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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 2019

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 2019 and the consolidated balance sheet as at that date together with comparative figures for the financial year ended 31 March 2018. The annual results have been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	<i>Note</i>	2019 HK\$’000	2018 HK\$’000
Revenue	2	5,907,821	5,759,596
Cost of sales		<u>(5,347,831)</u>	<u>(5,223,274)</u>
Gross profit		559,990	536,322
Fair value gains on investment properties		31,716	143,700
Other gains and income, net		64,618	57,614
Selling expenses		(213,882)	(213,470)
Administrative expenses		(233,318)	(202,895)
Other operating income/(expenses)		1,869	(1,143)
Operating profit	3	210,993	320,128
Finance costs		<u>(71,174)</u>	<u>(80,524)</u>
Profit before taxation		139,819	239,604
Taxation	4	<u>(20,142)</u>	<u>(35,280)</u>
Profit for the year		<u>119,677</u>	<u>204,324</u>

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Attributable to:			
— Owners of the Company		109,206	196,755
— Non-controlling interests		10,471	7,569
		<u>119,677</u>	<u>204,324</u>
Earnings per share			
Basic	5	<u>HK9.2 cents</u>	<u>HK17.0 cents</u>
Diluted		<u>HK8.6 cents</u>	<u>HK15.5 cents</u>
Dividend	6	<u>30,555</u>	<u>40,104</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	119,677	204,324
Other comprehensive (loss)/income, net of tax		
<i>Item that will not be reclassified to profit or loss</i>		
Revaluation of land and buildings, net of deferred tax	10,471	18,047
Changes in the fair value of financial assets at fair value through other comprehensive income	166	—
	10,637	18,047
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(249,744)	276,530
Revaluation of available-for-sale financial assets	—	120
	(249,744)	276,650
Other comprehensive (loss)/income for the year, net of tax	(239,107)	294,697
Total comprehensive (loss)/income for the year	(119,430)	499,021
Attributable to:		
— Owners of the Company	(104,923)	462,653
— Non-controlling interests	(14,507)	36,368
Total comprehensive (loss)/income for the year	(119,430)	499,021

CONSOLIDATED BALANCE SHEET

As at 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		2,056,466	2,016,631
Land use rights		113,553	128,067
Investment properties		742,676	494,000
Intangible assets		41,693	42,387
Financial assets at fair value through other comprehensive income		1,335	—
Financial assets at fair value through profit or loss		4,692	—
Available-for-sale financial assets		—	5,986
Non-current deposits and prepayments		21,268	107,479
Deferred tax assets		7,343	7,456
		<u>2,989,026</u>	<u>2,802,006</u>
Current assets			
Properties under development		206,127	139,502
Inventories		700,884	840,028
Accounts and other receivables	7	2,101,742	2,152,495
Taxation recoverable		8,313	4,160
Restricted bank deposits		184,344	168,707
Bank balances and cash		332,408	360,072
		<u>3,533,818</u>	<u>3,664,964</u>
Assets classified as held for sale		—	200,000
		<u>3,533,818</u>	<u>3,864,964</u>
Total assets		<u>6,522,844</u>	<u>6,666,970</u>
Current liabilities			
Accounts and other payables	8	909,415	1,572,200
Contract liabilities		25,263	—
Trust receipt loans		1,051,271	954,848
Taxation payable		106,467	97,913
Borrowings		1,090,588	490,952
		<u>3,183,004</u>	<u>3,115,913</u>
Net current assets		<u>350,814</u>	<u>749,051</u>
Total assets less current liabilities		<u>3,339,840</u>	<u>3,551,057</u>

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Financed by:			
Share capital		127,315	127,315
Reserves		<u>1,832,568</u>	<u>1,977,595</u>
		1,959,883	2,104,910
Non-controlling interests		<u>226,440</u>	<u>240,947</u>
Total equity		<u><u>2,186,323</u></u>	<u><u>2,345,857</u></u>
Liabilities			
Non-current liabilities			
Accounts and other payables	8	451,566	31,872
Borrowings		605,360	1,071,256
Deferred tax liabilities		<u>96,591</u>	<u>102,072</u>
		<u>1,153,517</u>	<u>1,205,200</u>
		<u><u>3,339,840</u></u>	<u><u>3,551,057</u></u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (2018: available-for-sale financial assets), and financial assets and financial liabilities at fair value through profit or loss, land and buildings as well as investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New standards, amendment to standards and interpretation adopted by the Group

The following new standards, amendments to existing standards and interpretation are mandatory for the first time for their financial year beginning on 1 April 2018:

Annual Improvements Project HKFRS 2 (Amendments)	Annual Improvements 2014–2016 Cycle Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarification of HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The following explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group’s financial statements. The adoption of other new and amended standards and interpretation did not have any material impact on the current period and any prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognized in the opening consolidated balance sheet on 1 April 2018.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 March 2018	Effect of HKFRS 9	Effect of HKFRS 15	1 April 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Available-for-sale financial assets	5,986	(5,986)	—	—
Financial assets at fair value through profit or loss (“FVPL”)	—	4,817	—	4,817
Financial assets at fair value through other comprehensive income (“FVOCI”)	—	1,169	—	1,169
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current liabilities				
Accounts and other payables	1,572,200	—	(28,414)	1,543,786
Contract liabilities	—	—	28,414	28,414
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Equity				
Asset revaluation reserve	345,223	(671)	—	344,552
Retained earnings	1,108,077	671	—	1,108,748
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(i) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

	Available-for-sale financial assets	Financial assets at fair value through profit or loss (“FVPL”)	Financial assets at fair value through other comprehensive income (“FVOCI”)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Closing balance at 31 March 2018			
— HKAS 39	5,986	—	—
Reclassify investments from available-for-sale financial assets to FVPL (<i>Note a</i>)	(4,817)	4,817	—
Reclassify investments from available-for-sale financial assets to FVOCI (<i>Note b</i>)	(1,169)	—	1,169
	<u> </u>	<u> </u>	<u> </u>
Opening balance at 1 April 2018	—	4,817	1,169
	<u> </u>	<u> </u>	<u> </u>

(a) *Reclassification from available-for-sale financial assets to FVPL*

Certain debt investments were reclassified from available-for-sale financial assets to financial assets at FVPL (HK\$4,817,000 as at 1 April 2018). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. The accumulated fair gains of HK\$671,000 recorded in the previous years have been reclassified from asset revaluation reserve to retained earnings at 1 April 2018.

(b) *Reclassification from available-for-sale financial assets to FVOCI*

The Group elected to present in other comprehensive income changes in the fair value of certain equity investments previously classified as available-for-sale financial assets, because these investments are held as long term strategic investments that are not expected to be sold in the short to medium term. As a result, these investments were reclassified from available-for-sale financial assets to financial assets at FVOCI (HK\$1,169,000 as at 1 April 2018).

Other than that, there were no changes to the classification and measurement of financial instruments.

(c) *Impairment of financial assets*

The Group mainly has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Accounts receivable; and
- Other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each class of assets.

Financial assets at amortized cost include accounts and other receivables. The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as if the case under HKAS 39. While cash and cash equivalent, short-term bank deposits and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group estimates ECL by grouping the accounts receivable based on the nature and geographical areas of business, shared credit risk characteristics and aging profile. For accounts receivable which is long overdue and has significant increase in credit risk, the Group applies the general approach by applying lifetime expected loss allowances for these accounts receivable. For other normal accounts receivable, the Group applies the simplified approach to measuring ECL which uses a lifetime expected loss allowance. The Group has concluded that the impact of ECL is insignificant as at 1 April 2018.

Other receivables carried at amortized cost are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses. Applying the expected credit risk model has not resulted in the recognition of a loss allowance.

Hence there was no impact of the change in impairment methodology on the Group's opening retained profits and equity in relation to the impairment methodology under HKFRS 9.

(ii) HKFRS 15 Revenue from Contracts with Customers— Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, comparative figures have not been restated. The adoption of HKFRS 15 did not result in significant changes to the Group's revenue recognition policies.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that there are no significant differences between the performance obligations required to be units of account under HKFRS 15 and the deliverables considered to be units of account under HKAS 18.

The new standard requires the Group to estimate the total consideration, including an estimate of future variable consideration, receive in exchange for the goods delivered. The Group's revenue streams are not significantly impacted by the new standard.

The Group has also changed the presentation of deposits from customers as contract liabilities in the consolidated balance sheet to reflect the terminology of HKFRS 15. The amounts were previously included in accounts and other payables (HK\$28,414,000 as at 1 April 2018).

In summary, the following adjustments were made to the amounts recognised in the consolidated balance sheet at the date of initial application (1 April 2018):

	31 March 2018		1 April 2018
	(As previously stated under HKAS 18)	Reclassifications under HKFRS 15	(Restated under HKFRS 15)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance sheet (extract)			
Accounts and other payables	1,572,200	(28,414)	1,543,786
Contract liabilities	—	28,414	28,414
	<hr/>	<hr/>	<hr/>
Total liabilities	1,572,200	—	1,572,200
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(b) **New standards and amendments to existing standards and interpretation that have been issued but not effective and have not been early adopted by the Group**

The following new standards, amendments to standards and interpretation have been issued but are not yet effective for the financial year beginning 1 April 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Annual Improvements Project (Amendments)	Annual Improvements 2015–2017 Cycle	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	to be determined

The Group intends to adopt the above new standards, amendments to existing standards and interpretation when they become effective. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 16 “Leases” — effective for financial years beginning on or after 1 April 2019

Nature of change

HKFRS 16 will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. In the consolidated income statement, rental expenses are not recognized while amortization arising from the right-of-use assets and interest expense on the lease liabilities are recognized.

Impact

Based on management's initial assessment, the initial adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is expected to result in a significant increase in both assets and liabilities in the consolidated balance sheet. The adoption will also front-load the expense recognition in the consolidated income statement over the period of the leases, as a result of the combination of the interest expenses arising from the lease liabilities and the amortization of the right-of-use assets as compared to the rental expenses under existing standard.

Date of adoption by the Group

The Group will apply the standard from the financial year beginning 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. SEGMENT INFORMATION

There are differences in the basis of operating and reportable segments from the last annual consolidated financial statements.

From January 2019 onwards, to further cope with the Group's strategic development of the trading business and to further leverage on the strengths and resources to reshape the whole trading business segment, the Group has restructured the trading business into several key pivotal business units, paper and board, office supplies and consumable, supplies for paper manufacturing and fast-moving consumer goods ("FMCG"), to capture the opportunities in different markets.

As a consequence, the Group is now organised on a worldwide basis into four main business segments as at 31 March 2019:

- (1) Sale of paper and board, office supplies and consumable, supplies for paper manufacturing and FMCG;
- (2) Paper manufacturing: manufacturing of paper products in Shandong, the PRC;
- (3) Property development and investment: developing properties for sale and leasing of investment properties; and
- (4) 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 comparative segment information for the year ended 31 March 2018 and as at 31 March 2018 has been restated to align with the presentation of the current year's segment information disclosure.

The segment information for the year ended and as at 31 March 2019 is as follows:

	Trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Total segment revenue	<u>4,572,001</u>	1,565,127	50,028	60,327	6,247,483
<i>Mercantile products</i>					
Sales of goods — paper and board	3,640,943				
Sales of goods — office supplies and consumable	576,029				
Sales of goods — supplies for paper manufacturing	<u>269,202</u>				
FMCG	<u>85,827</u>				
Inter-segment revenue	<u>(269,202)</u>	<u>(37,700)</u>	<u>(27,476)</u>	<u>(5,284)</u>	<u>(339,662)</u>
Revenue from external customers	<u>4,302,799</u>	<u>1,527,427</u>	<u>22,552</u>	<u>55,043</u>	<u>5,907,821</u>
Timing of revenue recognition					
— recognised at a point of time	4,302,799	1,527,427	—	14,024	5,844,250
— recognised over time	—	—	—	41,019	41,019
Revenue from other sources					
Rental income	—	—	22,552	—	22,552
Revenue from external customers	<u>4,302,799</u>	<u>1,527,427</u>	<u>22,552</u>	<u>55,043</u>	<u>5,907,821</u>
Reportable segment results	109,351	59,412	55,055	(6,810)	217,008
Corporate expenses					<u>(6,015)</u>
Operating profit					210,993
Finance costs					<u>(71,174)</u>
Profit before taxation					139,819
Taxation					<u>(20,142)</u>
Profit for the year					<u><u>119,677</u></u>

	Trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Other profit and loss items for the year ended 31 March 2019					
Interest income	4,602	401	1,438	17	6,458
Depreciation of property, plant and equipment	15,089	53,609	833	3,593	73,124
Amortisation of land use right	173	4,014	70	—	4,257
Amortisation of intangible assets	1,106	75	—	—	1,181
Fair value gain on investment properties	—	—	31,716	—	31,716
Capital expenditure	13,797	145,493	12,229	6,534	178,053
Segment assets	2,402,364	2,984,087	1,015,292	105,233	6,506,976
Taxation recoverable					8,313
Deferred tax assets					7,343
Corporate assets					212
Total assets					6,522,844
Segment liabilities	2,226,401	139,747	43,333	27,710	2,437,191
Taxation payable					106,467
Deferred tax liabilities					96,591
Corporate liabilities					1,696,272
Total liabilities					4,336,521

The segment information for the year ended and as at 31 March 2018 is as follows:

	Trading <i>HK\$'000</i> (restated)	Paper manufacturing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Others <i>HK\$'000</i> (restated)	Group <i>HK\$'000</i>
Total segment revenue	<u>4,668,344</u>	1,288,979	39,006	67,491	6,063,820
<i>Mercantile products</i>					
Sales of goods — paper and board	3,831,917				
Sales of goods — office supplies and consumable	507,347				
Sales of goods — supplies for paper manufacturing	<u>260,659</u>				
FMCG	<u>68,421</u>				
Inter-segment revenue	<u>(260,916)</u>	<u>(18,419)</u>	<u>(19,175)</u>	<u>(5,714)</u>	<u>(304,224)</u>
Revenue from external customers	<u>4,407,428</u>	<u>1,270,560</u>	<u>19,831</u>	<u>61,777</u>	<u>5,759,596</u>
Reportable segment results	119,046	54,766	160,239	(3,058)	330,993
Corporate expenses					<u>(10,865)</u>
Operating profit					320,128
Finance costs					<u>(80,524)</u>
Profit before taxation					239,604
Taxation					<u>(35,280)</u>
Profit for the year					<u><u>204,324</u></u>

	Trading <i>HK\$'000</i> (restated)	Paper manufacturing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Others <i>HK\$'000</i> (restated)	Group <i>HK\$'000</i>
Other profit and loss items for the year ended 31 March 2018					
Interest income	4,460	398	72	159	5,089
Depreciation of property, plant and equipment	14,868	50,827	226	4,292	70,213
Amortisation of land use right	171	4,074	70	—	4,315
Amortisation of intangible assets	927	81	—	—	1,008
Fair value gain on investment properties	—	—	143,700	—	143,700
Capital expenditure	<u>35,741</u>	<u>181,660</u>	<u>15,766</u>	<u>609</u>	<u>233,776</u>
Segment assets	<u>2,570,709</u>	<u>3,095,324</u>	<u>870,594</u>	<u>118,610</u>	<u>6,655,237</u>
Taxation recoverable					4,160
Deferred tax assets					7,456
Corporate assets					<u>117</u>
Total assets					<u><u>6,666,970</u></u>
Segment liabilities	<u>2,290,543</u>	<u>223,461</u>	<u>19,463</u>	<u>25,119</u>	<u>2,558,586</u>
Taxation payable					97,913
Deferred tax liabilities					102,072
Corporate liabilities					<u>1,562,542</u>
Total liabilities					<u><u>4,321,113</u></u>

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

	Revenue		Non-current assets ¹	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	683,088	833,886	844,917	610,593
The PRC ²	4,765,239	4,440,412	2,073,150	2,114,156
Singapore	49,862	60,326	50,733	53,994
Korea	298,628	379,880	54	2,374
Malaysia	108,054	45,017	12,793	13,431
Others	2,950	75	36	2
	<u>5,907,821</u>	<u>5,759,596</u>	<u>2,981,683</u>	<u>2,794,550</u>

¹ Non-current assets excluded deferred tax assets.

² The PRC, for the presentation purpose in these consolidated 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:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Charging		
Cost of inventories sold	5,246,083	5,149,015
Depreciation of property, plant and equipment	73,124	70,213
Amortisation of land use rights	4,257	4,315
Amortisation of intangible assets	1,181	1,008
Operating lease rentals in respect of land and buildings		
— Minimum lease payment	60,760	57,653
— Contingent rent	323	72
Transportation costs	83,780	91,802
Loss allowance for impairment on receivables	3,491	7,629
Employee benefit expenses	146,037	152,578
Auditors' remuneration		
— Audit services	3,400	2,713
— Non-audit services	130	88
Provision for inventories	2,445	—
	<u>5,246,083</u>	<u>5,149,015</u>
Crediting		
Gains on disposal of property, plant and equipment	540	36
Write-back of provision for inventories	—	331
Reversal of loss allowance for impairment on receivables	4,954	7,779
	<u>4,954</u>	<u>7,779</u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 income statement represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong profits tax	10,557	6,711
Overseas taxation	26,876	30,612
(Over)/under provision in previous years	(13,739)	63
Deferred taxation relating to origination and reversal of temporary differences	<u>(3,552)</u>	<u>(2,106)</u>
	<u>20,142</u>	<u>35,280</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\$105,046,000 (2018: HK\$193,718,000) by the weighted average number of 1,141,076,000 (2018: 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. The Company has a share option scheme but no share option has been granted under the scheme.

	2019	2018
Profit attributable to the owner of the Company (<i>HK\$'000</i>)	<u>109,206</u>	<u>196,755</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>HK8.6 cents</u>	<u>HK15.5 cents</u>

6. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interim — HK\$0.004 (2018: HK\$0.004) per ordinary share	4,564	4,564
Interim — HK\$0.004 (2018: HK\$0.004) per preference share	528	528
Proposed final — HK\$0.02 (2018: HK\$0.0275) per ordinary share	22,822	31,380
Proposed final — HK\$0.02 (2018: HK\$0.0275) per preference share	<u>2,641</u>	<u>3,632</u>
	<u><u>30,555</u></u>	<u><u>40,104</u></u>

At a meeting held on 18 June 2019, the directors proposed a final dividend of HK\$0.02 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2020.

7. ACCOUNTS AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accounts and bills receivable — net of provision	1,246,301	1,480,253
Other receivables, deposits and prepayments	<u>855,441</u>	<u>672,242</u>
	<u><u>2,101,742</u></u>	<u><u>2,152,495</u></u>

The carrying values of the Group's accounts and bills receivable approximate their fair values.

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

The aging analysis of accounts and bills receivable based on invoice date and net of impairment provision is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current to 60 days	1,079,290	1,288,059
61 to 90 days	107,656	104,488
Over 90 days	<u>59,355</u>	<u>87,706</u>
	<u><u>1,246,301</u></u>	<u><u>1,480,253</u></u>

8. ACCOUNTS AND OTHER PAYABLES

	2019 HK\$'000	2018 <i>HK\$'000</i>
Accounts and bills payable	1,166,353	1,366,678
Accruals and other payables	194,628	<u>237,394</u>
	1,360,981	1,604,072
Less: non-current portions:		
Accounts payables and other payables	(451,566)	<u>(31,872)</u>
	909,415	<u>1,572,200</u>

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

The aging analysis of accounts and bills payable based on invoice date, is as follows:

	2019 HK\$'000	2018 <i>HK\$'000</i>
Current to 60 days	970,714	1,049,647
61 to 90 days	102,928	140,683
Over 90 days	92,711	<u>176,348</u>
	1,166,353	<u>1,366,678</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Operation

Over the years, the Group has been diversifying its business from running mainly the trading of paper products and the paper manufacturing businesses to an enterprise working in different fields. This was particularly reflected in the trading platform which has generated sustainable growth in revenue and has now become the growth engine of the Group. It is worth mentioning that the trading business was able to contribute significant profit to the Group during the reporting period even when the market and operation environment was turbulent. Therefore, the Group has determined to devote more resources and further develop its trading business in the future.

Financial Performance

For the financial year under review, the Group reported a 2.6% growth in overall turnover from approximately HK\$5,759.6 million to HK\$5,907.8 million while there was a 1.1% decrease in sales volume to approximately 985,000 metric tonnes. The gross profit increased by 4.41% to approximately HK\$560.0 million with the gross profit margin increased from 9.31% to 9.48%. As the Group recorded approximately HK\$143.7 million fair value gain on investment properties for the year ended 31 March 2018, while the figure for the year under review was only HK\$31.7 million, the profit for the year was approximately HK\$119.7 million (2018: HK\$204.3 million). Profit attributable to the owners of the Company was approximately HK\$109.2 million. The Group's profit attributable to the owners of the Company (without fair value gain) rose by 46.1% from approximately HK\$53.1 million to HK\$77.5 million. Basic earnings per share were HK9.2 cents. As Renminbi currency depreciated during the year, an unrealized currency translation loss of approximately HK\$249.7 million (2018: gain of HK\$276.5 million) recorded as other comprehensive loss, mainly arising from the translation of the PRC subsidiaries financial statements into the Group's reporting currency on consolidation. The item of the unrealised currency translation loss is a non-cash item and will not affect the cash flow and business operation of the Group.

The Board has recommended the payment of a final dividend of HK2.0 cents per share. Together with an interim dividend of HK0.4 cent per share already paid, total dividend for the year will amount to HK2.4 cents per share, translating to a dividend payment ratio of approximately 28.0%.

As at 31 March 2019, the Group had a cash and bank balance (including a restricted bank deposit) of approximately HK\$516.8 million with a gearing ratio at a reasonable level of 50.5%. Without the unrealized currency translation loss of approximately HK\$249.7 million, the gearing ratio would be at the level of 47.8%. The finance costs are approximately HK\$71.2 million, which is 1.2% (2018: 1.4%) of the total revenue. As a consequence of exercising a stringent credit policy as well as closely monitoring the liquidity and business situation of customers, the Group has a debtor turnover period of

64 days. The increase in loss allowance of receivables is approximately at HK\$3.5 million, representing 0.06% of the Group's total revenue while the reversal of impairment of receivables is approximately HK\$5.0 million.

Paper Manufacturing Business

The prices for packaging boards with recycled grades have been stabilised in the second half of the fiscal year even at the backdrop of the ongoing tensions of the Sino-United States trade war during the reporting period. The Group still continue to take a more cautious approach on various sales and procurement strategies with an aim to achieve higher profitability and low risk in credit as well as not pursuing a larger market share.

Driven by the growth of domestic demand in addition to the Group's profitability-driven strategy, turnover of paper manufacturing business achieved a satisfactory growth of 20.2% from HK\$1,270.6 million to approximately HK\$1,527.4 million. In terms of volume, the total sales tonnage of paper manufacturing business rose by 8.5%.

Trading Business

With decades of experiences in diversified industries of trading business and supply chains management in Pacific Asian markets, the Group has been equipped with high competitiveness in the relevant professional areas. To further cope with the Group's strategic development of the trading business and to deeper leverage on the strengths and resources to reshape the whole trading business segment, the Group has restructured the trading business into several key pivotal business units, including paper and board, office supplies and consumable, supplies for paper manufacturing and FMCG, to capture the opportunities in different markets. The overall trading business has delivered a stably increasing result for the year under review. We have changed our segment reporting to be in line with our strategic development of trading business.

Paper and Board Business

In paper and board business, the sales performance has slightly dropped by 5.0% from HK\$3,831.9 million to approximately HK\$3,640.9 million while the sales volume decreased by 6.75% amid the softened trading environment in China and Hong Kong. However, in the PRC region, with the Group's extensive sales networks, the revenue was maintained at the same level as last year to approximately HK\$2,708.6 million with sales volume slightly decreased by 0.1%, making up approximately 74.4% of the Group's total revenue from paper and board business. Sales in Hong Kong saw a decrease of 24.5% to approximately HK\$525.7 million, making up approximately 14.4% of the Group's total revenue from paper and board business.

Sales in the overseas regions recorded a decrease of 4.3% from HK\$424.9 million to approximately HK\$406.7 million, making up approximately 11.2% of the Group's total revenue from paper and board business. It was mainly ascribing to the slowdown in the economy of those Korea sales office's export markets. However, an outstanding paper

and board business performance was recorded in Malaysia, where the Group has strengthened the sales network while implementing the expansion plan in the past few years. Sales in the region rose by 1.4 times to approximately HK\$108.1 million.

Office Supplies and Consumable and FMCG Business

The Group has started the consumable products of copy paper business in Hong Kong since 1998 and expanded sales offices presence to China in the early 2000. To capture the emerging opportunities of copy paper consumption in China, the Group has placed considerable effort on developing the people capability, improving operating efficiencies and establishing regional trading management in the very early stages of the business development. While the Group's competency and procurement strength are important factors in operational success, to the Group also revised its strategic position to compete in a changing environment by developing its own brand products to further improve our profit and competitiveness.

The office supplies and consumable and FMCG business had a solid year with 15.0% increase on sales from HK\$575.8 million to approximately HK\$661.9 million. Although the market competition is intensifying in all the markets we have presence in, with emphasis on centralizing sourcing, optimizing supply chain efficiency and own brand strategy, the Group obtained sole distributorships of key international brands including baby diaper, tissue paper, and wines and they became the key drivers for the growth of the business.

Property Development and Investment

Property Development

For the Nantong Business Park project, the construction of properties with total gross floor area ("GFA") of 16,306 sq.m. for the first stage of Phase 1A was completed and the acceptance and examination of completion of construction properties was obtained. Two buyers have commenced to renovate the two properties covering a total GFA of 5,286 sq.m. with a sales value of RMB21.9 million. Once the relevant sales permit on the two said properties are approved, the ownership can be transferred accordingly and sales revenue will be recorded.

Application for a construction work planning permit on seven blocks of properties with total GFA of 18,730 sq.m. on the site for Phase 1B is in preparation. Deposits of approximately RMB4.1 million has been received from one potential purchaser with an estimated sale value of RMB13.6 million in total on the Phase 1B site covering an estimated total GFA of 3,265 sq.m. As at 31 March 2019, the cost of property under development amounted to HK\$206.1 million.

Property Investment

For the year, the rental income made from the investment properties with a value of HK\$742.7 million as at 31 March 2019 rose by 14.1% to approximately HK\$22.6 million from HK\$19.8 million last year. The construction work for the Xiamen project was completed. A GFA of 4,875 sq.m, was leased to a third party for the use as an office/warehouse hybrid. It contributed a total of approximately HK\$0.4 million to the Group's revenue. Additional rental revenue from the paper and board business, office supplies and consumable and FMCG business amounted to approximately HK\$27.5 million. Together with the rental earned from other third parties, the gross rental revenue of the property segment was approximately HK\$50.0 million during the reporting year.

A gain on fair value change on the investment properties of approximately HK\$31.7 million was recorded as compared to a gain on fair value change of HK\$143.7 million last year.

Others

The Group has also engaged in the aeronautic parts and services business, marine services business and logistic services business. These business segments together contributed approximately HK\$55.0 million, 0.9% (2018: HK\$61.8 million, 1.1%) of the Group's total revenue.

Prospects

Looking ahead, 2019 will continue to be challenging and full of uncertainty. However, fundamental drivers for the long-term growth of the China market remain unchanged. The Group is well-prepared for overcoming these challenges with its diversified businesses and will devote more resources in expanding its trading businesses as well as the property development and investment businesses.

The Group plans to extend its FMCG business to more cities in the PRC. In order to enrich its products offering, the Group plans to secure more distributorships and introduce a wider range of quality and popular products to China. It is confident in carrying out the plan on the foundation of the Group's strong logistics and distribution network in China. As for the paper and board business, the Group is assessing the possibility to set up a sales office in Southeast Asia so as to achieve better cost control and further geographic market diversification.

As for the property development and investment segment, with the supportive policies enacted by China's government on transforming land use from idle land to industrial or business parks, the Group is confident that a more prosperous and profitable business development of this segment will follow after the completion of Phase 2 and 3 at Nantong Business Park. The selling price per sq.m. of that region has been increasing by more than 35% since 2016. As the development of the Park becomes more mature, we expect to record a greater revenue derived from this project in the future.

In the paper manufacturing segment, the Group will upgrade its production facilities and power plant in order to achieve cost savings and to streamline and centralise internal processes for greater efficiency.

Although market conditions are expected to remain tough, the Group is cautiously optimistic about the future. It believes that there are still many opportunities for growth and Samson Group has prepared well to grasp these market opportunities.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK2.0 cents per share (2018: HK2.75 cents) payable on or before 31 October 2019 to persons who are registered shareholders of the Company subject to the approval of shareholders at the forthcoming annual general meeting (“AGM”). Together with the interim dividend of HK0.4 cent per share (2018: HK0.4 cent), the total dividend for the financial year is HK2.4 cents per share (2018: HK3.15 cents).

CLOSURE OF REGISTER OF MEMBERS

The Company will issue a separate announcement regarding the date of the upcoming AGM, the record date for the payment of dividends and the dates of closure of register of members of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed 1,863 staff members, 193 of whom are based in Hong Kong and 1,338 are based in the PRC and 332 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 its bankers. It 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 2019, short term deposits plus cash and bank balances amounted to approximately HK\$516.8 million (2018: HK\$528.8 million) (including restricted bank deposits of approximately HK\$184.3 million (2018: HK\$168.7 million)) and bank borrowings amounted to approximately HK\$2,747.2 million (2018: HK\$2,517.1 million).

The Group continues to implement a prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2019, the Group's gearing ratio was 50.5%, without the unrealized currency translation loss of approximately HK\$249.7 million, the gearing ratio would be at the level of 47.8%, (2018: 45.9%), calculated as net debt divided by total capital. Net debt of approximately HK\$2,230.5 million (2018: HK\$1,988.3 million) is calculated as total borrowings of approximately HK\$2,747.2 million (2018: HK\$2,517.1 million) (including trust receipt loans, short term and long term borrowings, finance lease obligations and bank overdraft) less cash, bank balances and restricted deposits of approximately HK\$516.8 million (2018: HK\$528.8 million).

Total capital is calculated as total equity of approximately HK\$2,186.3 million (2018: HK\$2,345.9 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.11 times (2018: 1.24 times).

With cash and bank balances and other current assets (including assets classified as held for sale) amounting to approximately HK\$3,533.8 million (2018: HK\$3,865.0 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 dollars and Hong Kong dollars. The Group has 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 2019, bank borrowings in Renminbi amounted to approximately HK\$177.2 million (2018: HK\$119 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 AND CHARGE OF ASSETS

As at 31 March 2019, the Group 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 2019 amounted to approximately HK\$2,744.3 million (2018: HK\$2,512.4 million).

Certain land and buildings, and investment properties (including those presented as assets classified as held for sale) of the Group's subsidiaries, with a total carrying value of approximately HK\$337.1 million as at 31 March 2019 (2018: HK\$323.1 million) were pledged to banks as securities for bank loans of approximately HK\$119.7 million (2018: HK\$49.1 million) and trust receipt loans of approximately HK\$30.1 million (2018: HK\$142.8 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 results for the year ended 31 March 2019 before recommending them to the Board for approval.

SCOPE OF WORK OF THE EXTERNAL AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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 2018/2019 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, 18 June 2019

* *for identification purpose only*