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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

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 2018 together with comparative figures for the corresponding period in 2017, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2018 with audited comparative figures as at 31 March 2018. The unaudited condensed consolidated interim financial statements have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited	
		Six months ended 30 September	
		2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>		
Revenue	2	3,110,500	2,932,492
Cost of sales		(2,799,721)	(2,646,033)
Gross profit		310,779	286,459
Other gains and income, net		25,697	27,522
Selling expenses		(104,374)	(100,775)
Administrative expenses		(124,282)	(117,822)
Other operating expenses		(3,005)	(5,697)
Operating profit	3	104,815	89,687
Finance costs		(34,755)	(39,296)
Profit before taxation		70,060	50,391
Taxation	4	(17,713)	(11,669)
Profit for the period		<u>52,347</u>	<u>38,722</u>
Attributable to:			
Owners of the Company		47,151	33,714
Non-controlling interests		5,196	5,008
		<u>52,347</u>	<u>38,722</u>
Earnings per share			
— Basic	5	<u>HK4.1 cents</u>	<u>HK2.9 cents</u>
— Diluted	5	<u>HK3.7 cents</u>	<u>HK2.6 cents</u>
Interim dividend per share		<u>HK0.4 cent</u>	<u>HK0.4 cent</u>
Interim dividends	6	<u>5,092</u>	<u>5,092</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the period	52,347	38,722
Other comprehensive (loss)/income		
Item that may be reclassified subsequently to profit or loss:		
— Currency translation differences	<u>(309,129)</u>	<u>125,211</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(309,129)</u>	<u>125,211</u>
Total comprehensive (loss)/income for the period	<u>(256,782)</u>	<u>163,933</u>
Total comprehensive (loss)/income attributable to:		
— Owners of the Company	<u>(239,594)</u>	151,489
— Non-controlling interests	<u>(17,188)</u>	<u>12,444</u>
Total comprehensive (loss)/income for the period	<u><u>(256,782)</u></u>	<u><u>163,933</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2018

		Unaudited 30 September 2018 <i>HK\$'000</i>	Audited 31 March 2018 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		1,988,083	2,016,631
Land use rights		114,806	128,067
Investment properties		694,000	494,000
Intangible assets		41,999	42,387
Available-for-sale financial assets		—	5,986
Financial assets at fair value through profit or loss	9	4,817	—
Financial assets at fair value through other comprehensive income	9	1,169	—
Non-current deposits and prepayments		96,851	107,479
Deferred tax assets		7,456	7,456
		<u>2,949,181</u>	<u>2,802,006</u>
Current assets			
Properties under development		135,385	139,502
Inventories		802,619	840,028
Accounts and other receivables	7	2,070,527	2,152,495
Taxation recoverable		4,460	4,160
Restricted bank deposits		135,090	168,707
Bank balances and cash		387,849	360,072
		<u>3,535,930</u>	<u>3,664,964</u>
Non-current assets held for sale		—	200,000
		<u>3,535,930</u>	<u>3,864,964</u>
Total assets		<u><u>6,485,111</u></u>	<u><u>6,666,970</u></u>
Current liabilities			
Accounts and other payables	8	1,490,690	1,558,807
Receipt in advance		17,181	13,393
Trust receipt loans		688,037	954,848
Taxation payable		111,428	97,913
Borrowings		858,907	490,952
		<u>3,166,243</u>	<u>3,115,913</u>
Net current assets		<u>369,687</u>	<u>749,051</u>
Total assets less current liabilities		<u><u>3,318,868</u></u>	<u><u>3,551,057</u></u>

		Unaudited	Audited
		30 September	31 March
		2018	2018
	<i>Note</i>	HK\$'000	HK\$'000
Equity			
Equity attributable to owners of the Company			
Share capital		127,315	127,315
Reserves		1,702,961	1,977,595
		1,830,276	2,104,910
Non-controlling interests		222,787	240,947
Total equity		2,053,063	2,345,857
Non-current liabilities			
Accounts and other payables	8	204,807	31,872
Borrowings		964,247	1,071,256
Deferred tax liabilities		96,751	102,072
		1,265,805	1,205,200
		3,318,868	3,551,057

Notes

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2018, as described in those annual consolidated financial statements.

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

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 9 below. The other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

The following new standards, amendments to standards and new interpretation have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 April 2019
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 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021

The Group has commenced an assessment of the impact of the above new and amended standards and considers that they will not have any significant impact on the results of the Group’s operations and financial position. The Group plans to adopt the above new and amendments to standards when they become effective.

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 financial statements.

As at 30 September 2018, 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 People's Republic of China (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.

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, intangible assets, properties under development, inventories, receivables, financial instruments, non-current assets held for sale and operating cash. They exclude deferred tax assets, taxation recoverable and corporate assets.

The segment information for the six months ended and as at 30 September 2018 is as follows:

	Unaudited Six months ended 30 September 2018				Total <i>HK\$'000</i>
	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>	
SEGMENT RESULTS					
Total segment revenue	2,404,106	785,220	30,455	64,832	3,284,613
Inter-segment revenue	<u>(141,438)</u>	<u>(11,000)</u>	<u>(18,953)</u>	<u>(2,722)</u>	<u>(174,113)</u>
Revenue from external customers	<u><u>2,262,668</u></u>	<u><u>774,220</u></u>	<u><u>11,502</u></u>	<u><u>62,110</u></u>	<u><u>3,110,500</u></u>
Reportable segment results	47,125	54,743	10,031	(2,895)	109,004
Corporate expenses					<u>(4,189)</u>
Operating profit					104,815
Finance costs					<u>(34,755)</u>
Profit before taxation					70,060
Taxation					<u>(17,713)</u>
Profit for the period					<u><u>52,347</u></u>
OTHER PROFIT AND LOSS ITEMS					
Depreciation	<u><u>5,485</u></u>	<u><u>25,970</u></u>	<u><u>315</u></u>	<u><u>3,619</u></u>	<u><u>35,389</u></u>
Amortisation charges	<u><u>614</u></u>	<u><u>2,091</u></u>	<u><u>35</u></u>	<u><u>32</u></u>	<u><u>2,772</u></u>
Unaudited As at 30 September 2018					
	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>
SEGMENT ASSETS					
Reportable segment assets	2,371,289	3,045,213	880,774	175,845	6,473,121
Taxation recoverable					4,460
Deferred tax assets					7,456
Corporate assets					<u>74</u>
Total assets					<u><u>6,485,111</u></u>

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

An analysis of the Group's revenue for the period by geographical areas is as follows:

	Unaudited	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	398,852	465,469
The PRC (<i>note</i>)	2,470,809	2,203,806
Singapore	24,195	30,446
Korea	152,244	213,296
Malaysia	64,400	19,475
	<u>3,110,500</u>	<u>2,932,492</u>

Note: 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 crediting and charging the following:

	Unaudited	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Crediting		
Interest income	2,471	2,382
Write-back of provision for impairment on receivables	3,170	1,616
	<u>3,170</u>	<u>1,616</u>
Charging		
Depreciation of property, plant and equipment	35,389	32,299
Amortisation of land use rights	2,174	2,117
Amortisation of intangible assets	598	489
Provision for impairment on inventories	1,200	473
Provision for impairment on receivables	1,631	6,137
	<u>1,631</u>	<u>6,137</u>

4. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong profits tax	4,593	4,932
Overseas taxation	13,120	6,737
	<u>17,713</u>	<u>11,669</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 share dividends of HK\$46,623,000 (2017: HK\$33,186,000) by the weighted average number of 1,141,076,000 (2017: 1,141,076,000) ordinary shares in issue during the period.

(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 (2017: Nil) has been granted under the scheme.

	Unaudited	
	Six months ended 30 September	
	2018	2017
Profit attributable to owners of the Company (HK\$'000)	<u>47,151</u>	<u>33,714</u>
Weighted average number of ordinary shares in issue ('000)	1,141,076	1,141,076
Adjustments for:		
— Assumed conversion of preference shares ('000)	<u>132,065</u>	<u>132,065</u>
Weighted average number of shares for diluted earnings per share ('000)	<u>1,273,141</u>	<u>1,273,141</u>
Diluted earnings per share	<u>HK3.7 cents</u>	<u>HK2.6 cents</u>

6. INTERIM DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2018	2017
	HK\$'000	<i>HK\$'000</i>
Proposed — HK\$0.004 (2017: HK\$0.004) per ordinary share	4,564	4,564
Proposed — HK\$0.004 (2017: HK\$0.004) per preference share	528	528
	<u>5,092</u>	<u>5,092</u>

At a meeting held on 28 November 2018, the Directors proposed an interim dividend of HK\$0.004 per share. This proposed 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 2019.

7. ACCOUNTS AND OTHER RECEIVABLES

	Unaudited	Audited
	30 September	31 March
	2018	2018
	HK\$'000	<i>HK\$'000</i>
Accounts and bills receivables — net of provision	1,408,854	1,480,253
Other receivables, deposits and prepayments	661,673	672,242
	<u>2,070,527</u>	<u>2,152,495</u>

The carrying values of the Group's accounts and other receivables approximate their fair values. The Group normally grants credit to customers ranging from 30 to 90 days.

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

	Unaudited	Audited
	30 September	31 March
	2018	2018
	HK\$'000	<i>HK\$'000</i>
Current to 60 days	1,231,095	1,288,059
61 to 90 days	94,881	104,488
Over 90 days	82,878	87,706
	<u>1,408,854</u>	<u>1,480,253</u>

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

8. ACCOUNTS AND OTHER PAYABLES

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Accounts and bills payables	1,438,893	1,366,678
Accruals and other payables	221,592	224,001
Dividend payable	35,012	—
	<u>1,695,497</u>	<u>1,590,679</u>
Less: non-current portions: Accounts and other payables	<u>(204,807)</u>	<u>(31,872)</u>
	<u><u>1,490,690</u></u>	<u><u>1,558,807</u></u>

The carrying values of the accounts and other payables approximate their fair values.

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

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Current to 60 days	1,140,187	1,049,647
61 to 90 days	52,328	140,683
Over 90 days	246,378	176,348
	<u>1,438,893</u>	<u>1,366,678</u>

9. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's condensed consolidated financial information and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on the financial information

As explained in notes 9(b)(i) and 9(c)(i) below, HKFRS 9 and HKFRS 15 were adopted by the Group without restating comparative information. As a result, the reclassifications and adjustments arising from the adoption of HKFRS 9 and HKFRS 15 are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening condensed consolidated balance sheet as at 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Condensed consolidated balance sheet (extract)

	31 March 2018	Effect of HKFRS 9	Effect of HKFRS 15	1 April 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Other non-current assets				
— available-for-sale financial assets	5,986	(5,986)	—	—
Financial assets at fair value through profit or loss (“FVPL”)	—	4,817	—	4,817
Financial assets at fair value through other comprehensive income (“FVOCI”)	—	1,169	—	1,169
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) Adoption of HKFRS 9 Financial Instruments

(i) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 “Financial instruments” from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 9 (7.2.15), comparative figures have not been restated.

Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are set out below.

Reclassification from available-for-sale to FVPL

Certain debt investments were reclassified from available-for-sale to financial assets at FVPL (HK\$4,817,000 as at 1 April 2018). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Reclassification from available-for-sale to FVOCI

The Group elected to present in other comprehensive income changes in the fair value of certain equity investments previously classified as available-for-sale, because these investments are held as long term strategic investments that are not expected to be sold in the short to medium term. As a result, these investments were reclassified from available-for-sale financial assets to financial assets at FVOCI (HK\$1,169,000 as at 1 April 2018).

Other than that, there were no changes to the classification and measurement of financial instruments.

Impairment of financial assets

Financial asset at amortised cost include accounts and other receivables. The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS 39.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all accounts receivables.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL is insignificant as at 1 April 2018.

The Group adopted expected credit risk model on other financial asset at amortised cost other than accounts and other receivables and concluded that the impact is insignificant as at 1 April 2018.

(ii) *HKFRS 9 Financial Instruments — Accounting policies applied from 1 April 2018*

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains, net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the condensed consolidated statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains, net" in the condensed consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 April 2018, the Group assesses on a forward looking basis the ECL associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Adoption of HKFRS 15 Revenue from Contracts with Customers

(i) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

HKFRS 15, “Revenue from Contracts with Customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction contract” and related interpretations. The new accounting policies are set out below.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that there are no significant differences between the performance obligations required to be units of account under HKFRS 15 and the deliverables considered to be units of account under HKAS 18.

The new standard requires the Group to estimate the total consideration, including an estimate of future variable consideration, receive in exchange for the goods delivered. The Group’s revenue streams are not significantly impacted by the new standard.

(ii) HKFRS 15 Revenue from Contracts with Customers — Accounting Policy

Sale of goods

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer at a point in time, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the financial period under review, the trade friction between the US and China has caused much uncertainty in the global economy and many corporations have become more cautious. China's economic growth decelerated to 6.5% year-on-year in the third quarter of 2018 and at the weakest pace since 2009 in the light of the escalating challenges brought by the trade tension with the US since July 2018. The official manufacturing Purchasing Managers' Index for September 2018 fell to a seven-month low of 50.8 from 51.3 in August with domestic and export demand also softening. The economic data out of China has maintained stability so far for the period despite the trade dispute with the U.S.. Many exporters have already front-loaded their shipments before American tariffs on the goods came into effect. As the banks in China were carrying out deleveraging as well as taking measures to reduce risk, they were at the same time not easing restrictions on liquidity to customers for working capital.

In Hong Kong, the local economy sustained strong growth momentum, with real gross domestic product expanding 3.5% year-on-year in the second quarter of 2018.

The Paper Industry

Price for printing paper grades continued to stay at higher level amid the high pulp costs. As for packaging boards with recycled grades after an upward adjustments in May 2018 at the backdrop of increasing furnish costs, price for the grades has been softening since then while the demand has slackened. With the prevailing circumstances of the trade dispute, customers have tended to keep very low stocks and were not willing to place orders upfront while they were facing the challenge of tighter liquidity in the PRC market. There were also concerns as to whether customers were able to withstand the high paper prices and increased operating costs in their operations. There were keen competition for quality customers in the market.

Overview of Operations

Financial Performance

Amid the uncertain business operating environment, the Group has continued to execute the strategies of keeping lower stocks, carrying out more indent sales while closely monitoring customers' operations and implementing controls intended to mitigate credit risks, in order to pursue profitability rather than volume and market share. During the reporting period, the Group recorded a 6.1% growth in overall turnover to HK\$3,110,500,000 while there was a 8.3% decrease in sales volume to 495,000 metric tonnes. Gross profit increased from the same period last year by 8.5% to HK\$310,779,000 with an increase in gross profit margin from 9.8% to 10.0%. Profit attributable to the owners of the Company rose by 39.9% from HK\$33,714,000 to HK\$47,151,000. Basic earnings per share were HK4.1 cents. As Renminbi currency

depreciated during the period, an unrealised currency translation loss of HK\$309,129,000 (30 September 2017: gain of HK\$125,211,000) recorded as other comprehensive loss, mainly arising from the translation of the PRC subsidiaries financial statements into the Group's reporting currency on consolidation.

The Group has continued to keep an appropriate level of cash reserves to enhance its working capital position for future investment opportunities. As at 30 September 2018, the Group had cash and bank balances (including a restricted bank deposit) of HK\$522,939,000, with a gearing ratio at a healthy level of 49.2%. The finance costs were \$34,755,000, accounting for 1.1% of the Group's total revenue. Owing to the ongoing stringent credit policy, as well as close monitoring of customers' liquidity and business operations, debtor turnover days of the Group shortened by one day compared with last corresponding period. The provision for impairment on receivables was HK\$1,631,000, representing 0.1% of total revenue of the Group, while the write back of the provision was HK\$3,170,000.

Paper Business

With strong growth in paper manufacturing segment, the Group achieved a 6.1% growth on turnover from HK\$2,863,568,000 to HK\$3,036,888,000, but the sales volume in terms of tonnage decreased by 8.4%. The operating profit was HK\$101,868,000, increasing by 13.1% compared with the last corresponding period.

As for the paper trading business, the turnover slightly decreased by 0.3% to HK\$2,262,654,000 with a decrease of 13.3% in sales tonnage resulting from the strategies of destocking and emphasis on the pursuit of profitability. In terms of market regions, turnover from the PRC market increased 5.3% to HK\$1,695,102,000 with a 6.9% decrease in volume, while the Hong Kong market recorded a 18.0% decrease to HK\$350,922,000. As for other Asian countries, the Group has put more efforts and resources on expansion of the business in the Malaysian region, sales in the region achieved a two-fold increase to HK\$64,400,000 driven by winning significant tenders. In Korea, turnover dropped 28.6% to HK\$152,244,000 as less tonnage allocation attained from local mills for export.

For paper manufacturing segment, the selling price of packaging boards maintained at high level with the high raw material costs. The Group achieved a strong turnover growth of 30.8% in the paper manufacturing business, including inter-segment revenue to HK\$785,220,000, with sales tonnage increased 3.6%. The operating profit increased 25.7% to HK\$54,743,000 with its operating profit margin at 7.1%.

Property Development and Investment

Property Development

For the Nantong Business Park project, the construction of properties with total gross floor area ('GFA') of 16,306 sq. m. for the first stage of phase one was completed and the acceptance and examination on completion of construction properties was obtained. As at 30 September 2018, deposits of RMB11,015,000 has been received from two potential purchasers with an estimated sales value of RMB21,861,000 on the first stage of phase one site covering a total GFA of 5,286 sq. m.. Once the relevant sales permit on the two said properties are approved, the ownership of the two said properties can be transferred and the sales revenue will be recorded. Application for a construction work planning permit on seven blocks of properties with total GFA of 18,730 sq. m. on the site for the second stage of phase one is in preparation. Deposits totaling RMB4,065,000 have been received from one potential purchaser for one of the blocks with an estimated sales value of RMB13,550,000 in total covering a total GFA of 3,265 sq.m. As at 30 September 2018, the costs of property under development amounted to HK\$135,385,000.

The construction of the Xiamen project was completed and the acceptance and examination on completion of construction properties was obtained. Negotiation on leasing of certain portion of the properties with potential tenants was in progress.

Property Investment

During the period under review, rental income from investment properties with a value of HK\$694,000,000 as at 30 September 2018 has increased 13.0% to HK\$11,502,000 compared with the same period last year. Additional rental revenue from the paper trading and FMCG segments amounted to HK\$18,953,000. Together with the rental earned from third parties of HK\$11,502,000, the gross rental revenue of the property segment was HK\$30,455,000 for the six months ended 30 September 2018.

Other Businesses

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

The aeronautic parts and services business and marine services business recorded a turnover of HK\$5,322,000 and HK\$18,627,000 respectively during the period under review, representing a decrease of 36.5% and 15.5% respectively compared with the same period last year. The drops of these businesses were mainly due to weak performance in the Singapore market.

During the reporting period, the Group changed its strategies within the consumable product business. Apart from franchisees, the Group is also striving to expand its wholesale direct consumer base. Owing to the improved performance in wholesale growth and product diversification, revenue of this segment surged 34.2% from HK\$27,461,000 to HK\$36,853,000, with the operating loss of HK\$1,530,000.

Prospects

Looking ahead, a slight growth deceleration in the market during the third quarter of 2018 could be the start of a prolonged growth slowdown in China. The operating environment remains tough. In the face of these challenging conditions, continued business diversification would have a positive impact on the Group's overall profitability and sustainability.

Amid the economic slowdown in China, paper price softens as demand eases off. Compared to previous years, as costs of pulp and recovered paper are expected to remain high in the future, paper price is expected to stay at high level when demand picks up. Under these market conditions, the Group will keep closely monitoring and evaluating customers' operations to reduce credit risk. At the same time, the Group will continue its sales strategies with an intention of keeping reduced stock and securing more indent orders to mitigate the volatility of paper prices. In the manufacturing segment, the Group will upgrade its production facilities and power plant in order to realise cost savings, and to streamline and centralise internal processes for greater efficiency, ultimately strengthening its business overall. In the past few years, the Group has invested in expanding into Malaysia and the efforts have begun to bear fruit with trading turnover in that region increasing two-fold during the period under review. Meanwhile, the Group is assessing the possibility to set up a sales office in Southeast Asia to achieve better cost control and further market diversification.

In the property development and investment segment, the sales permit of the Nantong Business Park (the "Park") is pending for approval, while the application of the second stage of phase 1 construction will be submitted to the responsible planning authority in the second half of the financial year. The Group is seeking potential buyers for customized construction once the application is approved by the authority. The Park is expected to generate sales revenue for the Group in the coming years. As for the Xiamen project, the properties have been completed and subject to management decision, certain properties may be leased to third parties starting in December 2018, thus it may bring a stable revenue and cash inflow to the Group in the second half of the financial year.

As for the consumable product business segment, apart from wine, healthy food and frozen goods, the Group wishes to introduce a wider variety of food, such as foreign fruit, in order to meet the market demand, as well as to improve the operating performance of this segment.

Although the overall market is still challenging, the Group's persistent efforts and investment in diversifying its businesses in the past years have enabled it to successfully navigate the market uncertainty as well as prepare to capture opportunities in the future. Management is cautiously optimistic about the Group's prospects and will continue to carefully monitor the overall situation and proactively adjust its strategy as appropriate.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.4 cent (2017: HK0.4 cent) per share for the six months ended 30 September 2018. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 21 December 2018. The interim dividend will be paid around 10 January 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 December 2018 to 21 December 2018 (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, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 pm on 18 December 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed 1,877 staff members, 185 of whom are based in Hong Kong and 1,315 are based in the PRC and 377 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. 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 flow generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 30 September 2018, short term deposits plus bank balances amounted to HK\$523 million (including restricted bank deposits of HK\$135 million) and bank borrowings amounted to HK\$2,511 million.

As at 30 September 2018, the Group's gearing ratio was 49.2% (31 March 2018: 45.9%), calculated as net debt divided by total capital. Net debt of HK\$1,988 million is calculated as total borrowings of HK\$2,511 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\$523 million. Total capital is calculated as total equity of HK\$2,053 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.12 times (31 March 2018: 1.24 times).

With bank balances and other current assets of approximately HK\$3,536 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 transaction currencies are principally denominated in Renminbi, United States dollars and Hong Kong dollars. 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 30 September 2018, bank borrowings in Renminbi amounted to HK\$256 million (31 March 2018: HK\$119 million). The remaining borrowings are mainly in Hong Kong dollars. The majority of the Group's borrowings bear interest costs which are based on floating interest rates.

CONTINGENT LIABILITIES

The Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of facilities utilized by the subsidiaries as at 30 September 2018 amounted to HK\$2,508,000,000 (31 March 2018: HK\$2,513,000,000).

CHARGE OF ASSETS

As at 30 September 2018, trust receipt loans of HK\$183,000,000 (31 March 2018: HK\$143,000,000) and bank loans of HK\$57,000,000 (31 March 2018: HK\$49,000,000) 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 2018 before it was tabled for the Board's approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2018, 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 2018 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 web sites of the Company (www.samsonpaper.com) and the Stock Exchange (www.hkexnews.hk). The 2018/19 interim report will be despatched to the shareholders of the Company and available on the same web sites in due course.

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 28 November 2018

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.

* *for identification purposes*