	245,300	179,650
Finance costs		(92,708)	(92,235)
Profit before taxation		152,592	87,415
Taxation	4	(29,256)	(26,916)
Profit for the year		<u>123,336</u>	<u>60,499</u>

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> <i>(Note 9)</i>
Attributable to:			
Owners of the Company		114,225	57,196
Non-controlling interests		9,111	3,303
		<u>123,336</u>	<u>60,499</u>
Earnings per share			
Basic	5	<u>HK9.9 cents</u>	<u>HK4.8 cents</u>
Diluted		<u>HK9.0 cents</u>	<u>HK4.5 cents</u>
Dividends	6	<u>36,921</u>	<u>16,551</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year	123,336	60,499
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss</i>		
Revaluation of land and buildings, net of deferred tax	—	94,210
Reversal of deferred tax on fair value gains upon transfer from property, plant and equipment to investment properties	—	5,400
	<u>—</u>	<u>99,610</u>
<i>Items that may be reclassified to profit and loss</i>		
Currency translation differences	(7,618)	(12,282)
Revaluation of available-for-sale financial assets	(537)	118
	<u>(8,155)</u>	<u>(12,164)</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(8,155)</u>	87,446
Total comprehensive income for the year	<u>115,181</u>	<u>147,945</u>
Attributable to:		
— Owners of the Company	106,293	144,735
— Non-controlling interests	8,888	3,210
	<u>115,181</u>	<u>147,945</u>
Total comprehensive income for the year	<u>115,181</u>	<u>147,945</u>

CONSOLIDATED BALANCE SHEET*As at 31 March 2015*

	<i>Note</i>	31 March 2015 HK\$'000	31 March 2014 HK\$'000
Non-current assets			
Property, plant and equipment		1,841,074	1,808,574
Prepaid premium for land leases		166,105	153,876
Investment properties		465,300	226,000
Intangible assets		41,788	46,323
Available-for-sale financial assets		4,953	5,490
Non-current deposits and prepayments		5,715	21,403
Deferred tax assets		3,545	7,120
		2,528,480	2,268,786
Current assets			
Inventories		721,431	760,655
Accounts receivable, deposits and prepayments	7	1,998,650	1,950,079
Financial assets at fair value through profit or loss		786	726
Taxation recoverable		913	3,749
Restricted bank deposits		218,000	205,893
Bank balances and cash		411,270	287,303
		3,351,050	3,208,405
Non-current assets held for sale		4,373	122,773
		3,355,423	3,331,178
Current liabilities			
Accounts payable and other payables	8	1,571,600	1,394,695
Trust receipt loans		752,466	639,453
Taxation payable		32,617	26,575
Derivative financial instruments		293	413
Borrowings		581,512	950,622
		2,938,488	3,011,758
Net current assets		416,935	319,420
Total assets less current liabilities		2,945,415	2,588,206

		31 March 2015	31 March 2014
	<i>Note</i>	HK\$'000	HK\$'000
Equity			
Equity attributable to owners of the Company			
Share capital		127,315	127,315
Reserves		1,674,202	1,604,830
Proposed final dividend		31,829	11,459
		<u>1,706,031</u>	<u>1,616,289</u>
		1,833,346	1,743,604
Non-controlling interests		<u>178,887</u>	<u>169,999</u>
Total equity		<u>2,012,233</u>	<u>1,913,603</u>
Non-current liabilities			
Accounts payable and other payables	8	23,808	126,702
Borrowings		813,857	456,382
Deferred tax liabilities		95,517	91,519
		<u>933,182</u>	<u>674,603</u>
		<u>2,945,415</u>	<u>2,588,206</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements 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 financial statements 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, which are carried at fair value.

(a) New and amended standards

(a) *The following amended standards are mandatory for the first time for the financial year beginning 1 April 2014 but either have no significant impact to the Group’s results and financial position or are not currently relevant to the Group:*

HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting
HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
HK(IFRIC) — Int 21	Levies

(b) *The following new and amended standards have been issued but are not effective for the financial year beginning 1 April 2014 and the Group has not early adopted:*

		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Defined benefit plans: employee contributions	1 July 2014
Annual improvements 2010 to 2012	Improvements to HKASs and HKFRSs	1 July 2014
Annual improvements 2011 to 2013	Improvements to HKASs and HKFRSs	1 July 2014
Annual improvements 2012 to 2014	Improvements to HKASs and HKFRSs	1 January 2016
HKFRS 7, HKFRS 9 (Amendment)	Disclosures: Mandatory effective date of HKFRS and transactional disclosures	1 January 2015
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

The Group has commenced an assessment of the impact of the above new and amended standards and interpretations and considers that they will not have any significant impact on the results of the Group’s operations and financial position. The Group plans to adopt the above new and amended standard and interpretations when they become effective.

2. SEGMENT INFORMATION

As at 31 March 2015, management revisited the Group's operating activities and identified leasing of investment properties as a separate business segment of the Group's principal activities. The Group is organised on a worldwide basis into four main business segments:

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

The segment information for the year ended and as at 31 March 2015 is as follows:

	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment revenue	4,278,526	992,101	17,483	171,533	5,459,643
Inter-segment revenue	(93,544)	(78,338)	(2,360)	(7,468)	(181,710)
Revenue from external customers	<u>4,184,982</u>	<u>913,763</u>	<u>15,123</u>	<u>164,065</u>	<u>5,277,933</u>
Reportable segment results	45,921	85,109	135,036	(8,598)	257,468
Corporate expenses					(12,168)
Operating profit					245,300
Finance costs					(92,708)
Profit before taxation					152,592
Taxation					(29,256)
Profit for the year					<u>123,336</u>
Other items for the year ended 31 March 2015					
Interest income	7,969	876	—	35	8,880
Depreciation of property, plant and equipment	11,109	48,345	—	9,547	69,001
Amortisation of prepaid premium for land leases	857	3,597	—	74	4,528
Amortisation of intangible assets	847	49	—	60	956
Fair value gains on investment properties	—	—	121,300	—	121,300
Capital expenditure	9,833	108,168	—	12,838	130,839
Reportable segment assets	2,905,710	2,329,508	467,865	176,048	5,879,131
Taxation recoverable					913
Deferred tax assets					3,545
Corporate assets					314
Total assets					<u>5,883,903</u>
Reportable segment liabilities	2,070,963	240,349	2,890	33,497	2,347,699
Taxation payable					32,617
Deferred tax liabilities					95,517
Corporate liabilities					1,395,837
Total liabilities					<u>3,871,670</u>

The segment information for the year ended and as at 31 March 2014 is restated as follows:

	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Property investment <i>HK\$'000</i> <i>(Note 9)</i>	Others <i>HK\$'000</i> <i>(Note 9)</i>	Total <i>HK\$'000</i> <i>(Note 9)</i>
Total segment revenue	4,288,689	767,634	15,576	153,676	5,225,575
Inter-segment revenue	(44,042)	(189,997)	(2,276)	(6,843)	(243,158)
Revenue from external customers	4,244,647	577,637	13,300	146,833	4,982,417
Reportable segment results	90,090	52,625	44,588	3,088	190,391
Corporate expenses					(10,741)
Operating profit					179,650
Finance costs					(92,235)
Profit before taxation					87,415
Taxation					(26,916)
Profit for the year					60,499
Other items for the year ended 31 March 2014					
Interest income	8,170	947	—	17	9,134
Depreciation of property, plant and equipment	10,626	48,938	—	9,100	68,664
Amortisation of prepaid premium for land leases	864	3,409	—	77	4,350
Amortisation of intangible assets	847	45	—	4	896
Fair value gains on non-current assets held for sale	—	—	8,000	—	8,000
Fair value gains on investment properties	—	—	24,399	—	24,399
Capital expenditure	18,039	87,039	—	8,995	114,073
Reportable segment assets	2,747,638	2,328,190	344,913	168,279	5,589,020
Taxation recoverable					3,749
Deferred tax assets					7,120
Corporate assets					75
Total assets					5,599,964
Reportable segment liabilities	1,847,505	277,142	2,178	34,011	2,160,836
Taxation payable					26,575
Deferred tax liabilities					91,519
Corporate liabilities					1,407,431
Total liabilities					3,686,361

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	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 9)</i>		
Hong Kong	943,379	929,284	570,403	327,658
The PRC ²	3,900,855	3,432,939	1,882,127	1,854,979
Singapore	116,638	135,752	57,786	62,293
Korea	271,776	402,390	2,539	2,900
Malaysia	41,527	71,432	12,072	13,825
USA	3,758	10,620	8	11
	5,277,933	4,982,417	2,524,935	2,261,666

¹ Non-current assets excluded deferred tax assets.

² The PRC, for the presentation purpose in these financial statements, 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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Charging		
Cost of inventories sold	4,631,225	4,359,390
Depreciation of property, plant and equipment	69,001	68,664
Amortisation of prepaid premium for land leases	4,528	4,350
Amortisation of intangible assets	956	896
Operating lease rentals in respect of:		
— land and buildings	29,006	15,944
Transportation costs	70,915	81,177
Provision for impairment on receivables	10,193	3,900
Employee benefit expenses	128,263	110,585
Auditor's remuneration	3,320	3,206
Net exchange losses	8,724	—
Realised and unrealised loss on derivative financial instrument	153	—
Crediting		
Gains on disposal of property, plant and equipment	970	2,662
Gain on disposal of prepaid premium for land leases	2,321	—
Net exchange gains	—	2,799
Realised and unrealised gains on derivative financial instruments	—	88
Write-back of provision for inventories	13,046	10,782
Write-back of provision for receivables	1,005	8,717

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	5,282	4,937
Overseas taxation	16,667	12,029
(Over)/under-provision in previous years	(911)	66
Deferred taxation relating to origination and reversal of temporary differences	8,218	9,884
	<u>29,256</u>	<u>26,916</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\$112,508,000 (2014: HK\$55,215,000) by the weighted average number of 1,141,076,000 (2014: 1,141,076,000) 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 one category of dilutive potential ordinary shares: preference shares.

	Group	
	2015	2014
Profit attributable to the owner of the Company (<i>HK\$'000</i>)	<u>114,225</u>	<u>57,196</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,141,076	1,141,076
Adjustment for:		
— Preference shares (<i>'000</i>)	<u>132,065</u>	<u>132,065</u>
Weighted average number of shares for diluted earnings per share (<i>'000</i>)	<u>1,273,141</u>	<u>1,273,141</u>
Diluted earnings per share	<u>HK\$9.0 cents</u>	<u>HK\$4.5 cents</u>

6. DIVIDENDS

	Group and Company	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim — HK\$0.004 (2014: HK\$0.004) per ordinary share	4,564	4,564
Interim — HK\$0.004 (2014: HK\$0.004) per preference share	528	528
Proposed final — HK\$0.025 (2014: HK\$0.009) per ordinary share	28,527	10,270
Proposed final — HK\$0.025 (2014: HK\$0.009) per preference share	3,302	1,189
	<u>36,921</u>	<u>16,551</u>

At a meeting held on 25 June 2015, the directors proposed a final dividend of HK\$0.025 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 2016.

7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable — net of provision	1,241,952	1,226,996
Other receivables, deposits and prepayments	756,698	723,083
	<u>1,998,650</u>	<u>1,950,079</u>

The aging analysis of accounts receivable is as follows:

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 60 days	861,724	905,999
61 to 90 days	171,153	166,828
Over 90 days	209,075	154,169
	<u>1,241,952</u>	<u>1,226,996</u>

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

8. ACCOUNTS PAYABLE AND OTHER PAYABLES

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts and bills payables	1,446,372	1,217,049
Accruals and other payables	149,036	304,348
	<u>1,595,408</u>	<u>1,521,397</u>
Less: non-current portions:		
Accounts payable and other payables	<u>(23,808)</u>	<u>(126,702)</u>
	<u>1,571,600</u>	<u>1,394,695</u>

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

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 60 days	947,467	733,272
61 to 90 days	194,865	176,890
Over 90 days	304,040	306,887
	<u>1,446,372</u>	<u>1,217,049</u>

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation, of which rental income HK\$13,300,000 has been reclassified from "Other gains and income, net" to "Revenue" and corresponding expenses HK\$1,111,000 has been reclassified from "Administrative expenses" to "Cost of sales". The directors consider the reclassification reflects the principal activity on leasing of investment properties. These reclassifications have no impact on the Group's total equity as at both 31 March 2015 and 31 March 2014, or on the Group's profit for the year ended 31 March 2015 and 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the financial year under review, with the exception of the United States, the global economy has stayed weak. China's gross domestic product growth dropped to 7.4% in 2014, which was slightly below the target of 7.5% and the weakest expansion in 24 years. The growth was down to 7.0% in the first quarter of 2015 which showed the economy was continuously at downturn pace.

In Hong Kong, the economy experienced a modest growth, with real GDP 2.1% growth in the first quarter of 2015, slightly slower than the 2.4% growth in the preceding quarter. Exports remained weak in the face of the same sluggish global economic conditions that affected the mainland China.

The Paper Industry

For the year under review, paper and board prices have been generally stable but lingering at low levels, as demand for most grades has not seen obvious improvements on the back of slack economic situation in China while oversupply pressure remained. Market sentiment has been continuously cautious and tight liquidity position still persisted in the industry which caused severe competition in the market. Margin and profitability of the industry were still under pressure.

Overview of Operations

Financial Performance

In response to the intensified and volatile market uncertainties experienced in the year under review, the Group took a prudent approach in its sales and procurement strategies to strike a balance between growth in turnover and profitability. At the same time, the Group monitored closely the customer credit risk in the midst of an economic slowdown in China and its export market. During the year, the Group's turnover registered a growth of 5.9% reaching a record high of HK\$5,277,933,000. In terms of sales volume, the growth was even as high as 14.0%. The gross profit increased by 7.3% to HK\$497,430,000. Despite the difficult market conditions, with the strong performance of the Group's paper manufacturing segment and significant gain on fair value of investment properties of HK\$121,300,000 (2014: HK\$32,399,000), net profit of the Company rose by 103.9% to HK\$123,336,000 (2014: HK\$60,499,000). This was after the offset of the loss of the newly food retail business of HK\$12,369,000. Before taking into account of the impact of fair value gain on investment properties, the initial investment on the establishment of the Group's food retail business and the net impairment on account receivable, the profit of the Company increased by 1.3% to HK\$23,600,000 compared to the previous year. Basic earnings per share were HK9.9 cents (2014: HK4.8 cents).

While the Group continues to maintain a healthy financial position, the Group intends to keep an appropriate level of cash reserve to enhance the working capital position under the volatile market environment. As at 31 March, 2015, the Group had cash and bank balance (including restricted bank deposit) of HK\$629,270,000 with a gearing ratio at a healthy level of 43.0%. This enables the Group to maintain interest costs at the level of HK\$92.7 million. During the year under review, the Group continued to exercise a stringent credit policy as well as to lower the level of inventory even with the Group attaining a growth in revenue. Despite the worsening operating environment, the inventory turnover day was shortened by 5 days. In terms of provisions for doubtful debts, it currently represents 0.19% of the Group's total revenue before taking into account of the write back of the provision of HK\$1 million. This further indicates that the Group's financial policy is able to fend off unstable market sentiment.

By business segment, the Group's four operating segments, namely paper trading, paper manufacturing, property investment and other businesses represented 79.3%, 17.3%, 0.3% and 3.1% of the Group's total turnover respectively.

Paper Business

With the sales network spreading across the PRC region, coupled with a significant growth in the revenue of paper manufacturing segment, the Group's paper product business achieved an increase of 5.7% in turnover from HK\$4,822,284,000 to HK\$5,098,745,000. In volume terms, the sales tonnage rose by 14.0% from 949,516 metric tonnes to 1,082,860 metric tonnes. Operating profit dropped 8.19% to HK\$131,030,000

For paper trading business, against a backdrop of severe operating environment, the Group reported a slight decrease of 1.4% in turnover of HK\$4,184,982,000, arising from a contraction of export sales to overseas and weak domestic sales in the Group's other Asian countries due to an aggressive Chinese mills sales out of China, but a 1.0% rise in sales tonnage.

The PRC market continued to be the faster growth region of the segment. With an aim to reduce the credit exposure, the pace of growth in the market is slower compared to previous year. Despite this concern, turnover from paper trading business in the market increased by 4.7% to HK\$2,982,892,000 with a growth of 7.3% in volume. The Hong Kong market, being the Group's second key market, represented approximately 21.1% of its total paper trading sales, attained a turnover of HK\$885,030,000, a decrease of 2.8% compared to last year. As for other Asian countries, the business dropped 34.6% in sales to HK\$317,061,000 as compared to last year. Less orders were made by the Korea office for export markets resulting from the fierce competition from the Chinese mills which tried to absorb their excess production capacity and also a weak domestic market faced by the Malaysia office in the year.

For paper manufacturing business, during the year, the segment successfully expanded its market share in the region and continued its growth momentum for the second half of the financial year and recorded a strong performance. The segment registered a significant rise of 29.2% in turnover, including inter-segment revenue, to HK\$992,101,000 with a growth of 37.8% in the sales tonnage. The achieved result is due to the success of sales and production strategies that focus on developing customers extensively at the mill's proximity and product customization to the needs of customers. With the competitive quality of products, the mill's brand is well recognized among customers in the region. Operating profit increased 61.7% to HK\$85,109,000 compared to last year with operating profit margin stood at 9.3%.

Property Investment

To support the Group's continuing business growth, since the financial year ended 31 March 2008, the Group strategically enhanced the efficiency and profitability of its warehousing facilities. Through the consolidation of warehouses located in the Hong Kong, the Group leased out its investment properties to third parties bringing in additional rental income to generate an inflow of steady and recurring income. At the same time, the value of the investment properties has been reflected at fair value in the Group's balance sheet, which enhanced the Group's financial position. For the year under review, the Group recorded a gain on fair value changes of investment properties of HK\$121,300,000. The value of these investment properties amounted to HK\$465,300,000 as at 31 March 2015. For the year under review, the rental income amounted to HK\$15,123,000 compared to HK\$13,300,000 in previous year.

Other Businesses

These business segments include the aeronautic parts and service business, marine services business, food retail business and logistic services.

The aeronautic parts and services business and marine services business recorded turnover of HK\$50,687,000 and HK\$65,951,000 respectively during the year under review.

During the year under review, the Group has tapped into the local food retail market, through its Hong Kong based chain of food stores under the brand “FoodWise” which is committed to delivering healthy and high quality food products for consumers through the vision ‘Eat Right, Every Day’ and is principally engaged in the sale of a selection of wholesome, affordable and convenient food. As at 31 March 2015, the Group is operating seven shop locations in Hong Kong including several strategic shopping malls. Such retail business segment contributed HK\$43,227,000 to the Group’s turnover for the year under review while incurring an operating loss of HK\$12,369,000 as initial investment on the business.

Prospects

In the context of a slackening economy, the paper industry will remain weak in the coming year. China’s policy makers are planning to make 2015 a year of reform sacrificing some growth speed in exchange for a better quality growth model. The country has paid more attention on environmental issues and fight against pollution. The government has tightened its environmental protection measures, eliminating a lot of outdated pulp and paper capacity from the market. In the long run, these efforts will benefit the development of the paper industry, in helping ease oversupply pressures. The market will firm up in the future. Facing the present operating environment, for the paper business, the Group will pursue more on profitability rather than on growth in turnover and is cautious on the credit quality of customers as banks are still tightening on the customers’ credit. The Group continues to enhance efficiency and product quality through making investment on upgrading equipment and process re-engineering.

In previous years, the strategy on consolidation of warehouses located in Hong Kong proved a successful way to enhance the value of investment properties held by the Group. In the coming years, the Group plans to consolidate its existing warehouses located in the PRC and lease out the premises to third parties to earn additional rental income as well as increase the value of the properties. In addition, the Group is looking for lands to construct warehouses for leasing.

The food retail business is a more capable and better equipped business than it was a year ago. The strength of our existing overseas purchasing network and comprehensive cold storage infrastructure have been the two key drivers for the rapid growth and expansion of FoodWise and will continue to underpin the Group’s strategy. The Group will continue to strive for the growth in the food retail business and further enhance the margins, cash generation and cash flow. The Group will further invest in upgrading the ERP system to establish a fundamental platform for shop network expansion and developing , enriching and expanding the scope of FoodWise’s business model.

The Group continues to seek for opportunities for diversification and create more value to shareholders.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK2.5 cents per share (2014: HK0.9 cent) payable on or around 20 October 2015 to persons who are registered shareholders of the Company on 2 October 2015 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK0.4 cent per share (2014: HK0.4 cent), the total dividend for the financial year is HK2.9 cents per share (2014: HK1.3 cents).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 September 2015 to 18 September 2015 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the Meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 15 September 2015.

The Register of Members of the Company will be closed from 5 October 2015 to 6 October 2015 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 2 October 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2015, the Group employed 1,737 staff members, 148 of whom are based in Hong Kong and 1,290 are based in the PRC and 299 are based in other 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 and medical insurance. 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 flows generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2015, short term deposits plus bank balances amounted to HK\$629 million (2014: HK\$493 million) (including restricted bank deposits of HK\$218 million (2014: HK\$206 million)) and bank borrowings amounted to HK\$2,148 million (2014: HK\$2,046 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2015, the Group's gearing ratio was 43.0% (2014: 44.8%), calculated as net debt divided by total capital. Net debt of HK\$1,519 million (2014: HK\$1,553 million) is calculated as total borrowings of HK\$2,148 million (2014: HK\$2,046 million) (including trust receipt loans, short term and long term borrowings, finance lease obligations and

bank overdraft) less cash on hand and restricted deposits of HK\$629 million (2014: HK\$493 million). Total capital is calculated as total equity of HK\$2,012 million (2014: HK\$1,914 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.14 times (2014: 1.11 times).

With bank balances and other current assets amounted to HK\$3,355 million (2014: HK\$3,331 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 2015, bank borrowings in Renminbi amounted to HK\$340 million (2014: HK\$496 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. The Group has entered an interest rate swap contract, the notional principal amount of the outstanding interest rate swap contract as at 31 March 2015 was HK\$20,000,000 (2014: HK\$20,000,000).

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2015, 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 2015 amounted to HK\$2,139 million (2014: HK\$2,041 million).

Certain land and buildings, investment properties and non-current assets held for sale of the Company’s subsidiaries, with a total carrying value of HK\$519 million as at 31 March 2015 (2014: HK\$400 million) were pledged to banks as securities for bank loans of HK\$51 million (2014: HK\$91 million) and trust receipt loans of HK\$117 million (2014: HK\$78 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 final results for the year ended 31 March 2015 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 2014/2015 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, 25 June 2015

* *for identification purpose only*