森信 Samson group 集團

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 2009

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 2009 and balance sheet as at that date together with comparative figures for the financial year ended 31 March 2008. The annual results have been reviewed by the Company's audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the financial year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	2	**3,744,184**	3,834,380
Cost of sales		**(3,388,345)**	(3,468,942)
Gross profit		**355,839**	365,438
Other gains and income, net		**10,904**	26,116
Selling expenses		**(139,298)**	(122,623)
Administrative expenses		**(124,314)**	(110,202)
Other operating expenses		**(18,662)**	(12,939)
Operating profit	3	**84,469**	145,790
Finance costs		**(48,481)**	(53,587)
Share of profit of an associated company		**166**	1,279
Profit before taxation		**36,154**	93,482
Taxation	4	**(16,780)**	(21,119)
Profit for the year		**19,374**	72,363

	Note	2009 HK$'000	2008 HK$'000
Attributable to:			
Equity holders of the Company		**19,433**	71,564
Minority interests		**(59)**	799
		19,374	72,363
Dividends	5	**5,723**	21,462
Earnings per share	6		
Basic		**4.4 cents**	16.7 cents
Diluted		**4.0 cents**	16.7 cents
Dividends per share			
Interim		**1.0 cent**	2.5 cents
Proposed final		**—**	2.5 cents
		1.0 cent	5.0 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**673,755**	226,230
Prepaid premium for land leases		**63,260**	64,146
Non-current deposits		**—**	110,700
Investment properties		**115,000**	117,000
Intangible assets		**38,631**	36,932
Interest in an associated company		**60,140**	69,670
Deferred tax assets		**5,379**	5,023
Finance lease receivables		**—**	45
		956,165	629,746
Current assets			
Inventories		**435,750**	523,044
Accounts receivable, deposits and prepayments	7	**976,854**	1,378,073
Financial assets at fair value through profit or loss		**11,434**	17,817
Taxation recoverable		**2,428**	1,615
Restricted bank deposits		**70,046**	60,235
Bank balances and cash		**594,704**	281,068
		2,091,216	2,261,852
Current liabilities			
Accounts payable and accrued charges	8	**946,792**	1,014,536
Trust receipt loans		**523,060**	442,823
Taxation payable		**10,466**	11,150
Financial liabilities at fair value through profit or loss		**356**	4,715
Borrowings		**152,962**	367,685
		1,633,636	1,840,909
Net current assets		**457,580**	420,943
Total assets less current liabilities		**1,413,745**	1,050,689

	Note	2009 HK$'000	2008 HK$'000
Equity			
Share capital	9	**63,485**	42,926
Reserves		**895,654**	760,301
Proposed final dividend		**—**	10,731
		895,654	771,032
Shareholders' funds		**959,139**	813,958
Minority interests		**8,146**	9,031
Total equity		**967,285**	822,989
Non-current liabilities			
Borrowings		**393,763**	213,294
Other payable		**33,975**	—
Deferred tax liabilities		**18,722**	14,406
		446,460	227,700
		1,413,745	1,050,689

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They 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.

(a) Amendments and interpretations effective in 2008/2009

- HKAS 39, "Financial instruments: Recognition and measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's accounts as the Group has not reclassified any financial assets.

- HK(IFRIC) — Int 11, "HKFRS 2 — Group and treasury share transactions", provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's accounts.

- HK(IFRIC) — Int 12, "Service concession arrangements" applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. This interpretation is not relevant to the Group's operation because the Group does not provide public sector services.

- HK(IFRIC) — Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction", provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's accounts as the Group does not operate any defined benefit pension plan.

(b) The following new standards, amendments to standards and interpretations have been published and are mandatory for the Group's accounting period beginning on or after 1 April 2009 or later periods, but the Group has not early adopted them:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time adoption of HKFRSs and HKAS 27 consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 Amendments	Share-based payment — vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 and HKAS 1 Amendments	Financial instruments: presentation and HKAS 1 and Presentation of financial statements — puttable financial instruments and obligations arising on liquidation[1]
HKAS 39 Amendment	Financial instruments: recognition and measurement — eligible hedged items[2]
HK(IFRIC) — Int 9	Reassessment of embedded derivatives
HK(IFRIC) — Int 13	Customer loyalty programmes[3]
HK(IFRIC) — Int 15	Agreements for the construction of real estate[1]
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation[4]
HK(IFRIC) — Int 17	Distribution of non-cash assets to owners[2]
HK(IFRIC) — Int 18	Transfers of assets from customers[2]

In addition, the HKICPA has also issued Improvements to HKFRSs and Improvements to HKFRSs 2009.

Notes:

(1) Effective for financial periods beginning on or after 1 January 2009

(2) Effective for financial periods beginning on or after 1 July 2009

(3) Effective for financial periods beginning on or after 1 July 2008

(4) Effective for financial periods beginning on or after 1 October 2008

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

(a) Primary reporting format — business segments

At 31 March 2009, 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; and

(4) Provision of marine services to marine, oil and gas industries.

The segment results for the year ended 31 March 2009 are as follows:

	Paper *HK$'000*	**Logistics services** *HK$'000*	**Aeronautic parts and services** *HK$'000*	**Marine services** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Total segment revenue	**3,530,504**	**72,257**	**104,890**	**75,192**	**—**	**3,782,843**
Inter-segment revenue	**—**	**(38,659)**	**—**	**—**	**—**	**(38,659)**
Revenue	**3,530,504**	**33,598**	**104,890**	**75,192**	**—**	**3,744,184**
Segment results	**86,067**	**(3,299)**	**12,651**	**143**	**(11,093)**	**84,469**
Finance costs						**(48,481)**
Share of profit of an associated company	**166**	**—**	**—**	**—**	**—**	**166**
Profit before taxation						**36,154**
Taxation						**(16,780)**
Profit for the year						**19,374**

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

	Paper *HK$'000*	Logistics services *HK$'000*	Aeronautic parts and services *HK$'000*	Marine services *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
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 profit of an associated company	1,279	—	—	—	—	1,279
Profit before taxation						93,482
Taxation						(21,119)
Profit for the year						72,363

The segment assets and segment liabilities at 31 March 2009 and capital expenditure for the year then ended are as follows:

	Paper *HK$'000*	**Logistics services** *HK$'000*	**Aeronautic parts and services** *HK$'000*	**Marine services** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Assets	**2,710,244**	**71,336**	**56,213**	**96,335**	**53,113**	**2,987,241**
Associated company	**60,140**	**—**	**—**	**—**	**—**	**60,140**
Segment assets	**2,770,384**	**71,336**	**56,213**	**96,335**	**53,113**	**3,047,381**
Segment liabilities	**1,458,481**	**2,834**	**12,858**	**28,425**	**577,498**	**2,080,096**
Capital expenditure	**476,752**	**2,034**	**13**	**1,564**	**46**	**480,409**

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

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

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

			Year ended 31 March 2009			
	Paper *HK$'000*	**Logistics services** *HK$'000*	**Aeronautic parts and services** *HK$'000*	**Marine services** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Depreciation of property, plant and equipment	**6,012**	**2,939**	**776**	**7,477**	**108**	**17,312**
Amortisation of prepaid premium for land leases	**719**	**—**	**—**	**—**	**62**	**781**
Amortisation of intangible assets	**86**	**—**	**—**	**—**	**—**	**86**

	Year ended 31 March 2008					
	Paper	Logistics services	Aeronautic parts and services	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
Amortisation of intangible assets	—	—	—	—	—	—

(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**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,411,330**	1,474,228	**1,250,698**	1,282,129	**9,573**	8,061
The People's Republic of China* (the "PRC")	**1,929,284**	1,920,678	**1,519,852**	1,279,673	**467,738**	140,410
Singapore	**180,081**	191,339	**152,548**	176,238	**1,623**	21,195
Others	**223,489**	248,135	**71,170**	96,210	**1,475**	215
	3,744,184	3,834,380	**2,994,268**	2,834,250	**480,409**	169,881
Unallocated	**—**	—	**53,113**	57,348	**—**	—
	3,744,184	3,834,380	**3,047,381**	2,891,598	**480,409**	169,881

* 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	
	2009	2008
	HK$'000	*HK$'000*
Charging		
Cost of inventories sold	**3,280,592**	3,323,242
Provision for impairment on receivables	**13,542**	16,276
Depreciation of property, plant and equipment	**17,312**	16,568
Amortisation of prepaid premium for land leases	**781**	1,568
Amortisation of intangible assets	**86**	—
Crediting		
Provision for impairment on receivables written back	**2,863**	781

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong profits tax	**8,964**	6,763
Overseas taxation	**6,436**	12,819
Under/(over) provision in previous years	**330**	(850)
Deferred taxation relating to origination and reversal of temporary differences	**1,050**	2,387
	16,780	21,119

5. DIVIDENDS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interim — HK$0.01 (2008: HK$0.025) per ordinary share	**4,292**	10,731
Interim — HK$0.01 (2008: Nil) per preference share	**1,431**	—
Proposed final — Nil (2008: HK$0.025) per share	**—**	10,731
	5,723	21,462

At a meeting held on 20 July 2009, the directors do not recommend the payment of a final dividend.

6. EARNINGS PER SHARE

(a) 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	
	2009	2008
	HK$'000	*HK$'000*
Profit attributable to shareholders	**19,433**	71,564
Weighted average number of ordinary shares in issue	**438,302**	429,258
Basic earnings per share	**4.4 cents**	16.7 cents

(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 two categories of dilutive potential ordinary shares: preference shares and warrants. The preference shares are assumed to have converted into ordinary shares. For the warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. The Company has a share option scheme but no share option (2008: nil) has been granted under the scheme. The exercise of warrants is anti-dilutive and therefore not included in the calculation of diluted earnings per share.

	Group	
	2009	2008
	HK$'000	*HK$'000*
Profit attributable to shareholders	**19,433**	71,564
Weighted average number of ordinary shares in issue	**438,302**	429,258
Adjustments for:		
— Assumed conversion of preference shares	**52,138**	—
— share options and warrants	**—**	—
Weighted average number of shares for diluted earnings per share	**490,440**	429,258
Diluted earnings per share	**4.0 cents**	16.7 cents

7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Trade receivables — net of provision	**715,510**	1,169,897
Other receivable, deposits and prepayments	**261,344**	206,563
Finance lease receivables	**—**	1,658
	976,854	1,378,118
Finance lease receivables — non-current portion	**—**	(45)
	976,854	1,378,073

The ageing analysis of trade receivables is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current to 60 days	**505,951**	855,745
61 to 90 days	**101,404**	164,803
Over 90 days	**108,155**	149,349
	715,510	1,169,897

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

8. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Trade and bills payables	**703,948**	903,381
Accrued expenses and other payables	**232,472**	94,153
Loan from a minority shareholder	**999**	1,563
Amounts due to associated companies	**9,373**	15,439
	946,792	1,014,536

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current to 60 days	**513,811**	766,492
61 to 90 days	**157,187**	48,915
Over 90 days	**32,950**	87,974
	703,948	903,381

9 SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	2009	2008	**2009**	2008
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares				
At the beginning of year	**800,000,000**	800,000,000	**80,000**	80,000
Increase in authorised share capital *(note (a))*	**656,913,987**	—	**65,691**	—
At the end of year	**1,456,913,987**	800,000,000	**145,691**	80,000
Convertible non-voting preference shares				
At the beginning of year	**—**	—	**—**	—
Increase in authorised share capital *(note (a))*	**143,086,013**	—	**14,309**	—
At the end of year	**143,086,013**	—	**14,309**	—
Total	**1,600,000,000**	—	**160,000**	—
Issued and fully paid:				
Ordinary shares				
At the beginning of year	**429,258,039**	429,258,039	**42,926**	42,926
Exercise of bonus warrants *(note (b))*	**62,500,000**	—	**6,250**	—
At the end of year	**491,758,039**	429,258,039	**49,176**	42,926
Convertible non-voting preference shares				
At the beginning of year	**—**	—	**—**	—
Issue of preference shares *(note (c))*	**143,086,013**	—	**14,309**	—
At the end of year	**143,086,013**	—	**14,309**	—
Total	**634,844,052**	429,258,039	**63,485**	42,926

Notes:

(a) Pursuant to a special resolution passed at the Special General Meeting on 24 October 2008, the authorised share capital of the Company was increased to HK$160,000,000 divided into 1,456,913,987 ordinary shares of HK$0.10 each and 143,086,013 convertible non-voting preference shares ("CP Shares") of HK$0.10 each by the creation of additional 656,913,987 ordinary shares of HK$0.10 each and 143,086,013 convertible non-voting preference shares of HK$0.10 each.

(b) On 5 December 2008, the Company issued 95,390,675 warrants on the basis of one warrant for every six existing ordinary shares and CP shares of the Company held by the shareholders ("bonus warrants"). The holders of bonus warrants are entitled to subscribe any time during 5 December 2008 to 4 June 2010 for ordinary shares at a subscription price of HK$0.80 per share. During the year, 62,500,000 ordinary shares of HK$0.10 each were issued upon the exercise of 62,500,000 units of bonus warrants. As at 31 March 2009, 32,890,675 units of bonus warrants remained outstanding.

(c) On 27 October 2008, 143,086,013 CP shares of HK$0.10 each were issued at HK$0.70 each and a total consideration of HK$100,160,000 was received.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

The economy went from one extreme to the other in the first and second half of the financial year under review. During the first six months, both the economy in Hong Kong and the PRC flourished and achieved remarkable growth. However, in the second half year, when the global financial turmoil began to spread, the two economies slowed down significantly and offset the growth achieved in the first half year. The GDP of Hong Kong reported a modest increase of 3.8% in calendar year 2008 and that for the first quarter of calendar year 2009 shrank by a considerable 7.3% year-on-year, indicative of an overall decline in all sectors.

The GDP of China was also down to 6.8% in the fourth quarter of 2008 and was only 9.0% for the full year, the weakest in the past seven years.

The Printing and Paper Product Industries

For the Hong Kong market, with export dragged down by the global recession, demand for printing paper also declined, offsetting the growth in the first half of the financial year.

The PRC paper industry remained stable during the year with the country reporting outstanding economic performance during the first half of the financial year. According to PRC Paper Association figures, the market consumed 79.8 million metric tons of paper in calendar year 2008, representing year-on-year growth of 8.6%. In the same period, total output of paper products increased by 8.9% to 79.4 million metric tonnes. However, demand for paper products in the PRC dropped considerably in the second half of the financial year.

The gloomy economic outlook has also posed pressure on paper prices. The price of book printing paper and packaging boards fluctuated and fell significantly in the last quarter of calendar year 2008.

Operations Review

During the review year, the Group faced unprecedented challenges. Turmoil in the financial markets and a sudden and drastic tightening of credits since August 2008 gave a tremendous shock to the economy, followed closely by a reduction in private sector consumption and a drastic decline in China exports. Operating under such difficult economic conditions, the Group's revenue and gross profit remained stable, down only slightly by 2.4% and 2.6% to HK$3,744 million and HK$356 million respectively supported by the satisfactory results achieved in the first half of the year. Amid the tough market conditions, profit attributable to shareholders decreased by 72.8% to HK$19.4 million (2008: HK$71.6 million) resulting from the contraction of the market demand, tremendous price volatility and increased competition during the second half of the year.

Moreover, the Group incurred a fair value loss on investment properties of HK$2 million and unrealised forex year end closing rate translation loss on inter-companies transaction balances of HK$6.3 million for the year versus a revaluation gain on investment properties of HK$11 million and unrealised respective forex year end closing rate translation gain of HK$5.1 million respectively recorded last year. Disregarding the above non-cash adjustment items of fair value on investment properties and unrealised forex year end closing translation on inter-companies transaction balances, the profit attributable to shareholders should have been HK$27.8 million against HK$55.5 million last year, representing a decrease of 50%. Basic earnings per share were HK4.4 cents (2008:HK16.7 cents).

In the face of the adverse market situation, the Group continued to maintain a sound balance sheet and healthy working capital by further controlling the levels of accounts receivable, inventories and capital expenditure. As a result, the level of accounts receivable was drastically reduced by 38.8% to HK$716 million compared to HK$1,170 million last year while the level of inventories was decreased by 16.7% to HK$436 million compared to HK$523 million last year even though the Group's turnover was only slightly down by 2.4%. A timely bank loan of HK$420 million was arranged in June 2008 providing the Group with a cash buffer to weather the current crisis. This helps to reduce the short term bank borrowings from HK$360 million last year to HK$148 million in the current financial year. Apart from these measures, the Group has further tightened its policies on customers selection, granting of credits and entered into a credit insurance policy on receivables. This proved to be successful. The collection period has been shortened by 9 days while provision for doubtful debts, after taking into account the provision written back of HK$2.9 million, decreased from 0.4% to 0.29% of total Group's turnover.

To ensure the Group has strong cash reserve in the uncertain business environment, the Board does not recommend payment of a final dividend for the year ended 31 March 2009. Taking into account the interim dividend of HK1.0 cent per share already paid, the Group has adhered to the set policy of 30% yearly dividend payout ratio. As at 31 March 2009, the Group had cash on hand and restricted deposits of HK$665 million from prudent management of working capital.

By business segment, paper trading, paper manufacturing, consumable aeronautic parts & services, logistics services and marine services accounted for 90.7%, 3.6%, 2.8%, 0.9% and 2.0% of the Group's total turnover respectively.

Paper Trading Business

During the year, the Group continued to manage its business on a conservative basis. In particular, it was more careful in selecting its customers amid the market downturn and tightening credit policy. Paper product sales of the Group declined by 5.4% to HK$3,396 million, with sales volume slipped by 10.2% to 524,700 metric tonnes, and operating profit down by 35.7% to HK$78.9 million.

The Group paid much attention on the PRC market which accounted for 52.6% of the Group's total turnover. It made effort to broaden the sales network in the country so as to better capitalise on the relatively stable economy. During the year, the Group opened new offices in Qingdao and Hangzhou. However, with a decline in prices of paper products starting in the second quarter of the financial year, turnover from paper product sales in the PRC was HK$1,786 million, down by 6.5% from last year's HK$1,911 million. To mitigate the credit risk exposure, the Group actively negotiated with customers for better business terms, tightened credit control policy and shortened payment collection period.

Hong Kong, the Group's second key market, accounted for 40.8% of total paper product sales. It recorded turnover of HK$1,386 million, a 3.0% decline against last year. For other Asian countries such as Malaysia, the Group has been consolidating its business interests to control credit risk exposure. As a result, paper sales to Asian markets dropped by 9.9% to HK$223 million, which accounted for 6.6% of the turnover from paper trading business. As for Singapore-listed United Pulp & Paper Company Limited, an associated company of the Group, it made a profit of S$543,000 (HK$2.8 million), of which the Group's share of profit is HK$166,000.

Book printing papers and packaging boards accounted for 49.1% and 36.3% of the Group's total turnover respectively. Sales contributions from the two products remained stable.

Paper Manufacturing Business

The Group expanded upstream into paper manufacturing during the year. In February 2008, the Group acquired the entire assets of a paper mill in Shandong province, the PRC. The paper mill, which includes two production lines with a total annual output capacity of 170,000 metric tonnes of duplex boards, has started to contribute revenue and operating profit to the Group. The segment reported turnover and operating profit of HK$228.9 million including inter-company sales and HK$7.1 million respectively. In view of the difficult operating environment, the management has taken measures to maintain a low level of inventories and raw materials in the mill to minimize the impact of the drop in prices in the third quarter of the financial year.

Consumable Aeronautic Parts and Services Business

The segment, which has been in operation for a few years, reported steady results. It achieved a 11% growth in revenue to HK$104.9 million and operating profit up by 40.2% against last year to HK$12.7 million despite of a slow down of business in the last quarter of the financial year.

Logistics Services Business

The Group continued to consolidate its logistics services business, focusing on providing services internally to its paper operation. As a result, turnover from the business declined by 38% to HK$33.6 million. Operating loss of HK$3.3 million were recorded after taking into account a fair value loss of HK$1 million on investment property against a fair value gain of HK$5.9 million last year.

Marine Services Business

The division provides corrosion prevention services to the marine, oil and gas industries in Singapore with a trading arm supplying and distributing marine hardware and consumable products. Like most other industries, the marine industry has been affected by the effects caused by the global credit crunch. The segment recorded turnover of HK$75.2 million, representing a decrease of 22.4%, and the operating profit reduced significantly to HK$143,000. The Group remains positive of the marine industry in the longer term outlook as the orders of ship repair works gradually pick up and shipyards successfully renegotiate their contracts with ship and oil-rig owners.

Others

In November 2008, the Group raised approximately HK$100 million by issuing CP shares to shareholders. At the same time, it issued bonus warrants to holders of both ordinary shares and CP shares of the Group with proceeds estimated at approximately HK$76 million assuming full subscription of the new ordinary shares under the bonus warrant issue. In March 2009, HK$50 million was raised when the warrants were partially converted into fully paid ordinary shares. The total funding of HK$150 million raised during the year has strengthened the Company's capital base giving its boosted working capital to cope with the uncertain economic environment ahead.

Prospects

The Chinese economy has been among the most resilient in the global economic downturn. The mainland government was quick to implement economic stimulus packages to brace domestic consumption and the economic stamina of the country. The management is therefore optimistic that the mainland economy will continue to achieve steady growth in and after 2009.

As for other parts of the world, consumer confidence will require time to recuperate. The Group's overall performance in the first half of the coming financial year will not improve dramatically. However, the management is well equipped and will capture the opportunity when the market rebounds.

Looking at the paper industry, the prices of book printing paper and packaging boards started to stabilise in the last quarter of the financial year. Prices of various types of paper products began to increase in the range of 10% to 20% in March 2009 as compared with the trough in December 2008. The management believes demand for paper will become stable and hence paper prices when economic conditions gradually improve.

The Group commenced its paper manufacturing business in February 2008, supported by the paper mill in Shandong. The management is satisfied with the performance of the plant as it achieved satisfactory level of sales. Since the market started to recover and demand for paper products has been returned since the end of the second quarter of 2009, the plant is operating at its optimum level to meet customer's demand. The Group is in the course to expand the mill, installing an additional production line that can produce up to 200,000 metric tonnes of kraft liner boards and corrugated medium per annum. When the new production line is completed and in operation, the annual production capacity of the Group currently at 170,000 metric tonnes will be more than doubled.

For its key revenue source paper trading business, the Group will focus on increasing sales in China. Expecting the proportion of customers from the PRC in its clientele to continue to grow, the Group will continue to enhance its presence in the country. The management believes there is still significant room for growth for the Group in markets in other regions of the mainland. It plans to open one to two more offices in the country in the coming year.

To boost the financial strength of the Group in the current economic downturn, the management will tighten credit control policies and continue to sell products to reputable customers so as to minimise possible bad debts. With banks still keeping a tight credit grip, the Group will also preserve a high level of liquidity.

Apart from boosting its liquidity, the Group has also worked hard at controlling costs. It has reviewed the cost structure of each department and streamlined operations where appropriate. Furthermore, the management will continue to negotiate with landlords to reduce rent for warehousing and seek to maximize synergies between businesses aiming for cost benefits. Its decision to integrate logistics services business with paper business is set to allow the Group to reduce administration expenses. The management will continue to meticulously examine all aspects of the Group's operation and apply relevant cost control measures to raise profit margin.

Looking ahead, the Group expects its paper trading business to deliver stable performance with prices already bottomed-out and its paper manufacturing business to grow in revenue. With the Group having a vertically integrated operation in place now, the management is confident of the long term development of the Group. However, given the still uncertain market environment, it is cautiously optimistic about the performance of the Group in the coming year.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend (2008: HK2.5 cents). Together with the interim dividend of HK1.0 cent per share (2008: HK2.5 cents), the total dividend for the financial year is HK1.0 cent per share (2008: HK5.0 cents).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2009, the Group employed 1,512 staff members, 155 of whom are based in Hong Kong and 921 are based in the PRC and 436 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 2009, short term deposits plus bank balances and bank borrowings amounted to HK$665 million (including restricted bank deposits of HK$70 million) and HK$1,059 million respectively.

As at 31 March 2009, the Group's gearing ratio was 29.5%, calculated as net debt divided by total capital. The Group's gearing ratio decreased from last year of 45.3% as the Group's total equity was further strengthened by the capital funds raised of HK$150 million during the year. Net debt of HK$405 million is calculated as total borrowings of HK$1,070 million (including trust receipt loans, short term and long term borrowings) less cash on hand and restricted deposits of HK$665 million. Total capital is calculated as total equity of HK$967 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.28 times (2008: 1.23 times).

The intended increase in the long term bank borrowings and the reduction in the short term bank borrowings is to enable the Group to have a better working capital position and stronger balance sheet structure in light of the difficult operating environment.

With bank balances and other current assets of HK$2,091 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 2009, bank borrowings in Renminbi amounted to HK$43 million (2008: HK$100 million). The remainings borrowings are mainly in Hong Kong dollar. The majority of the Group's borrowings bear interest costs which are based on floating interest rates. As at 31 March 2009, the Group has no outstanding interest rate swap contracts (2008: HK$50 million).

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2009, 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 2009 amounted to HK$1,059 million (2008: HK$1,006 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$160 million as at 31 March 2009 (2008: HK$163 million) were pledged to banks as securities for bank loans of HK$66.2 million (2008: HK$87.6 million) and trust receipt loans of HK$161 million (2008: HK$227 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 financial statements as at 31 March 2009 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 2008/2009 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, 20 July 2009

* *for identification purpose only*