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## SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

### ANNOUNCEMENT OF RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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 2017 and the consolidated balance sheet as at that date together with comparative figures for the financial year ended 31 March 2016. The annual results have been reviewed by the Company’s audit committee.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>	2	<b>5,173,620</b>	5,000,852
Cost of sales		<b>(4,629,890)</b>	(4,519,234)
<b>Gross profit</b>		<b>543,730</b>	481,618
Fair value gains on investment properties		<b>34,800</b>	50,200
Other gains and income, net		<b>29,870</b>	32,008
Selling expenses		<b>(212,858)</b>	(198,313)
Administrative expenses		<b>(204,016)</b>	(203,375)
Other operating income/(expenses)		<b>10,417</b>	(10,817)
<b>Operating profit</b>	3	<b>201,943</b>	151,321
Finance costs		<b>(73,205)</b>	(71,601)
<b>Profit before taxation</b>		<b>128,738</b>	79,720
Taxation	4	<b>(34,850)</b>	(25,359)
<b>Profit for the year</b>		<b>93,888</b>	54,361

	<i>Note</i>	<b>2017</b> <b><i>HK\$'000</i></b>	2016 <i>HK\$'000</i>
<b>Attributable to:</b>			
— Owners of the Company		<b>84,714</b>	46,675
— Non-controlling interests		<b>9,174</b>	7,686
		<u><b>93,888</b></u>	<u>54,361</u>
<b>Earnings per share</b>			
Basic	5	<u><b>HK7.2 cents</b></u>	<u>HK3.8 cents</u>
Diluted		<u><b>HK6.7 cents</b></u>	<u>HK3.7 cents</u>
<b>Dividends</b>	6	<u><b>29,282</b></u>	<u>13,367</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 March 2017*

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the year</b>	<b>93,888</b>	54,361
<b>Other comprehensive loss, net of tax</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of land and buildings, net of deferred tax	<u>37,020</u>	<u>—</u>
	<u>37,020</u>	<u>—</u>
<i>Items that may be reclassified to profit or loss</i>		
Currency translation difference	(149,751)	(142,331)
Revaluation of available-for-sale financial assets	<u>134</u>	<u>779</u>
	<u>(149,617)</u>	<u>(141,552)</u>
<b>Other comprehensive loss for the year, net of tax</b>	<u>(112,597)</u>	<u>(141,552)</u>
<b>Total comprehensive loss for the year</b>	<u><u>(18,709)</u></u>	<u><u>(87,191)</u></u>
<b>Attributable to:</b>		
— Owners of the Company	(19,381)	(92,138)
— Non-controlling interests	<u>672</u>	<u>4,947</u>
<b>Total comprehensive losses for the year</b>	<u><u>(18,709)</u></u>	<u><u>(87,191)</u></u>

**CONSOLIDATED BALANCE SHEET***As at 31 March 2017*

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,687,638</b>	1,755,225
Land use rights		<b>119,289</b>	143,266
Investment properties		<b>550,300</b>	515,500
Intangible assets		<b>39,361</b>	41,618
Available-for-sale financial assets		<b>5,866</b>	5,732
Non-current deposits and prepayments		<b>52,242</b>	6,614
Deferred tax assets		<b>6,822</b>	8,983
		<hr/> <b>2,461,518</b>	<hr/> 2,476,938
<b>Current assets</b>			
Properties under development		<b>99,821</b>	60,968
Inventories		<b>773,544</b>	610,372
Accounts and other receivables	7	<b>1,705,844</b>	2,021,894
Financial assets at fair value through profit or loss		<b>913</b>	637
Taxation recoverable		<b>3,575</b>	1,838
Restricted bank deposits		<b>139,348</b>	166,181
Bank balances and cash		<b>457,951</b>	359,466
		<hr/> <b>3,180,996</b>	<hr/> 3,221,356
<b>Current liabilities</b>			
Accounts and other payables	8	<b>1,324,572</b>	1,392,023
Trust receipt loans		<b>809,689</b>	885,623
Taxation payable		<b>72,196</b>	53,517
Derivative financial instruments		<b>—</b>	55
Borrowings		<b>528,109</b>	510,465
		<hr/> <b>2,734,566</b>	<hr/> 2,841,683
<b>Net current assets</b>		<hr/> <b>446,430</b>	<hr/> 379,673
<b>Total assets less current liabilities</b>		<hr/> <b>2,907,948</b>	<hr/> <b>2,856,611</b>

	<i>Note</i>	<b>2017</b> <b><i>HK\$'000</i></b>	2016 <i>HK\$'000</i>
<b>Financed by:</b>			
Share capital		<b>127,315</b>	127,315
Reserves		<b>1,544,224</b>	1,576,972
		<u><b>1,671,539</b></u>	<u>1,704,287</u>
<b>Non-controlling interests</b>		<b>204,579</b>	183,834
		<u><b>1,876,118</b></u>	<u>1,888,121</u>
<b>Non-current liabilities</b>			
Accounts and other payables	8	<b>198,348</b>	71,140
Borrowings		<b>738,656</b>	804,019
Deferred tax liabilities		<b>94,826</b>	93,331
		<u><b>1,031,830</b></u>	<u>968,490</u>
		<u><b>2,907,948</b></u>	<u>2,856,611</u>

*Notes:*

**1. BASIS OF PREPARATION**

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, land and building as well as investment properties, which are carried at fair value.

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

**(a) New standard and amendments to standards adopted by the Group**

The following new standard, amendments to standards and annual improvements are mandatory for their first time for the financial year beginning 1 April 2016:

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests
HKFRS 14	Regulatory deferral accounts
Annual Improvements Projects	Annual improvements 2012–2014 cycle

The Group has adopted these new standard, amendments to standards and annual improvements and the adoption of these standards did not have any significant impact on the Group’s results and financial position.

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

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning on 1 April 2016, and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 7	Disclosure initiative	1 January 2017
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the likely impact of adopting the above new standards and amendments to existing standards but it is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group plans to adopt these new standards and amendments to existing standards when they become effective.

## **2. SEGMENT INFORMATION**

As at 31 March 2017, the Group is organised on a worldwide basis into four main business segments:

- (1) Paper trading: trading and marketing of paper products;
- (2) Paper manufacturing: manufacturing of paper products in Shandong, the PRC;
- (3) Property development and investment: developing properties for sale and leasing of investment properties; and
- (4) Others: including trading and marketing of aeronautic parts and provision of related services and the provision of marine services to marine, oil and gas industries and retailing and wholesaling of fast-moving consumer goods (“FMCG”) business.

The segment information for the year ended and as at 31 March 2017 is as follows:

	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Total segment revenue</b>	4,256,511	1,179,176	28,014	161,194	5,624,895
<b>Inter-segment revenue</b>	(405,645)	(29,344)	(9,339)	(6,947)	(451,275)
<b>Revenue from external customers</b>	<u>3,850,866</u>	<u>1,149,832</u>	<u>18,675</u>	<u>154,247</u>	<u>5,173,620</u>
Reportable segment results	100,308	80,233	47,837	(16,869)	211,509
Corporate expenses					(9,566)
Operating profit					201,943
Finance costs					(73,205)
<b>Profit before taxation</b>					128,738
Taxation					(34,850)
<b>Profit for the year</b>					<u>93,888</u>
<b>Other items for the year ended 31 March 2017</b>					
Interest income	4,168	569	3	113	4,853
Depreciation of property, plant and equipment	7,968	45,574	98	12,598	66,238
Amortisation of land use rights	167	3,979	—	77	4,223
Amortisation of intangible assets	844	56	—	65	965
Fair value gains on investment properties	—	—	34,800	—	34,800
Capital expenditure	4,762	76,532	4,341	5,147	90,782
<b>Reportable segment assets</b>	2,168,290	2,547,712	729,571	186,405	5,631,978
Taxation recoverable					3,575
Deferred tax assets					6,822
Corporate assets					139
<b>Total assets</b>					<u>5,642,514</u>
<b>Reportable segment liabilities</b>	2,138,965	155,275	1,145	36,900	2,332,285
Taxation payable					72,196
Deferred tax liabilities					94,826
Corporate liabilities					1,267,089
<b>Total liabilities</b>					<u>3,766,396</u>



The segment information for the year ended and as at 31 March 2016 is as follows:

	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Total segment revenue</b>	3,997,658	1,046,485	19,293	210,790	5,274,226
<b>Inter-segment revenue</b>	(245,757)	(19,094)	(1,474)	(7,049)	(273,374)
<b>Revenue from external customers</b>	<u>3,751,901</u>	<u>1,027,391</u>	<u>17,819</u>	<u>203,741</u>	<u>5,000,852</u>
Reportable segment results	54,453	74,222	69,216	(31,510)	166,381
Corporate expenses					(15,060)
Operating profit					151,321
Finance costs					(71,601)
<b>Profit before taxation</b>					79,720
Taxation					(25,359)
<b>Profit for the year</b>					<u>54,361</u>
<b>Other items for the year ended 31 March 2016</b>					
Interest income	6,617	603	—	287	7,507
Depreciation of property, plant and equipment	9,708	50,542	—	11,864	72,114
Amortisation of land use rights	829	4,104	—	77	5,010
Amortisation of intangible assets	845	48	—	64	957
Fair value gains on investment properties	—	—	50,200	—	50,200
Capital expenditure	4,497	107,865	—	13,201	125,563
<b>Reportable segment assets</b>	2,199,458	2,698,056	579,624	210,181	5,687,319
Taxation recoverable					1,838
Deferred tax assets					8,983
Corporate assets					154
<b>Total assets</b>					<u>5,698,294</u>
<b>Reportable segment liabilities</b>	1,997,254	309,185	739	41,224	2,348,402
Taxation payable					53,517
Deferred tax liabilities					93,331
Corporate liabilities					1,314,923
<b>Total liabilities</b>					<u>3,810,173</u>

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

	Revenue		Non-current assets <sup>1</sup>	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Hong Kong	750,924	854,931	653,778	600,488
The PRC <sup>2</sup>	3,970,675	3,720,059	1,733,373	1,796,038
Singapore	79,880	110,646	53,657	57,995
Korea	340,682	276,797	2,154	2,159
Malaysia	31,431	37,788	11,698	11,268
Others	28	631	36	7
	<u>5,173,620</u>	<u>5,000,852</u>	<u>2,454,696</u>	<u>2,467,955</u>

<sup>1</sup> Non-current assets excluded deferred tax assets.

<sup>2</sup> The PRC, for the presentation purpose in these financial statements, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan.

### 3. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2017 HK\$'000	2016 HK\$'000
<b>Charging</b>		
Cost of inventories sold	4,531,533	4,382,911
Depreciation of property, plant and equipment	66,238	72,114
Amortisation of land use rights	4,223	5,010
Amortisation of intangible assets	965	957
Operating lease rentals in respect of land and buildings:		
— Minimum lease payment	54,374	41,756
— Contingent rent	52	159
Transportation costs	97,868	79,867
Provision for impairment on receivables	7,280	33,338
Employee benefit expenses	140,058	134,686
Auditor's remuneration		
— Audit services	3,103	3,173
— Non-audit services	122	82
	<u>122</u>	<u>82</u>
<b>Crediting</b>		
Gains on disposal of property, plant and equipment	336	292
Write-back of provision for inventories	6,099	9,305
Write-back of provision for impairment on receivables	12,850	15,726
	<u>12,850</u>	<u>15,726</u>

#### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong profits tax	4,297	6,009
Overseas taxation	32,131	24,479
Over-provision in previous years	(75)	(25)
Deferred taxation relating to origination and reversal of temporary differences	<u>(1,503)</u>	<u>(5,104)</u>
	<u><b>34,850</b></u>	<u><b>25,359</b></u>

#### 5. EARNINGS PER SHARE

##### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company less preference dividends of HK\$81,677,000 (2016: HK\$42,845,000) by the weighted average number of 1,141,076,000 (2016: 1,141,076,000) ordinary shares in issue during the year.

##### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: preference shares. The Company has a share option scheme but no share option has been granted under the scheme.

	2017	2016
Profit attributable to the owner of the Company ( <i>HK\$'000</i> )	<u><b>84,714</b></u>	<u>46,675</u>
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<b>1,141,076</b>	1,141,076
Adjustment for:		
— Preference shares ( <i>'000</i> )	<u><b>132,065</b></u>	<u>132,065</u>
Weighted average number of shares for diluted earnings per share ( <i>'000</i> )	<u><b>1,273,141</b></u>	<u>1,273,141</u>
Diluted earnings per share	<u><b>HK6.7 cents</b></u>	<u>HK3.7 cents</u>

#### 6. DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interim — HK\$0.004 (2016: HK\$0.004) per ordinary share	4,564	4,564
Interim — HK\$0.004 (2016: HK\$0.004) per preference share	528	528
Proposed final — HK\$0.019 (2016: HK\$0.0065) per ordinary share	21,681	7,417
Proposed final — HK\$0.019 (2016: HK\$0.0065) per preference share	<u>2,509</u>	<u>858</u>
	<u><b>29,282</b></u>	<u>13,367</u>

At a meeting held on 26 June 2017, the directors proposed a final dividend of HK\$0.019 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2018.

## 7. ACCOUNTS AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Accounts and bills receivable — net of provision	1,255,015	1,370,261
Other receivables, deposits and prepayments	450,829	651,633
	<u>1,705,844</u>	<u>2,021,894</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current to 60 days	1,066,100	1,120,722
61 to 90 days	90,253	116,879
Over 90 days	98,662	132,660
	<u>1,255,015</u>	<u>1,370,261</u>

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

## 8. ACCOUNTS AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Accounts and bills payable	1,325,959	1,236,617
Accruals and other payables	196,961	226,546
	<u>1,522,920</u>	1,463,163
Less: non-current portions:		
Accounts and other payables	(198,348)	(71,140)
	<u>1,324,572</u>	<u>1,392,023</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current to 60 days	646,261	913,964
61 to 90 days	127,377	161,266
Over 90 days	552,321	161,387
	<u>1,325,959</u>	<u>1,236,617</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### **The Economy**

During the financial year under review, China's economy accelerated at a robust pace with its gross domestic product having risen by 6.9% in the first quarter of 2017 which was mainly driven by reflation policies, very strong property sales and investments. Activities in China's manufacturing sector had also expanded faster than expected, which continued to benefit from higher sales prices and a recovery in demand fueled by construction boom.

On the other hand, Hong Kong's gross domestic product in the first quarter of 2017 grew by 4.3% faster than the 3.2% expansion in the fourth quarter last year, mainly boosted by an increase in domestic exports.

### **The Paper Industry**

For the reporting year, paper and board prices have been stable at a low level during the first half of the year. With the gradual ease of the imbalance of supply and demand in the paper industry following the stringent policy adopted by the PRC government authority on the environmental control and elimination of outdated and less environmentally friendly production facilities, the pick-up in demand in the domestic market in China and the rising costs in pulp, fibre, energy and freight faced by mills, paper and board prices increased rapidly at sustainable level for the second half of the year. However, as banks in the Mainland were still suffering from high bad loans ratio, customers, especially private entities, were continuously experiencing relatively difficulty to have credit granted from banks to ease their liquidity for working capital uses or for business expansion. There remains keen competition for new orders from customers with a strong working capital.

### **Overview of Operations**

#### ***Financial Performance***

Facing an uptrend in demand and paper price hikes, the Group adopted a flexible and cautious approach on sales and procurement with an aim to maximize profitability with a high regard for customer creditability. These measures relating to internal optimization and cost control which have been put into place since last year have gradually taken effect and have been reflected in the Group's performance for the year. The Group recorded a steady 3.5% growth in overall turnover to HK\$5,173,620,000. At the same time, the Group saw a rise of 4.6% in sales volume to 1,134,000 metric tonnes, a historical high record attained for the year. Gross profit increased from previous year's by 12.9% to HK\$543,730,000 with a 9.1% increase in gross profit margin from 9.6% to 10.5%. Profit for the year rose significantly from previous year's by 72.7% to HK\$93,888,000. Profit attributable to the owners of the Company rose by 81.5% from the previous year's HK\$46,675,000 to HK\$84,714,000 with a basic earnings per share of HK7.2 cents.

The Board has recommended the payment of a final dividend of HK1.9 cents per share. Together with an interim dividend of HK0.4 cent per share already paid, total dividend for the year will amount to HK2.3 cents per share, translating to a dividend payment ratio of approximately 34.6%.

The Group intends to keep an appropriate level of cash reserve to enhance its working capital position in anticipation of future investment opportunities. As at 31 March 2017, the Group had cash and bank balance (including restricted bank deposit) of HK\$597,299,000 and a gearing ratio at a level of 44.1% compared to 47.0% last year. This enables the Group to maintain interest costs at HK\$73,205,000. The stringent credit policy and procedures, close follow-ups with customers on liquidity and settlement situation have enabled the Group's debtor turnover days to be shortened by 13 days. As a result, the provision for impairment loss of receivables was able to be kept at a HK\$7.28 million low, representing 0.1% of the Group's total revenue while the write back of the provision is HK\$12,850,000.

### ***Paper Business***

At the second half of the financial year, producers continued to push price hikes for various paper and board grades in order to pass on higher costs of production. However, the rise in paper price in the domestic market of China have been digested by the market. With a significant sales growth of 11.9% in paper manufacturing segment, and the success of the new sales and procurement strategies implemented, the Group recorded an increase of 4.6% in turnover from HK\$4,779,292,000 to HK\$5,000,698,000. In volume term, there has been a stable rise of 4.6% in sales tonnage. Operating profit was recorded at HK\$180,541,000, a significant 40.3% growth compared with last year.

For paper trading business, the Group reported an increase by 2.6% in turnover to HK\$3,850,866,000 and a 5.7% rise in sales tonnage ascribing to the success of appropriate sales and procurement approach adopted amid the price run of paper products in China at the second half of the year. Turnover from paper trading business in the PRC market rose by 4.8% to HK\$2,819,180,000 with an increase of 7.5% in volume. At the same time, Hong Kong market recorded a turnover of HK\$659,571,000, slipped by 11.6 % compared to the corresponding last year. As for other Asian countries, the business achieved a significant growth of 18.1% in sales to HK\$372,115,000 as compared to the corresponding last year with a 15.9% growth in sales tonnage, mainly resulted from the continued strong growth in export sales attained by Korea office.

For paper manufacturing business, the segment's turnover rose by 12.7%, including inter-segment revenue, to HK\$1,179,176,000 with a growth of 3.3% in the sales tonnage, mostly attributable to its ability to implement price hikes to pass on the increase in cost of production to customers during the year as well as its sales strategy focusing on profitability. Operating profit increased by 8.1% to HK\$80,233,000 with its operating profit margin reported at 7.0%.

### ***Property Development and Investment***

For the year under review, rental income from the investment properties with a value of HK\$550,300,000 as at 31 March 2017 had risen by 4.8% from HK\$17,819,000 last year to HK\$18,675,000. This provides a continual and steady income and cash inflow to the Group and serves as a solid contributor to the Group's operating income. A fair value gain on investment properties of HK\$34,800,000 was also recorded by the Group as compared to the HK\$50,200,000 last year.

During the year under review, the Group had commenced development for the Nantong business park including the construction of new industrial standard factories and buildings with supporting facilities measuring a total gross floor area of not less than 200,800 sq.m. in Nantong, the PRC. The overall design, planning, and general layout of the site have been approved by the relevant PRC government authority. The construction permit has been obtained and the Group intends to develop the site in three phases. General foundation works have been started on the phase one site. As at 31 March 2017, the costs of property under development amounted to HK\$99,821,000.

During the year the Group also acquired another plot of land of 8,336.21 sq.m. in Xiamen, the PRC with a plan to construct an office/warehouse hybrid of a total gross floor area of 16,295.8 sq.m. for the use of paper trading business and plans to use part of the building for leasing purpose in the future. The overall design of the site has been approved by the relevant PRC government authority.

### ***Other Businesses***

These business segments include the aeronautic parts and service business, marine services business, consumable product business and logistic services.

The aeronautic parts and services business and marine services business recorded turnover of HK\$28,297,000 and HK\$51,537,000 respectively during the year under review.

During the year, the retail business continued to face a challenging market environment with soft consumer spending and intense pressure on pricing competition. The Group's procurement team was changing innovatively and actively sourcing supplies for consumable products and successfully secured a number of overseas sourcing network to widen the variety of products for choice and to build profitable brands under the Group's portfolio. To better synergize the Group's strength, the management has also changed the business strategy on the whole FMCG business by exerting more attention on the wholesale segment. The Group has taken steps to close and consolidate the underperformed outlets and has also franchised out the eleven outlets out of the twelve remaining outlets for a period of three years with a view to trim down the fixed costs while maintaining the revenue. The business's revenue decreased 20.3% from HK\$91,302,000 to HK\$72,751,000. With the change of business strategy, the operating loss narrowed down by 28.3% from HK\$25,815,000 to HK\$18,511,000.

### **Prospects**

China's nation-wide manufacturing activity expanded at a slower pace in April and May of 2017 but remained solid after a strong growth in the first quarter of 2017 as the government tried to crack down on financial risks brought by high property boom in order to ensure that the economy is growing in a steady manner.

The Chinese government's more stringent enforcement of forced closures of paper and board mills violating environmental regulations has led to the ease of the imbalance of supply and demand and provided further support to the upward increase of paper prices in the long run at the backdrop of gradual economic growth in the domestic market in China. The Group continues to take a cautious approach in developing its businesses and act in an orderly manner to fend off financial risks. The Group will take appropriate and flexible approaches on sales and procurement to pursue profitability while minimizing the risk exposure on customers and stocks. For manufacturing segment, the Group had put in more resources in upgrading the production facilities and power plant to attain cost savings in the production processes. Leverage on the Group's strong relationship with paper mills in China and our existing overseas sales offices, the Group is planning to expand overseas sales to countries other than Hong Kong and mainland China. At the same time the Group continues to uphold those measures taken since the previous year in streamlining and centralizing internal processes to achieve effectiveness and efficiency.

For the property development and investment segment, the Group has placed considerable resources and emphasis into its continued growth. For the Nantong business park project, the Group's design and marketing team is discussing with a number of interested buyers for the blocks of custom-built properties. It is expected that the Nantong project will generate a steady stream of revenue and cash inflow arising from the sales properties and services income in the coming year. The Group will continue with our existing business model and grow our paper business in parallel with our property development and investment business. It is expected that the income brought by the property development and investment business will enable the Group to continue the expansion of our paper business while providing a solid foundation to mitigate the effects of market fluctuations.

For the FMCG business segment, with the new strategy, the Group will focus on the franchise and wholesale business rather than the retailing operations in order to reduce fixed costs. With the profitable brands that the Group is distributing, centralized procurement and marketing team, the wholesale arm will build sales network with a view to driving sustainable growth.

## **FINAL DIVIDEND**

The Board has resolved to recommend a final dividend of HK1.9 cents per share (2016: HK0.65 cent) payable on or around 12 October 2017 to persons who are registered shareholders of the Company on 25 September 2017 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK0.4 cent per share (2016: HK0.4 cent), the total dividend for the financial year is HK2.3 cents per share (2016: HK1.05 cents).

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 15 September 2017 to 20 September 2017 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the Meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 14 September 2017.

The Register of Members of the Company will be closed from 26 September 2017 to 28 September 2017 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 25 September 2017.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2017, the Group employed 1,758 staff members, 178 of whom are based in Hong Kong and 1,302 are based in the PRC and 278 are based in other countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund and medical insurance. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.



## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flows generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2017, short term deposits plus bank balances amounted to HK\$597 million (2016: HK\$526 million) (including restricted bank deposits of HK\$139 million (2016: HK\$166 million)) and bank borrowings amounted to HK\$2,076 million (2016: HK\$2,200 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2017, the Group's gearing ratio was 44.1% (2016: 47.0%), calculated as net debt divided by total capital. Net debt of HK\$1,479 million (2016: HK\$1,674 million) is calculated as total borrowings of HK\$2,076 million (2016: HK\$2,200 million) (including trust receipt loans, short term and long term borrowings, finance lease obligations and bank overdraft) less cash on hand and restricted deposits of HK\$597 million (2016: HK\$526 million). Total capital is calculated as total equity of HK\$1,876 million (2016: HK\$1,888 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.16 times (2016: 1.13 times).

With bank balances and other current assets amounted to HK\$3,181 million (2016: HK\$3,221 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 2017, bank borrowings in Renminbi amounted to HK\$86 million (2016: HK\$123 million). The remaining borrowings are mainly in Hong Kong dollar. The majority of the Group's borrowings bear interest costs which are based on floating interest rates. The Group has entered an interest rate swap contract, the notional principal amount of the outstanding interest rate swap contract as at 31 March 2017 was nil (2016: HK\$20,000,000).

## **CONTINGENT LIABILITIES AND CHARGE OF ASSETS**

As at 31 March 2017, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2017 amounted to HK\$2,070 million (2016: HK\$2,194 million).

Certain land and buildings, and investment properties of the Company's subsidiaries, with a total carrying value of HK\$637 million as at 31 March 2017 (2016: HK\$575 million) were pledged to banks as securities for bank loans of HK\$35 million (2016: HK\$33 million) and trust receipt loans of HK\$122 million (2016: HK\$99 million) granted to the Group.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Committee”) comprises two independent non-executive directors of the Company, namely Mr. Pang Wing Kin, Patrick and Mr. Tong Yat Chong and one non-executive director of the Company, namely Mr. Lau Wang Yip, Eric. The principal activities of the Committee include the review and supervision of the Group’s financial reporting process and internal controls. The Committee has met with the senior management of the Company and the Company’s external auditor to review the annual results for the year ended 31 March 2017 before recommending them to the Board for approval.

## **SCOPE OF WORK OF THE EXTERNAL AUDITOR**

The figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

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

In the opinion of the Directors, the Company was in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the accounting period covered by the annual results except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company’s annual general meetings in accordance with the bye-laws of the Company.

## **PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE’S WEBSITE**

The 2016/2017 Annual Report of the Company containing all information required by the Listing Rules will be published on the Stock Exchange’s website ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)) and the Company’s website ([www.samsonpaper.com](http://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, 26 June 2017

\* *for identification purpose only*