



SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

FINANCIAL HIGHLIGHTS

- Turnover increased 19.9% to approximately HK\$2,336 million
- Gross profit increased 34.6% to HK\$242 million
- Gross profit margin improved to 10.4% (2007/08 Interim: 9.2%)
- Profit attributable to shareholders increased 4.6% to approximately HK\$37 million
- Earnings per share were HK8.7 cents (2007/08 Interim: HK8.3 cents)
- The Board of Directors recommends payment of an Interim dividend of HK1.0 cent per share

The board of directors (the “Board”) of Samson Paper Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008 together with comparative figures for the corresponding period in 2007, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2008 with audited comparative figures as at 31 March 2008 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30 September	
		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	2,336,434	1,949,218
Cost of sales		<u>(2,094,219)</u>	<u>(1,769,233)</u>
Gross profit		242,215	179,985
Other gains and income, net		9,202	10,775
Selling expenses		(78,023)	(60,856)
Administrative expenses		(69,030)	(55,195)
Other operating expenses		<u>(27,777)</u>	<u>(4,142)</u>
Operating profit	3	76,587	70,567
Finance costs		(25,883)	(27,575)
Share of result of an associated company		<u>(365)</u>	<u>618</u>
Profit before taxation		50,339	43,610
Taxation	4	<u>(11,937)</u>	<u>(7,734)</u>
Profit for the period		<u>38,402</u>	<u>35,876</u>
Attributable to:			
Equity holders of the Company		37,410	35,766
Minority interests		<u>992</u>	<u>110</u>
		<u>38,402</u>	<u>35,876</u>
Earnings per share for profit attributable to the equity holders of the Company — Basic	5	<u>HK8.7 cents</u>	<u>HK8.3 cents</u>
Interim dividend per share		<u>HK1 cent</u>	<u>HK2.5 cents</u>
Interim dividends	6	<u>5,723</u>	<u>10,731</u>

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2008*

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Non-current assets		
Property, plant and equipment	334,451	226,230
Prepaid premium for land leases	64,028	64,146
Investment properties	117,000	117,000
Non-current deposits	123,741	110,700
Intangible asset	35,654	36,932
Interest in associated companies	63,728	69,670
Deferred tax assets	4,812	5,023
Finance lease receivables	29	45
	<u>743,443</u>	<u>629,746</u>
Current assets		
Inventories	626,976	523,044
Accounts receivable, deposits and prepayments	1,554,220	1,378,073
Financial assets at fair value through profit or loss	12,552	17,817
Taxation recoverable	829	1,615
Restricted bank deposits	76,829	60,235
Bank balances and cash	417,316	281,068
	<u>2,688,722</u>	<u>2,261,852</u>
Current liabilities		
Accounts payable and accrued charges	973,178	1,014,536
Trust receipt loans	670,050	442,823
Taxation payable	18,492	11,150
Financial liabilities at fair value through profit or loss	1,924	4,715
Borrowings	558,533	367,685
	<u>2,222,177</u>	<u>1,840,909</u>
Net current assets	<u>466,545</u>	<u>420,943</u>
Total assets less current liabilities	<u><u>1,209,988</u></u>	<u><u>1,050,689</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (continued)*As at 30 September 2008*

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Financed by:		
Share capital	42,926	42,926
Reserves	795,881	760,301
Proposed dividend	<u>5,723</u>	<u>10,731</u>
Shareholders' funds	844,530	813,958
Minority interests	<u>9,453</u>	<u>9,031</u>
Total equity	<u>853,983</u>	<u>822,989</u>
Non-current liabilities		
Borrowings	106,388	213,294
Other payables	232,234	—
Deferred tax liabilities	<u>17,383</u>	<u>14,406</u>
	<u>356,005</u>	<u>227,700</u>
	<u>1,209,988</u>	<u>1,050,689</u>

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2008 which are mandatory for the year ending 31 March 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKAS and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants, and the applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2008.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008, as described in those annual financial statements.

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

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2008 but are not currently relevant for the Group.

HK(IFRIC) — Int 12	Service concession arrangements
HK(IFRIC) — Int 14	HKAS 19 — the limit on a defined benefit asset, minimum funding requirements and their interaction
Amendments to HKAS 39 and HKFRS 7	Reclassification of financial assets

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2008 and have not been early adopted:

HKAS 1 (revised)	Presentation of financial statements
HKAS 23 (revised)	Borrowing costs
HKAS 27 (revised)	Consolidated and separate financial statements
HKAS 32 (amendment)	Financial instruments: presentation
HKAS 39 (amendment)	Eligible hedged items
HKFRS 2 (amendment)	Share-based payment
HKFRS 3 (revised)	Business combinations
HKFRS 8 (amendment)	Operating segments
HK(IFRIC) — Int 13	Customer loyalty programmes
HK(IFRIC) — Int 15	Agreements for the construction of real estate
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation

2. SEGMENT INFORMATION

(a) Primary reporting format — Business Segments

As 30 September 2008, the Group is organised on a worldwide basis into four main business segments:

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

The segment results for the period ended 30 September 2008 are as follows:

	Unaudited					Group <i>HK\$'000</i>
	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>	
Total segment revenue	2,213,446	47,409	52,834	47,390	—	2,361,079
Inter-segment revenue	—	(24,645)	—	—	—	(24,645)
Revenue	<u>2,213,446</u>	<u>22,764</u>	<u>52,834</u>	<u>47,390</u>	<u>—</u>	<u>2,336,434</u>
Segment result	72,183	(214)	5,931	1,327	(2,640)	76,587
Finance costs						(25,883)
Share of loss of an associate	(365)	—	—	—	—	(365)
Profit before taxation						50,339
Taxation						(11,937)
Profit for the period						<u>38,402</u>

The segment results for the period ended 30 September 2007 are as follows:

	Unaudited					Group <i>HK\$'000</i>
	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>	
Total segment revenue	1,841,543	51,347	42,000	36,792	—	1,971,682
Inter-segment revenue	—	(22,464)	—	—	—	(22,464)
Revenue	<u>1,841,543</u>	<u>28,883</u>	<u>42,000</u>	<u>36,792</u>	<u>—</u>	<u>1,949,218</u>
Segment result	68,510	(1,479)	4,116	1,309	(1,889)	70,567
Finance costs						(27,575)
Share of profit of an associate	618	—	—	—	—	618
Profit before taxation						43,610
Taxation						(7,734)
Profit for the period						<u>35,876</u>

(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.

An analysis of the Group's turnover for the period by geographical segment is as follows:

	Unaudited	
	Six months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	891,884	788,496
Mainland China	1,222,429	956,527
Others	222,121	204,195
	<u>2,336,434</u>	<u>1,949,218</u>

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited	
	Six months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Interest income	3,765	4,606
Provision for impairment on receivables written back	4,568	1,023
Net dilution gain on interest in an associated company	—	3,719
	<u>—</u>	<u>3,719</u>
Charging		
Depreciation of property, plant and equipment	9,951	7,491
Amortisation of prepaid premium for land leases	695	649
Provision for impairment on inventory	3,654	3,275
Provision for impairment on receivables	28,094	3,317
Net dilution loss on interest in an associated company	1,004	—
	<u>1,004</u>	<u>—</u>

4. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profit has been calculated on the estimated assessable profit at the applicable rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	Unaudited	
	Six months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	5,261	4,235
Overseas taxation	6,416	2,580
Deferred taxation	260	919
	<u>11,937</u>	<u>7,734</u>

5. EARNINGS PER SHARE

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 period.

	Unaudited	
	Six months ended 30 September	
	2008	2007
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>37,410</u>	<u>35,766</u>
Weighted average number of ordinary shares in issue (<i>'000 shares</i>)	<u>429,258</u>	<u>429,258</u>
Basic earnings per share (<i>HK cents</i>)	<u>8.7</u>	<u>8.3</u>

6. INTERIM DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed, of HK\$0.01 (2007: HK\$0.025) per share	<u>5,723</u>	<u>10,731</u>

The amount is calculated based on 429,258,039 ordinary shares and 143,086,013 convertible non-voting preference shares of par value of HK\$0.1 each and proposed dividend of HK1 cent per share.

This proposed interim dividend is not reflected as a dividend payable in these condensed financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

Growth of the Hong Kong economy has slowed down notably since the third quarter of calendar year 2008, as the financial tsunami continued to gather strength suppressing global demand. The GDP of Hong Kong for the third quarter grew only by 1.7% year-on-year, notably less than the 4.2% growth in the second quarter. Also affected by the global economy downturn, the PRC reported a 9.0% GDP growth year-on-year for the third quarter versus 10.1% in the second quarter.

The Paper Industry

According to the Census and Statistics Department, Hong Kong exported HK\$11,112 million worth of printed matters during the review period, up 7.8%, and imported printed matters valued at HK\$6,993 million, up 11.2%, when compared with the same period last year.

Operations Review

Catering to growing customer demand and with paper prices rising driven by keen demand, the Group achieved satisfactory results during the review period. Its turnover increased by 19.9% to HK\$2,336 million as compared with the same period last year. Gross profit also increased, by 34.6%, to HK\$242 million, with gross profit margin improved to 10.4% (2007/08: 9.2%). Operating profit was up by 8.5% to HK\$76 million and profit attributable to shareholders rose by 4.6% to HK\$37 million even after taking into account the further general provision of doubtful debts of HK\$7 million which is made for prudent basis in view of the financial crisis. Before accounting for this additional provision of HK\$7 million, net profit margin also improved, from 1.8% in the corresponding period last year to 1.9% in this review period. Earnings per share were HK8.7 cents (2007/08: HK8.3 cents).

Amid the adverse market condition faced by customers during the review period, the Group has further tightened its credit policy on customers selection. As a result, the collection period has been shortened by 9 days as compared with that in the same period last year.

By business segment, paper trading, paper manufacturing, consumable aeronautic parts and services, marine services and logistic services accounted for 91.9%, 2.8%, 2.3%, 2.0%, and 1.0% of the Group's total turnover respectively.

Paper Trading Business

Continuous effort of the Group to enhance its sales network in the PRC has paid off. The effort and the Group focusing on selling higher quality products to quality customers brought about a 16.7% increase in paper trading sales to approximately HK\$2,148 million, with profit up 3.3% to HK\$37 million before accounting for the additional general provision of doubtful debts of HK\$7 million. In volume term, the segment traded 308,544 metric tons of paper, 2.3% less than the same period last year as a result of the Group's shift of strategic focus on to serving quality customers and a tightened credit policy on customers selection in order to mitigate the effect of the financial turmoil.

The PRC market continued to be a main growth driver of the segment. Owing to the climbing prices of paper products, the Group's focusing on selling higher value products and tightened credit control policy on customers, turnover from paper trading business in the market increased by a notable approximately 21.1% to HK\$1,152 million while in volume term the

Group sold approximately 0.6% less in tonnage of paper products to customers in the market during the review period. The amount made up 53.6% of the total turnover from paper trading business.

Hong Kong, the second key market of the Group, accounted for 40.7% of total paper trading sales. It achieved a turnover of HK\$874 million, a 14.4% growth against the same period last year. As for other Asian countries such as Malaysia, the Group has been consolidating business in those markets with the aim of controlling credit risk exposure. As a result, paper sales in those markets dropped by 2.8% to HK\$122 million, which accounted for 5.7% of the turnover from paper trading business.

Singapore-listed United Pulp & Paper Company Limited, the Group's principal associate engaging in paper manufacturing, recorded a profit of S\$478,000 (equivalent to approximately HK\$2.6 million) before the provisions of impairment loss of assets and trade receivables of S\$710,000 by its subsidiaries which had ceased operation during the first half of its financial year.

Sales contribution by product was stable relative to the level recorded in the same period last year. Book printing papers and packaging boards accounted for 51.5% and 34.7% respectively of the Group's total turnover from paper trading.

Paper Manufacturing Business

The Group has expanded upstream into paper manufacturing after entering into a contract to acquire the entire assets of a paper mill in Shandong province, the PRC in February 2008. The two production lines of the paper mill with a total output capacity of 170,000 metric tons of duplex board have started to contribute revenue to the Group. During the review period, turnover and profit from the segment were HK\$148 million including inter-company sales and HK\$7 million respectively, with net profit margin at approximately 4.9%.

Consumable Aeronautic Parts and Services Business

The segment continued to perform steadily during the review period after achieving impressive growth in the corresponding period last year. Its turnover reached HK\$53 million, 25.8% higher than that in the same period last year, and operating profit grew by 44.1% to HK\$6 million.

Logistics Services Business

The Group continued to consolidate its logistic services business and focus on providing services internally to its paper business. Turnover from the business declined by 21.2% to HK\$23 million and a markedly smaller operating loss at HK\$0.2 million (2007/08: operating loss of HK\$1.5 million) was recorded for the period. Net profit was HK\$254,000 including a tax write back of HK\$521,000.

Marine Services Business

Hypex Holdings Limited, a wholly-owned subsidiary of the Group, provides corrosion prevention services — blasting (hydro and grit) and painting work — to the marine, oil and gas industries in Singapore. The segment recorded turnover of HK\$47 million and operating profit of HK\$1.3 million.

Prospects

The global economic downturn is affecting consumption sentiment worldwide with the retail segment among the hardest hit. Correspondingly, the demand for book printing papers and packaging boards has been affected. As demand slackens, the paper prices become softened and are expected to be subject to adjustments in the coming months.

However, the Group believes the PRC economy, which is feeling a relatively milder impact of the global financial turmoil so far and supported by government efforts to stimulate economic growth and domestic consumption, will come out less affected among economies around the world. To meet the demand for paper products in the Northern and Eastern China, the Group opened a new sales office in Qingdao in October 2008 and will open one more new office in Hangzhou in the second half of the financial year. By then it will have a stronger sales office network in the country.

To ensure it is in good financial health to make it through the current difficult times in global economy, the Group will tighten its credit control policies further. Also, exercising prudence, the Group has adjusted the construction plan of the new production line in the Shandong paper mill. The production line designed to produce up to 200,000 metric tons of kraftliner board and corrugated medium will be completed by the end of calendar year 2009. During the second half of the financial year, the Group will streamline operations and focus on improving the productivity of existing production lines. It has shelved the plan to build a paper mill in Nantong, Jiangsu in the PRC until market situation becomes clearer. It will continue to closely monitor the market environment and adjust plans for the two paper mills as appropriate.

In November 2008, the Group raised approximately HK\$100 million by issuing convertible non-voting preference shares (“CP shares”) to shareholders. At the same time, it also issued bonus warrants to holders of both ordinary shares and CP shares on the basis of one warrant for every six shares held on the warrant record date. Each unit of warrant will entitle its holder to subscribe for one new ordinary share at the initial subscription price of HK\$0.8 per ordinary share at any time between 5 December 2008 and 4 June 2010. The proceeds from the bonus warrant issue is estimated at approximately HK\$76 million assuming full subscription of new ordinary shares under the bonus warrant issue. The Group intends to use 50% of the proceeds from the issue of the CP shares to finance expenditure on the new production line in Shandong province, the PRC and the remaining 50% as general working capital whereas the proceeds from the bonus warrant issue will be used for general working capital purpose. The issue of the CP shares and bonus warrants has not only provided shareholders with an opportunity to participate in fostering growth of the Company, but has also strengthened the Company’s capital base as well as for increasing the Company’s working capital and part of the funding requirement for the production lines in Shandong paper mill.

Building on its solid presence in the PRC and a strengthened capital base and prudent business strategy, and with the paper manufacturing business in the PRC bringing in steady income, the Group is confident of its ability to weather turbulence in the market in the second half of the financial year.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK1 cent (2007: HK2.5 cents) per share for the six months ended 30 September 2008. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 9 January 2009. The interim dividend will be paid on or about 21 January 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 January 2009 to 9 January 2009 (both days inclusive), during which period no transfers of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on 6 January 2009.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2008, the total number of the Group's employees was 1,581. The Group's remuneration policies are primarily based on prevailing market levels and salaries are reviewed with reference to the performance of the Group and the individual employee concerned. In addition to salary payment, other staff benefits including performance bonus, education subsidies, provident fund, medical insurance and share option are offered to reward our high-calibre staff. Training on strategic planning and implementation, sales and marketing disciplines are offered to various management levels on a regular basis.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's short term deposits and bank balances and bank borrowings as at 30 September 2008 amounted to approximately HK\$494 million (including restricted bank deposits of HK\$77 million) and HK\$1,320 million respectively. As at 30 September 2008, its gearing ratio, measured on the basis of the Group's long term debt over the Group's shareholders' funds was 28.8% (31 March 2008: 26.2%). With bank balances and other current assets of approximately HK\$2,689 million as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital to meet its present requirement.

The Group's foreign currency purchases were mainly denominated in United States dollars. Foreign exchange contracts and options were used, if necessary, to hedge the Group's foreign currency exposure. As the Group relied on the RMB banking finances to fund the operation in the PRC, which provides a natural hedge against currency risks, the appreciation of RMB does not have much impact on the Group.

CONTINGENT LIABILITIES

The Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of such facilities utilized by the subsidiaries as at 30 September 2008 amounted to HK\$1,320,000,000 (31 March 2008: HK\$1,006,000,000).

CHARGE OF ASSETS

As at 30 September 2008, trust receipt loans of HK\$230,187,000 (31 March 2008: HK\$277,164,000) and bank loans of HK\$80,313,000 (31 March 2008: HK\$87,563,000) were secured by legal charge on certain properties of the Group in Hong Kong.

AUDIT COMMITTEE

The Audit Committee of the Company (the “Committee”) was set up to review and provide supervision of the Group’s financial reporting process and internal controls. The Committee has reviewed the Group’s unaudited interim report for the six months ended 30 September 2008 before it was tabled for the Board’s approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

In the opinion of the Directors, the Company was in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six-month period ended 30 September 2008 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.

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 December 2008

* *for identification purposes*