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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

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 2009 together with comparative figures for the corresponding period in 2008, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2009 with audited comparative figures as at 31 March 2009 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30 September	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Revenue	2	**1,791,733**	2,336,434
Cost of sales		**(1,592,515)**	(2,094,219)
Gross profit		**199,218**	242,215
Other gains and income, net		**10,907**	9,202
Selling expenses		**(75,919)**	(78,023)
Administrative expenses		**(69,689)**	(69,030)
Other operating expenses		**(6,332)**	(27,777)
Operating profit	3	**58,185**	76,587
Finance costs		**(17,876)**	(25,883)
Share of loss of an associated company		**(1,186)**	(365)
Profit before taxation		**39,123**	50,339
Taxation	4	**(8,955)**	(11,937)
Profit for the period		**30,168**	38,402

		Unaudited Six months ended 30 September	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Attributable to:			
Equity holders of the Company		**30,143**	37,410
Minority interests		**25**	992
		30,168	38,402
Earnings per share for profit attributable to the equity holders of the Company			
— Basic	5	**HK6.0 cents**	HK8.7 cents
— Diluted	5	**HK4.7 cents**	HK8.7 cents
Interim dividend per share		**HK1.0 cent**	HK1.0 cent
Interim dividends	6	**6,348**	5,723

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Profit for the period	**30,168**	38,402
Other comprehensive income		
Deferred tax liabilities on assets revaluation	**—**	(2,928)
Currency translation differences	**11,758**	6,251
Other comprehensive income for the period, net of tax	**11,758**	3,323
Total comprehensive income for the period	**41,926**	41,725
Total comprehensive income attributable to:		
— Equity holders of the Company	**41,827**	41,303
— Minority interest	**99**	422
	41,926	41,725

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2009

	Notes	**Unaudited 30 September 2009** *HK$'000*	Audited 31 March 2009 *HK$'000*
Non-current assets			
Property, plant and equipment		**735,808**	673,755
Prepaid premium for land leases		**62,675**	63,260
Investment properties		**115,000**	115,000
Intangible assets		**40,765**	38,631
Interest in associated company		**63,560**	60,140
Deferred tax assets		**5,835**	5,379
		1,023,643	956,165
Current assets			
Inventories		**423,943**	435,750
Accounts receivable, deposits and prepayments	7	**1,097,810**	976,854
Financial assets at fair value through profit or loss		**14,369**	11,434
Taxation recoverable		**541**	2,428
Restricted bank deposits		**74,180**	70,046
Bank balances and cash		**642,033**	594,704
		2,252,876	2,091,216
Current liabilities			
Accounts payable and accrued charges	8	**1,018,236**	946,792
Trust receipt loans		**627,415**	523,060
Taxation payable		**14,573**	10,466
Financial liabilities at fair value through profit or loss		**—**	356
Borrowings		**212,845**	152,962
		1,873,069	1,633,636
Net current assets		**379,807**	457,580
Total assets less current liabilities		**1,403,450**	1,413,745

	Notes	Unaudited 30 September 2009 HK$'000	Audited 31 March 2009 HK$'000
Equity			
Share capital	9	**63,485**	63,485
Reserves		**931,133**	895,654
Proposed dividend		**6,348**	—
Shareholders' funds		**1,000,966**	959,139
Minority interests		**8,245**	8,146
Total equity		**1,009,211**	967,285
Non-current liabilities			
Borrowings		**336,547**	393,763
Other payable		**34,095**	33,975
Deferred tax liabilities		**23,597**	18,722
		394,239	446,460
		1,403,450	1,413,745

Notes

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2009.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2009, 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 and interpretations are mandatory for the first time for the financial year beginning 1 April 2009.

Relevant to the Group:

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the profit and loss account and statement of comprehensive income). The Group has elected to present two statements: a profit and loss account and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

- HKAS 23 (amendment), "Borrowing costs". The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This amendment does not have a material impact on the Group's financial statements as the Group has already chosen the allowed alternative treatment to capitalise borrowing cost attributable to qualifying assets under the original HKAS 23.

- HKFRS 2 (amendment), "Share-based payment". The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for financial instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 March 2010.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. There is no change in the operating segments for the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Directors that makes strategic decisions. Goodwill is allocated by management to groups of cash-generating units on a segment level.

Not relevant to the Group:

• HKAS 32 (amendment)	"Financial instruments: presentation"
• HKAS 39 (amendment)	"Financial instruments: Recognition and measurement"
• HK(IFRIC) 9 (amendment)	"Reassessment of embedded derivatives" and HKAS 39 (amendment), "Financial instruments: Recognition and measurement"
• HK(IFRIC) 13	"Customer loyalty programmes"
• HK(IFRIC) 15	"Agreements for the construction of real estate"
• HK(IFRIC) 16	"Hedges of a net investment in a foreign operation"
• HK(IFRIC) 18	"Transfers of assets from customers"
• HKFRS 3 (revised)	"Business combinations" and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures"

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2009 and have not been early adopted:

• Amendment to HKAS 39	"Financial instruments: Recognition and measurement" on eligible hedged items (effective from 1 January 2010)
• HK(IFRIC) 17	"Distributions of non-cash assets to owners" (effective from 1 January 2010)

- HKICPA's improvements to HKFRS published in May 2009

2. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from the perspective of the nature of products and services. The chief operating decision-maker assesses the performance of the operating segments based on a measure of segment profit/(loss) without allocation of finance costs which is consistent with that in the accounts.

As 30 September 2009, the Group has three operating segments:

(1) Manufacturing, trading and marketing of paper products;

(2) Trading and marketing of aeronautic parts and provision of services; and

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

Segment assets consist primarily of property, plant and equipment, prepaid premium for land leases, investment properties, intangible assets, interest in associated company, inventories, receivables, financial instruments and operating cash. They exclude deferred tax assets.

The segment information for the six months ended 30 September 2009 and as at 30 September 2009 are as follows:

	Unaudited Six months ended 30 September 2009					
	Paper	**Aeronautic parts and services**	**Marine services**	**Others**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT RESULTS						
Total segment revenue	**1,722,608**	**33,317**	**31,256**	**6,909**	**—**	**1,794,090**
Inter-segment revenue	**—**	**—**	**—**	**(2,357)**	**—**	**(2,357)**
Revenue	**1,722,608**	**33,317**	**31,256**	**4,552**	**—**	**1,791,733**
Segment results	**60,816**	**2,109**	**905**	**1,095**	**(6,740)**	**58,185**
Finance costs						**(17,876)**
Share of loss of an associated company	**(1,186)**	**—**	**—**	**—**	**—**	**(1,186)**
Profit before taxation						**39,123**
Taxation						**(8,955)**
Profit for the period						**30,168**
OTHER PROFIT AND LOSS ITEMS						
Depreciation	**6,878**	**264**	**3,977**	**392**	**62**	**11,573**
Amortisation charges	**622**	**—**	**—**	**—**	**31**	**653**

	Unaudited As at 30 September 2009					
	Paper	**Aeronautic parts and services**	**Marine services**	**Others**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT ASSETS						
Segment assets	**2,988,902**	**56,697**	**93,492**	**69,727**	**61,866**	**3,270,684**
Deferred tax assets						**5,835**
Total assets						**3,276,519**

The segment information for the six months ended 30 September 2008 and as at 31 March 2009 are as follows:

	Unaudited Six months ended 30 September 2008					
	Paper	Aeronautic parts and services	Marine services	Others	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT RESULTS						
Total segment revenue	2,213,446	52,834	47,390	47,409	—	2,361,079
Inter-segment revenue	—	—	—	(24,645)	—	(24,645)
Revenue	2,213,446	52,834	47,390	22,764	—	2,336,434
Segment results	72,183	5,931	1,327	(214)	(2,640)	76,587
Finance costs						(25,883)
Share of loss of an associated company	(365)	—	—	—	—	(365)
Profit before taxation						50,339
Taxation						(11,937)
Profit for the period						38,402
OTHER PROFIT AND LOSS ITEMS						
Depreciation	3,629	402	3,771	1,694	51	9,547
Amortisation charges	356	—	—	—	31	387

	Audited As at 31 March 2009					
	Paper	Aeronautic parts and services	Marine services	Others	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT ASSETS						
Segment assets	2,770,384	56,213	96,335	71,336	47,734	3,042,002
Deferred tax assets						5,379
Total assets						3,047,381

The Group's three operating 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 areas is as follows:

	Unaudited	
	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**590,559**	891,884
The PRC *(note)*	**992,605**	1,222,429
Singapore	**64,573**	100,224
Others	**143,996**	121,897
	1,791,733	2,336,434

Note: The PRC, for the presentation purpose in these accounts, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited	
	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Crediting		
Interest income	**1,711**	3,765
Provision for impairment on receivables written back	**7,983**	4,568
Charging		
Depreciation of property, plant and equipment	**11,573**	9,547
Amortisation of prepaid premium for land leases	**387**	387
Amortisation of intangible assets	**266**	—
Provision for impairment on inventory	**6,332**	3,654
Provision for impairment on receivables	**10,073**	28,094
Net dilution loss on interest in an associated company	**—**	1,004

4. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 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	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong profits tax	**2,693**	5,261
Overseas taxation	**1,843**	6,416
Deferred taxation	**4,419**	260
	8,955	11,937

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	
	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**30,143**	37,410
Weighted average number of ordinary shares in issue ('000 shares)	**502,779**	429,258
Basic earnings per share (HK cents)	**6.0**	8.7

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 be 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.

	Unaudited Six months ended 30 September	
	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**30,143**	37,410
Weighted average number of ordinary shares in issue ('000 shares)	**502,779**	429,258
Adjustments for:		
— Assumed conversion of preference shares	**132,065**	—
— Share options and warrants	**—**	—
Weighted average number of shares for diluted earnings per share ('000 shares)	**634,844**	429,258
Diluted earnings per share (HK cents)	**4.7**	8.7

6. INTERIM DIVIDENDS

	Unaudited Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
Proposed, of HK$0.01 (2008: HK$0.01) per share	**6,348**	5,723

The amount is calculated based on 502,779,117 (30 September 2008: 429,258,039) ordinary shares and 132,064,935 (30 September 2008: 143,086,013) convertible non-voting preference shares (note 12) 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 2010.

7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
Trade receivables, net of provision	**878,278**	715,510
Other receivables, deposits and prepayments	**219,532**	261,344
	1,097,810	976,854

The carrying values of the Group's trade and other receivables approximated their fair values.

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

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
Current to 60 days	**694,224**	505,951
61 to 90 days	**119,503**	101,404
Over 90 days	**64,551**	108,155
	878,278	715,510

There was no concentration of credit risk with respect to trade receivables as the Group had a large number of customers, which were widely dispersed within Hong Kong, the PRC and other countries.

8. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
Trade and bills payables	**806,317**	703,948
Accrued expenses and other payables	**203,642**	232,472
Loan from a minority shareholder	**578**	999
Amount due to an associated company	**7,699**	9,373
	1,018,236	946,792

The carrying values of the gross accounts payable and accrued charges approximated their fair values.

The loan from a minority shareholder and the amounts due to an associated company were unsecured, interest free and repayable on demand.

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

	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
Current to 60 days	**614,672**	513,811
61 to 90 days	**109,403**	157,187
Over 90 days	**82,242**	32,950
	806,317	703,948

9. SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	Unaudited 30 September 2009	Audited 31 March 2009	**Unaudited 30 September 2009** *HK$'000*	Audited 31 March 2009 *HK$'000*
Authorised:				
Ordinary shares				
At the beginning and the end of period/year	**1,456,913,987**	1,456,913,987	**145,691**	145,691
Convertible non-voting preference shares				
At the beginning and the end of period/year	**143,086,013**	143,086,013	**14,309**	14,309
Total	**1,600,000,000**	1,600,000,000	**160,000**	160,000
Issued and fully paid:				
Ordinary shares				
At the beginning of period/year	**491,758,039**	491,758,039	**49,176**	49,176
Convert from non-voting preference shares	**11,021,078**	—	**1,102**	—
At the end of period/year	**502,779,117**	491,758,039	**50,278**	49,176
Convertible non-voting preference shares				
At the beginning of period/year	**143,086,013**	143,086,013	**14,309**	14,309
Convert into ordinary shares	**(11,021,078)**	—	**(1,102)**	—
At the end of period/year	**132,064,935**	143,086,013	**13,207**	14,309
Total	**634,844,052**	634,844,052	**63,485**	63,485

The shareholders of the Company adopted a share option scheme which complies the requirements of Chapter 17 of the Listing Rules. As at 30 September 2009, no share option was granted or outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

A gradual market recovery from the global financial crisis that began in the last quarter of 2008 has been observed in Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China (the "PRC"). While most other areas of the world continue to flounder economically, the PRC is a bright spot. The PRC's 2009 GDP growth is projected to exceed 8.0%, which is largely attributed to increased consumer spending and success of the four-trillion yuan (US$580 billion) government stimulus package.

Looking at the country's quarterly results, an 8.9% GDP growth year-on-year for the third quarter of 2009 was reported versus 7.2% growth in the second, demonstrating a significant upward trend. The PRC's prospects remain positive.

Benefited by the faster growth of the PRC economy and a waning in recessionary forces in other advanced economies, the Hong Kong economy has also seen some modest gains with GDP for the third quarter of 2009 down by 2.4% year-on-year, but improved from the 3.6% decrease in the second quarter of 2009.

The Paper Industry

The price of book printing papers and packaging boards started to stabilise in the first quarter of 2009 and began to increase by between 10.0% to 20.0% in March 2009 from its trough in December 2008. During the review period, as the market started to recover and demand for paper products has returned since the end of the second quarter of 2009, the prices of various types of paper products have increased by between 5.0% to 10.0% as compared with the levels in March 2009.

Operations Review

Financial Performance

With the economy yet to fully recover, the Group adopted a conservative sales strategy focusing more on ensuring profitability and serving quality customers instead of pushing for turnover growth. As a result, the Group reported a drop in turnover, but improvement in margins. Turnover was HK$1,791.7 million, a drop of 23.3% compared with the last corresponding period, whereas profit attributable to shareholders was HK$30.1 million, representing a 19.4% decrease against the same period last year. At the effective efforts of the Group in inventory control, overall gross profit margin improved by 7.0% from 10.37% to 11.12% and net profit margin was up from 1.64% to 1.68%, an increase of 2.0%. Earnings per share were HK6.0 cents (2008/09: HK8.7 cents).

Facing difficult market conditions, the Group continued to maintain a healthy financial position. The level of account receivable decreased by 32.5% from HK$1,300.8 million in the same period last year to HK$878.3 million. However, the amount is 22.8% more than the position as at 31 March 2009 heeding seasonal factors. Inventory level was down by a further 2.7% to HK$423.9 million as compared with the position as at 31 March 2009. Cash and bank balance amounted to HK$716.2 million, with gearing ratio at 31.3% (31 March 2009: 29.5%). To mitigate credit exposure, the Group continued to tighten credit policy and was prudent in customer selection. This policy has proven to be successful, allowing the Group to shorten collection period by 15 days as compared with the last corresponding period. Provision for doubtful debts, after a provision of HK$8 million was written back, decreased from 0.7% to 0.1% of the Group's total revenue.

By business segment, paper business, consumable aeronautic parts and services and marine services accounted for 96.1%, 1.9% and 1.7% of the Group's total revenue respectively.

Paper Business

The shift of focus of the Group to defending profitability and serving quality customers prompted by adverse market conditions brought a 22.2% decrease in the sales of paper products to HK$1,722.6 million, with operating profit of HK$60.8 million, a 15.8% drop as compared with the same period last year. In terms of sale volume, with the Group's paper mill in Shandong province, the PRC ("Shandong mill") reporting strong growth in sales and the support of an extensive sales network in the PRC, the total sales of paper products rose by 7.0% to 347,700 metric tonnes for the period. Thanks to stringent cost control measures, effective inventory control and contributions from the higher-margin paper manufacturing segment, the operating profit margin of paper business increased by 8.3% from 3.26% to 3.53% during the review period.

The Shandong mill, which is currently producing duplex boards at an annual production capacity of 170,000 metric tonnes, recorded a 35.0% growth, or HK$200 million, in turnover including inter-company sales of HK$63.2 million. In terms of sales tonnage, there was a rise of 101.0% as a result of two production lines in operation for a longer period and machine optimised at the mill during the review period. The mill made an operating profit of HK$17.4 million, with operating profit margin at 8.7%.

Benefiting from the Group's comprehensive distribution network in the PRC, sales in the country including that from the mill accounted for 57.4% of the total turnover of paper products. To fully tap the opportunities in the resilient PRC market, the Group stepped up efforts to consolidate its sales network and expand clientele during the period under review. Hong Kong, the Group's second key market, accounted for 34.2% of the total paper product sales whereas other Asian markets accounted for the remaining 8.4%.

Two key products of the paper business — book printing papers and packaging boards — accounted for 47.0% and 41.6% of the Group's total turnover from paper products respectively. Sales contributions from the two products for the period remained stable.

Consumable Aeronautic Parts Business

The consumable aeronautic parts business, which has been in operation for several years, was hit hard by the global economic crisis during the review period. Turnover amounted to HK$33.3 million, a drop of 36.9% compared with the same period last year and operating profit was HK$2.1 million. However, there are signs that the business has begun to stabilise.

Marine Services Business

The marine services business faced the same difficult operating environment as the consumable aeronautic parts business stemming from the worldwide financial crisis. For the business segment, turnover decreased by 34.1% to HK$31.3 million and operating profit was HK$0.9 million. The segment is also stabilising as the macroeconomic environment gradually improves.

Prospects

Among countries worldwide, the PRC has stood out in resilience and strength amid the global economic crisis. At the prompt and effective economic stimulus efforts of the Chinese government, the PRC market has remained full of potential. Expecting continuous growth for the PRC economy and the spending power of Chinese consumers, the Group sees a consistent rise in domestic demand for paper products in the months to come. The Group believes the worst times have passed and is thus cautiously optimistic about its prospects in 2010 and beyond.

The paper manufacturing business will be the Group's main growth driver as it provides a new income stream with higher profit margins. Operating at full capacity now, the two production lines in the Shandong mill will make stable contributions to the Group in the coming six months. To cater to rising demand, the Group plans to begin trial runs of an addition production line ("PM5") in the third quarter of 2010. The new production line, when in full operation, will be able to produce 200,000 metric tonnes of kraftliner boards and corrugated mediums and lift the total production capacity of the Group to 370,000 metric tonnes.

For its key revenue source, the paper trading business, the Group will focus on increasing sales in the PRC. Anticipating the proportion of PRC customers in its clientele to continue to increase, the Group will enhance its China presence. The management plans to consolidate all offices in the country to achieve better efficiency. It will explore locations with strong business potential in the PRC to set up new offices and expand its network.

The Group is well positioned to expand and tap the bright prospects of the PRC market. To realise its vision, the Group will continue to optimise internal management and reinforce its financial position so as to seize the most opportunities arising from the gradual economic recovery.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK1 cent (2008: HK1 cent) per share for the six months ended 30 September 2009. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 8 January 2010. The interim dividend will be paid on or about 20 January 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 January 2010 to 8 January 2010 (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 5 January 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2009, the total number of the Group's employees was 1,457. 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 2009 amounted to approximately HK$716 million (including restricted bank deposits of HK$74 million) and HK$1,168 million respectively. As at 30 September 2009, its gearing ratio, measured on the basis of the Group's net debt divided by total capital was 31.3% (31 March 2009: 29.5%). With bank balances and other current assets of approximately HK$2,253 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.

FOREIGN EXCHANGE RISK

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 2009 amounted to HK$1,168,000,000 (31 March 2009: HK$1,059,000,000).

CHARGE OF ASSETS

As at 30 September 2009, trust receipt loans of HK$201,892,000 (31 March 2009: HK$160,805,000) and bank loans of HK$57,682,000 (31 March 2009: HK$70,181,000) were secured by legal charge on certain properties of the Group.

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 2009 before it was tabled for the Board's approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2009, 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 2009 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 INTERIM RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.samsonpaper.com) and the Stock Exchange (www.hkexnews.hk). The 2009/10 interim report will be despatched to the shareholders of the Company and available on the same websites in due course.

BOARD OF DIRECTORS

As at the date of this report, 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, 17 December 2009

* *for identification purpose only*