



SAMSON PAPER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 731

ANNOUNCEMENT OF RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

The board of directors (the “Board”) of Samson Paper Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the financial year ended 31 March 2008 and balance sheet as at that date together with comparative figures for the financial year ended 31 March 2007. The annual results have been reviewed by the Company’s audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the financial year ended 31 March 2008

	<i>Note</i>	2008 <i>HK\$’000</i>	2007 <i>HK\$’000</i>
Revenue	2	3,834,380	3,146,763
Cost of sales		(3,468,942)	(2,861,845)
Gross profit		365,438	284,918
Other gains and income, net		26,116	24,096
Selling expenses		(122,623)	(100,168)
Administrative expenses		(110,202)	(83,668)
Other operating expenses		(12,939)	(12,858)
Operating profit	3	145,790	112,320
Finance costs		(53,587)	(51,338)
Share of results of associated companies		1,279	(1,911)
Profit before taxation		93,482	59,071
Taxation	4	(21,119)	(7,301)
Profit for the year		72,363	51,770

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		71,564	50,867
Minority interests		799	903
		<u>72,363</u>	<u>51,770</u>
Dividends	5	<u>21,462</u>	<u>17,170</u>
Earnings per share — basic	6	<u>16.7 cents</u>	<u>11.9 cents</u>
Dividends per share			
Interim		2.5 cents	1.5 cents
Proposed final		2.5 cents	2.5 cents
		<u>5.0 cents</u>	<u>4.0 cents</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Property, plant and equipment		226,230	118,411
Prepaid premium for land leases		64,146	48,785
Non-current deposits		110,700	—
Investment properties		117,000	51,679
Intangible asset		36,932	32,414
Interest in associated companies		69,670	57,976
Deferred tax assets		5,023	4,055
Finance lease receivables		45	1,518
		<u>629,746</u>	<u>314,838</u>
Current assets			
Inventories		523,044	352,225
Accounts receivable, deposits and prepayments	7	1,378,073	1,122,076
Financial assets at fair value through profit or loss		17,817	34,446
Taxation recoverable		1,615	—
Restricted bank deposits		60,235	14,095
Bank balances and cash		281,068	337,529
		<u>2,261,852</u>	<u>1,860,371</u>
Current liabilities			
Accounts payable and accrued charges	8	1,014,536	649,967
Trust receipt loans		442,823	389,509
Taxation payable		11,150	2,348
Financial liabilities at fair value through profit or loss		4,715	406
Borrowings		367,685	262,953
		<u>1,840,909</u>	<u>1,305,183</u>
Net current assets		<u>420,943</u>	<u>555,188</u>
Total assets less current liabilities		<u>1,050,689</u>	<u>870,026</u>

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Financed by :		
Share capital	42,926	42,926
Reserves	760,301	646,334
Proposed final dividend	10,731	10,731
	<u>771,032</u>	<u>657,065</u>
Shareholders' funds	813,958	699,991
Minority interests	<u>9,031</u>	<u>6,872</u>
Total equity	822,989	706,863
Non-current liabilities		
Borrowings	213,294	157,159
Deferred tax liabilities	<u>14,406</u>	<u>6,004</u>
	<u>227,700</u>	<u>163,163</u>
	<u><u>1,050,689</u></u>	<u><u>870,026</u></u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

In 2007, the Group adopted certain new or revised standards and amendments of HKFRS which were issued and became effective during the year ended 31 March 2008, and among which the following will have disclosure impacts in the consolidated accounts.

HKFRS 7 and amendment to HKAS 1	Financial instrument: disclosures and presentation of financial statements: capital disclosures
HK(IFRIC) — Int 10	Interim financial reporting and impairment

HKFRS 7 and amendment to HKAS 1 introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group’s financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC) — Int 10 prohibits the impairment losses recognised in an interim period on goodwill and investment in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

The adoption of these accounting standards or amendments does not result in substantial changes to the Group’s accounting policies and has no significant effect on the results reported for the year ended 31 March 2008.

The following standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 April 2007 but are not relevant to or have no significant financial impact to the Group’s operation:

HK(IFRIC) — Int 7	Applying the restatement approach under HKAS 29, financial reporting in hyper-inflationary economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Re-assessment of embedded derivatives
HK(IFRIC) — Int 11	HKFRS 2 — Group and treasury share transactions

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year end 31 March 2008 and have not been early adopted:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Amendment)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 2 (Amendment)	Share-based payment — vesting conditions and cancellations
HKFRS 3 (Revised)	Business combinations
HKFRS 8	Operating segments
HK(IFRIC) — Int 12	Service concession arrangements
HK(IFRIC) — Int 13	Customer loyalty programmes
HK(IFRIC) — Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

The Group is in the process of assessing the impact to the Group's accounting policies on the adoption of the above standards, amendments and interpretations in the initial applications, but is currently expected that the adoption would not have significant financial impact to the Group.

2. SEGMENT INFORMATION

(a) Primary reporting format — business segments

At 31 March 2008, the Group is organised on a worldwide basis into four main business segments:

- (1) Trading and marketing of paper products;
- (2) Provision of logistics services;
- (3) Trading and marketing of aeronautic parts and provision of services; and
- (4) Provision of marine services to marine, oil and gas industries.

The segment results for the year ended 31 March 2008 are as follows:

	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic parts and services <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Total segment revenue	3,588,831	98,182	94,463	96,876	—	3,878,352
Inter-segment revenue	—	(43,972)	—	—	—	(43,972)
Revenue	3,588,831	54,210	94,463	96,876	—	3,834,380
Segment results	122,657	1,051	9,024	15,723	(2,665)	145,790
Finance costs						(53,587)
Share of profits of associated companies	1,279	—	—	—	—	1,279
Profit before taxation						93,482
Taxation						(21,119)
Profit for the year						72,363

The segment results for the year ended 31 March 2007 are as follows:

	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic parts and services <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Total segment revenue	3,003,432	69,574	57,461	28,405	—	3,158,872
Inter-segment revenue	—	(12,109)	—	—	—	(12,109)
Revenue	<u>3,003,432</u>	<u>57,465</u>	<u>57,461</u>	<u>28,405</u>	<u>—</u>	<u>3,146,763</u>
Segment results	97,861	2,403	3,658	9,669	(1,271)	112,320
Finance costs						(51,338)
Share of losses of associated companies	(1,911)	—	—	—	—	(1,911)
Profit before taxation						59,071
Taxation						(7,301)
Profit for the year						<u>51,770</u>

The segment assets and segment liabilities at 31 March 2008 and capital expenditure for the year then ended are as follows:

	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic parts and services <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	2,500,974	87,368	48,865	127,373	57,348	2,821,928
Associated companies	69,670	—	—	—	—	69,670
Segment assets	<u>2,570,644</u>	<u>87,368</u>	<u>48,865</u>	<u>127,373</u>	<u>57,348</u>	<u>2,891,598</u>
Segment liabilities	<u>1,399,346</u>	<u>8,115</u>	<u>19,226</u>	<u>33,706</u>	<u>608,216</u>	<u>2,068,609</u>
Capital expenditure	<u>143,925</u>	<u>4,761</u>	<u>841</u>	<u>20,354</u>	<u>—</u>	<u>169,881</u>

The segment assets and segment liabilities at 31 March 2007 and capital expenditure for the year then ended are as follows:

	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic parts and services <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	1,876,548	77,478	38,900	76,800	47,507	2,117,233
Associated companies	57,976	—	—	—	—	57,976
Segment assets	<u>1,934,524</u>	<u>77,478</u>	<u>38,900</u>	<u>76,800</u>	<u>47,507</u>	<u>2,175,209</u>
Segment liabilities	<u>979,679</u>	<u>9,103</u>	<u>13,992</u>	<u>35,074</u>	<u>430,498</u>	<u>1,468,346</u>
Capital expenditure	<u>10,657</u>	<u>6,314</u>	<u>24</u>	<u>74,615</u>	<u>—</u>	<u>91,610</u>

Other segment items included in the consolidated profit and loss account are as follows:

	Year ended 31 March 2008					
	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic parts and services <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Depreciation of property, plant and equipment	5,613	2,795	647	7,412	101	16,568
Amortisation of prepaid premium for land leases	1,506	—	—	—	62	1,568

	Year ended 31 March 2007					
	Paper <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Aeronautic parts and services <i>HK\$'000</i>	Marine services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Depreciation of property, plant and equipment	4,329	1,332	460	1,587	101	7,809
Amortisation of prepaid premium for land leases	1,260	304	—	—	62	1,626

(b) Secondary reporting format — geographical segments

The Group's four business segments operate in three main geographical areas, even though they are managed on a worldwide basis.

	Group					
	Revenue		Segment assets		Capital expenditure	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	1,474,228	1,323,616	1,282,129	1,157,490	8,061	7,068
The People's Republic of China* (the "PRC")	1,920,678	1,471,467	1,279,673	766,275	140,410	9,872
Singapore	191,339	85,865	176,238	113,090	21,195	74,639
Others	248,135	265,815	96,210	90,847	215	31
	3,834,380	3,146,763	2,834,250	2,127,702	169,881	91,610
Unallocated	—	—	57,348	47,507	—	—
	3,834,380	3,146,763	2,891,598	2,175,209	169,881	91,610

* The People's Republic of China, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan.

3. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	Group	
	2008	2007
	HK\$'000	HK\$'000
Charging		
Cost of inventories sold	3,323,242	2,812,443
Provision for impairment on receivables	16,276	19,611
Depreciation of property, plant and equipment	16,568	7,809
Amortisation of prepaid premium for land leases	1,568	1,626
	<u> </u>	<u> </u>
Crediting		
Provision for impairment on receivables written back	781	6,162
	<u> </u>	<u> </u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current	6,763	3,132
Over provision in previous years	(850)	(70)
	<u> </u>	<u> </u>
	5,913	3,062
Overseas taxation	12,819	3,002
Deferred taxation relating to origination and reversal of temporary differences	2,387	1,237
	<u> </u>	<u> </u>
	21,119	7,301
	<u> </u>	<u> </u>

5. DIVIDENDS

	Group	
	2008	2007
	HK\$'000	HK\$'000
Interim — HK\$0.025 (2007: HK\$0.015) per share	10,731	6,439
Proposed final — HK\$0.025 (2007: HK\$0.025) per share	10,731	10,731
	<u> </u>	<u> </u>
	21,462	17,170
	<u> </u>	<u> </u>

At a meeting held on 16 July 2008, the Directors proposed a final dividend of HK2.5 cents 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 2009.

6. EARNINGS PER SHARE — BASIC

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>71,564</u>	<u>50,867</u>
Weighted average number of ordinary shares in issue	<u>429,258</u>	<u>429,258</u>
Basic earnings per share (<i>HK cent per share</i>)	<u>16.7 cents</u>	<u>11.9 cents</u>

Diluted earnings per share is not presented because there were no dilutive potential shares outstanding during the year.

7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables, net of provision	1,169,897	962,301
Other receivable, deposits and prepayments	206,563	156,870
Finance lease receivables	<u>1,658</u>	<u>4,423</u>
	1,378,118	1,123,594
Finance lease receivables — non-current portion	<u>(45)</u>	<u>(1,518)</u>
	<u>1,378,073</u>	<u>1,122,076</u>

The ageing analysis of trade receivables is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 60 days	855,745	693,075
61 to 90 days	164,803	134,820
Over 90 days	<u>149,349</u>	<u>134,406</u>
	<u>1,169,897</u>	<u>962,301</u>

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

8. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	Group 2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade and bills payables	903,381	543,748
Accrued expenses and other payables	94,153	93,809
Loan from a minority shareholder	1,563	1,563
Amounts due to associated companies	15,439	10,847
	1,014,536	649,967

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

	Group 2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current to 60 days	766,492	444,611
61 to 90 days	48,915	12,578
Over 90 days	87,974	86,559
	903,381	543,748

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the financial year under review, the economy of Hong Kong and the PRC maintained growth momentum. The GDP of Hong Kong surged 9.5% in calendar year 2007 and 9.6% year-over-year in the first quarter of calendar year 2008.

As for the PRC, an 11.4% GDP growth was reported for calendar year 2007, the fastest since 1994 and more than 10% for the fifth consecutive year, and a 10.6% year-over-year growth was recorded in the first quarter of calendar year 2008.

The Printing & Publishing Industries

As the global economy grew steadily, demand for paper products of the printing and publishing industries has also been on the rise. According to the Hong Kong Census and Statistics Department, the total value of printed matters exported from the city in the 12 months ended 31 March 2008 was HK\$19,346 million, an increase of 8.6% when compared to HK\$17,809 million last year. Total import value was HK\$11,896 million for the 12 months ended 31 March 2008, a growth of 13.1% as compared to HK\$10,517 million last year. China remained as the leading exporter of paper products, valuing at a total of HK\$3,083 million or 32.3% of the total imports, to Hong Kong in calendar year 2007.

The paper industry in the PRC also grew rapidly supported by the strong mainland economy. According to The PRC Paper Association, the market consumed 72.9 million metric tons of paper in calendar year 2007, representing a 10.5% growth against the previous year, and total output of paper products increased by 13.1% to 73.5 million metric tons. According to the

figures of the country's Customs Bureau had export of pulp and paper products up by 27.8% to 6.3 million metric tons and import of the products up by 9.5% to 35.2 million metric tons in calendar year 2007.

Operations Review

During the year, the Group achieved remarkable results, with significant growth in turnover and net profit and improved margins. Turnover increased by approximately 21.9% to HK\$3,834 million as compared with last year. The Group made significant efforts in lowering operation costs, including relocating its warehouse to a lower rent area. It also maintained a prudent credit policy and significantly shortened the collection period. As a result, gross profit increased by 28.3% to HK\$365 million, with gross profit margin improved to 9.5% (2007: 9.1%). Profit increased by 29.8% to HK\$146 million. Profit attributable to shareholders rose sharply, by 40.7%, to HK\$71.6 million, of which approximately HK\$11.0 million was from revaluation gain of investment properties. Net profit margin improved from 1.6% last year to 1.9%. Earnings per share were HK16.7 cents (2007: HK11.9 cents).

The Board resolved to pay a final dividend of HK2.5 cents per share for the year. Together with the interim dividend of HK2.5 cents per share already paid, total dividend for the financial year amounted to HK5.0 cents (2007: HK4.0 cents).

Apart from strengthening its position as one of the largest paper trading companies in the region, the Group made strategic moves to build a vertically integrated operation during the year. These milestone moves included entering into an agreement to acquire Kingsrich Group Limited on 13 July 2007 and another agreement to acquire assets of a paper mill in Zaozhuang City, Shandong in the PRC on 20 February 2008. The two agreements have presented the Group with solid support to enter the business of packaging boards manufacturing.

By business segment, paper products, consumable aeronautic parts & services, logistics services and marine services accounted for 93.6%, 2.5%, 1.4% and 2.5% of the Group's total turnover respectively.

Paper Trading Business

Heeding the slowdown of the US economy and rising paper costs, the Group focused on selling higher quality products to quality customers. Paper product sales increased by a 19.5% to approximately HK\$3,589 million, with profit up 18.6% to HK\$50.1 million. In volume term, sales of paper products increased by 6.7% to 584,218 metric tons. Implementing stringent credit risk control, the Group was able to markedly shorten the collection period by 14 days.

At the Group's dedicated effort to broaden its sales network in the PRC and increasing market demand bred by the booming mainland economy, the PRC market continued to be a main growth driver of the segment. For the year under review, the Group sold approximately 14.6% more paper products to customers in the market, with the support of new offices in Xiamen, Shenyang, Nanning and Nanjing opened during the year. With prices of paper products rocketing, particularly in the second half of the financial year and the Group focusing on selling higher value products, turnover from paper product sales in the PRC market increased significantly, by 30.2%, to HK\$1,911 million, making up 53.3% of the Group's total turnover from paper products.

Hong Kong, the Group's second key market, accounted for 39.8% of its total paper product sales. It achieved a turnover of HK\$1,430 million, a 12.6% growth against last year. The Group consolidated its business in other Asian countries, such as Malaysia, earlier leading to a drop of 6.7% in paper sales in those countries to \$248 million, accounting for 6.9% of the turnover from paper business. For the Group's paper manufacturing arm Singapore-listed United Pulp & Paper Company Limited, it achieved a profit of S\$2.1 million (HK\$11.7 million) (2007: loss of S\$0.5 million (HK\$2.8 million)), mainly because it switched from fuel oil to natural gas which has brought significant savings in operational costs.

Sales contribution by product was maintained at a stable level. Book printing papers and packaging boards accounted for 53.0% and 35.3% of the Group's total turnover respectively.

Paper Manufacturing Business

In view of the synergy and the importance of vertical integration, the Group signed an agreement in July 2007 to acquire 99% interest in a Sino-foreign equity joint venture. The joint venture will specialise in the manufacture and sale of kraftliner board and corrugated medium in Nantong, Jiangsu, the PRC with a production capacity of 250,000 metric tons of paper products per annum. Another important agreement was signed in February 2008 to acquire the entire assets of Shandong Huazhong Paper Co., Ltd. and Shandong Huacai Paper Co., Ltd. in Zaozhuang City, Shandong, the PRC. The paper mill has two duplex board production lines with a total output capacity of 170,000 metric tons that had begun operation in May and June 2008 respectively. Another production line of 200,000 metric tons of kraftliner board and corrugated medium is being constructed and expected to begin operation within the coming financial year. By then, the mill will be able to produce 370,000 metric tons of packaging paper.

Consumable Aeronautic Parts and Services Business

The consumable aeronautic parts business, which has been operating for a few years, continued to grow in healthy strides, reporting an increase in revenue of 64.4% to HK\$94.5 million, with profit up 150.3% against last year to HK\$7.2 million.

Logistics Services Business

The Group has been consolidating its logistics services business and shifting its focus onto providing internal services to its paper business. Correspondingly, turnover from logistics services decreased by 5.7% to 54.2 million and a loss of HK\$5.1 million was recorded (2007: loss of HK\$2.6 million), before including the HK\$5.9 million fair value gain of the warehouse (2007: HK\$4.9 million). The management is confident that at the Group's effort to streamline the business, the segment will break even in the coming financial year.

Marine Services Business

Hypex Holdings Limited, the wholly-owned subsidiary of the Group acquired in December 2006, provides corrosion prevention services to the marine, oil and gas industries in Singapore. The corrosion prevention services comprise blasting (hydro and grit) and painting work. Turnover from operation increased by about 29.9% to HK\$96.9 million, with the share of profit after tax of HK\$11.9 million attributable to the Group (2007: HK\$7.0 million) mainly due to the diversification in the product mix. The share of revenue and profit contribution to the Group in the last year represented the four months' result of the operation as the acquisition was completed in December 2006.

Prospects

By the end of the financial year, the prices of book printing papers and packaging boards increased by 5% and 20% respectively compared with levels at September 2007. For the second half of 2008, with demand for book printing paper and material costs expected to rise, the price of book printing paper may also rise, while the average price of packaging board, which surged during the year under review, is expected to remain stable.

However, market research shows that increase in consumer spending, industrial output and export sales in the PRC will continue to push up demand not only for book printing papers, but also container board products in the country in the long run. The China Paper Association forecasted consumption of paper board in the PRC to sustain an average annual growth rate of 7.5% between 2005 and 2010. In the "11th Five-year Plan", the Chinese Government also stated the need to closing down small scale paper mills which cannot meet the more stringent environment standard. Under the policy directives issued in late 2007, smaller and incompetent players with capacity totalling about 6.5 million metric tons will be ousted from the market by 2010. The industry consolidation will provide a good opportunity for the Group to enter paper manufacturing business. The Group also believes that by building a vertically integrated operation, it will be assured of stable supply of raw materials and be able to widen profit margin.

The Group acquired an established paper mill in Shangdong, the PRC, in February 2008 to strategically tap the strong demand for paper in the industrial zones along the Yangtze River and in the Beijing-Tianjin region. This acquisition, together with the investment of the other paper mill project in Nantong, Jiangsu, will give the Group a stable supply of paper products for growing sales, allowing it to diversify its product portfolio and assume a bigger market share, and ultimately helping to boost its financial results in coming years.

The Group currently trades and markets paper products of over 1,000 brands, the bulk of which are book printing papers and packaging boards, to more than 1,000 customers. Kraftliner boards, duplex boards and corrugated medium only accounted for 16.9% of its paper product sales. With the support of an extensive sales network covering 12 cities in the PRC, as well as Hong Kong, Singapore, Malaysia and other Asian countries, the Group is confident of expanding its packaging board business in the next few years.

In the coming year, the Group will also set up more sales offices in emerging cities such as Hangzhou and Qingdao in the PRC and allocate more resources to develop its business network and explore more business opportunities in the country. With sales contribution

from the PRC reaching more than half of the total sales of paper products since the end of the financial year 2008 and the paper manufacturing business in the PRC expected to begin contributing to the Group's consolidated results in the coming financial year, the Group sees the anticipated appreciation of the RMB working to its benefit.

Looking forward, the Group will keep striving for healthy growth of its paper trading business while expanding upstream into manufacturing. To facilitate balanced growth of the two core businesses, the Group has secured a 3.5-year HK\$420 million term and revolving credit facility with eight international and local banks on 27 June 2008. The facility was over-subscribed and increased from the initial amount of HK\$400 million to HK\$420 million. The over-subscription clearly showed that the banking community has strong confidence in the Group's business and its professional management team. With the additional financial resources, the Group is confident of accelerating business growth and realising its goal of becoming a leading player in the paper industry in the PRC.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK2.5 cents per share (2007: HK2.5 cents) payable on 3 October 2008 to persons who are registered shareholders of the Company on 26 August 2008 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK2.5 cents per share (2007: HK1.5 cents), the total dividend for the financial year is HK5.0 cents per share (2007: HK4.0 cents).

CLOSURE OF REGISTER OF MEMBERS

The transfer books and the register of members of the Company will be closed from Wednesday, 20 August 2008 to Tuesday, 26 August 2008 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 19 August 2008.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group employed 999 staff members, 218 of whom are based in Hong Kong and 324 are based in the PRC and 457 are based in other Asian countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund, medical insurance and the use of a share option scheme to reward high-calibre staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2008, short term deposits plus bank balances and bank borrowings amounted to HK\$341 million (including restricted bank deposits of HK\$60 million) and HK\$1,006 million respectively.

As at 31 March 2008, the Group's current ratio (current assets divided by current liabilities) stood at 1.23 times (2007: 1.43 times). The gearing ratio, measured on the basis of the Group's long term loans over the Group's shareholders' funds, was 26.0% (2007: 22.5%).

With bank balances and other current assets of HK\$2,262 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 2008, bank borrowings in Renminbi amounted to HK\$100 million (2007: HK\$25 million). The majority of the Group's borrowings bear interest costs which are based on floating interest rates. As at 31 March 2008, the Group has outstanding interest rate swap contracts amounting to HK\$50 million (2007: HK\$370 million) in total.

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2008, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amounts of facilities utilised by the subsidiaries as at 31 March 2008 amounted to HK\$1,006 million (2007: HK\$798 million).

Certain prepaid premium for land leases, buildings and investment properties in Hong Kong of the Company's subsidiaries, with a total carrying value of HK\$163 million as at 31 March 2008 (2007: HK\$136 million) were pledged to banks as securities for bank loans of HK\$87.6 million (2007: HK\$30.3 million) and trust receipt loans of HK\$227 million (2007: HK\$170 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. During the financial year, the Committee

has met three times with the senior management of the Company and the Company's external auditor to review the interim and annual financial statements 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 2007/2008 Annual Report of the Company containing all information required by the Listing Rules will be published on the Stock Exchange's website (www.hkex.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, 16 July 2008