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 2012

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 2012 together with comparative figures for the corresponding period in 2011, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2012 with audited comparative figures as at 31 March 2012. The unaudited condensed consolidated interim financial statements have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 30 September	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**2,419,228**	2,676,451
Cost of sales		**(2,201,700)**	(2,410,586)
Gross profit		**217,528**	265,865
Other gains and income, net		**42,155**	11,402
Selling expenses		**(86,404)**	(94,220)
Administrative expenses		**(95,190)**	(87,966)
Other operating expenses		**(2,690)**	(2,332)
Operating profit	*3*	**75,399**	92,749
Finance costs		**(42,593)**	(41,533)
Profit before taxation		**32,806**	51,216
Taxation	*4*	**(6,593)**	(10,547)
Profit for the period		**26,213**	40,669

	Note	Unaudited Six months ended 30 September **2012** ***HK$'000***	 2011 *HK$'000*
Attributable to:			
Owners of the Company		**25,287**	40,479
Non-controlling interests		**926**	190
		26,213	40,669
Earnings per share			
— Basic	*5*	**HK2.1 cents**	HK3.4 cents
— Diluted	*5*	**HK2.0 cents**	HK3.2 cents
Interim dividend per share		**HK0.4 cent**	HK0.5 cent
Interim dividends	*6*	**5,092**	6,366

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September **2012** *HK$'000*	2011 *HK$'000*
Profit for the period	**26,213**	40,669
Other comprehensive income		
Currency translation differences	**2,170**	11,862
Other comprehensive income for the period, net of tax	**2,170**	11,862
Total comprehensive income for the period	**28,383**	52,531
Total comprehensive income attributable to:		
— Owners of the Company	**27,458**	52,666
— Non-controlling interests	**925**	(135)
Total comprehensive income for the period	**28,383**	52,531

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2012

	Note	**Unaudited 30 September 2012** *HK$'000*	Audited 31 March 2012 *HK$'000* (restated)
Non-current assets			
Property, plant and equipment		**1,650,435**	1,521,326
Prepaid premium for land leases		**157,294**	159,762
Investment properties		**188,301**	165,997
Intangible assets		**48,434**	44,653
Available-for-sale financial assets		**5,259**	5,258
Non-current deposit		**15,388**	15,400
Deferred tax assets		**4,855**	4,940
		2,069,966	1,917,336
Current assets			
Inventories		**697,011**	706,662
Accounts receivable, deposits and prepayments	*7*	**1,854,954**	1,630,971
Financial assets at fair value through profit or loss		**3,615**	2,673
Taxation recoverable		**3,838**	3,014
Restricted bank deposits		**142,879**	174,446
Bank balances and cash		**590,172**	765,045
		3,292,469	3,282,811
Non-current asset held for sale		**76,000**	76,000
		3,368,469	3,358,811
Current liabilities			
Accounts payable and other payables	*8*	**1,527,702**	1,326,672
Trust receipt loans		**765,431**	839,292
Taxation payable		**15,678**	15,158
Derivative financial instruments		**975**	795
Borrowings		**626,169**	749,286
		2,935,955	2,931,203
Net current assets		**432,514**	427,608
Total assets less current liabilities		**2,502,480**	2,344,944

	Note	Unaudited 30 September 2012 HK$'000	Audited 31 March 2012 HK$'000 (restated)
Equity			
Equity attributable to owners of the Company			
Share capital		**127,315**	127,315
Reserves		**1,405,015**	1,382,649
Proposed dividend		**5,092**	12,477
		1,410,107	1,395,126
		1,537,422	1,522,441
Non-controlling interests		**105,726**	104,801
Total equity		**1,643,148**	1,627,242
Non-current liabilities			
Accounts payable	*8*	**51,591**	73,869
Borrowings		**723,222**	559,375
Deferred tax liabilities		**84,519**	84,458
		859,332	717,702
		2,502,480	2,344,944

Notes

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts for the six months ended 30 September 2012 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 ("HKICPA").

These unaudited condensed consolidated interim accounts should be read in conjunction with the annual consolidated accounts for the year ended 31 March 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated accounts for the year ended 31 March 2012, as described in those annual consolidated accounts.

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

The following amendment to standard is mandatory for the first time for the financial year beginning 1 April 2012 and adopted by the Group:

In December 2010, the HKICPA amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial period ended 30 September 2012 and the effects of adoption are disclosed as follows:

The Group has investment properties measured at their fair values totalling HK$165,997,000 as of 1 April 2012. As required by the amendment, the Group has re-measured the deferred tax relating to certain investment properties according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. The comparative figures have been restated to reflect the change in accounting policy, as summarised below:

Effect on condensed consolidated balance sheet

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
Decrease in deferred tax liabilities	**14,244**	10,564
Increase in retained earnings	**14,244**	10,564

Effect on condensed consolidated profit and loss account

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Decrease in taxation	**3,680**	—
Increase in net profit attributable to owners of the Company	**3,680**	—
Increase in basic earnings per share ("EPS")	**HK0.3 cent**	—
Increase in diluted EPS	**HK0.3 cent**	—

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HK (IFRIC) — Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
Fourth annual improvement project	Improvements to HKFRS published in June 2012	1 January 2013

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 at 30 September 2012, the Group is organised on a worldwide basis into three 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) 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.

Segment assets consist primarily of property, plant and equipment, prepaid premium for land leases, investment properties, intangible assets, inventories, receivables, financial instruments, non-current asset held for sale and operating cash. They exclude deferred tax assets and taxation recoverable.

The segment information for the six months ended 30 September 2012 and as at 30 September 2012 are as follows:

	Unaudited Six months ended 30 September 2012			
	Paper trading	**Paper manufacturing**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
SEGMENT RESULTS				
Total segment revenue	**2,175,788**	**390,193**	**68,210**	**2,634,191**
Inter-segment revenue	**(80,632)**	**(132,174)**	**(2,157)**	**(214,963)**
Revenue from external customers	**2,095,156**	**258,019**	**66,053**	**2,419,228**
Reportable segment results	**57,459**	**17,907**	**5,060**	**80,426**
Corporate expenses				**(5,027)**
Operating profit				**75,399**
Finance costs				**(42,593)**
Profit before taxation				**32,806**
Taxation				**(6,593)**
Profit for the period				**26,213**
OTHER PROFIT AND LOSS ITEMS				
Depreciation	**5,175**	**16,831**	**4,195**	**26,201**
Amortisation charges	**722**	**1,696**	**36**	**2,454**

	Unaudited As at 30 September 2012			
	Paper trading	**Paper manufacturing**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
SEGMENT ASSETS				
Reportable segment assets	3,165,121	2,093,863	169,644	5,428,628
Taxation recoverable				3,838
Deferred tax assets				4,855
Corporate assets				1,114
Total assets				5,438,435

The segment information for the six months ended 30 September 2011 and as at 31 March 2012 are as follows:

	Unaudited Six months ended 30 September 2011			
	Paper trading *HK$'000*	Paper manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
SEGMENT RESULTS				
Total segment revenue	2,154,439	717,062	65,595	2,937,096
Inter-segment revenue	(90,185)	(162,229)	(8,231)	(260,645)
Revenue from external customers	2,064,254	554,833	57,364	2,676,451
Reportable segment results	47,657	48,202	1,302	97,161
Corporate expenses				(4,412)
Operating profit				92,749
Finance costs				(41,533)
Profit before taxation				51,216
Taxation				(10,547)
Profit for the period				40,669
OTHER PROFIT AND LOSS ITEMS				
Depreciation	6,024	17,565	3,525	27,114
Amortisation charges	521	15	36	572

	Audited As at 31 March 2012			
	Paper trading *HK$'000*	Paper manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
SEGMENT ASSETS				
Reportable segment assets	3,198,780	1,901,982	167,350	5,268,112
Taxation recoverable				3,014
Deferred tax assets				4,940
Corporate assets				81
Total assets				5,276,147

The Group's three 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	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**617,600**	751,492
The PRC *(note)*	**1,503,199**	1,648,455
Singapore	**61,874**	52,914
Korea	**203,155**	192,187
Malaysia	**31,350**	31,403
USA	**2,050**	—
	2,419,228	2,676,451

Note: The PRC, for the presentation purpose in these accounts, 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	
	2012	2011
	HK$'000	*HK$'000*
Crediting		
Fair value gain on investment properties	**22,304**	—
Interest income	**9,482**	4,607
Provision for impairment on receivables written back	**1,365**	285
Charging		
Depreciation of property, plant and equipment	**26,201**	27,114
Amortisation of prepaid premium for land leases	**2,140**	287
Amortisation of intangible assets	**314**	285
Provision for impairment on inventories	**4,188**	2,279
Provision for impairment on receivables	**3,318**	2,558

4. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 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	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong profits tax	**1,872**	1,495
Overseas taxation	**4,575**	4,386
Deferred taxation relating to origination and reversal of temporary differences	**146**	4,666
	6,593	10,547

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$1,294,000 (2011: HK$1,321,000) by the weighted average number of 1,141,075,827 (2011: 1,141,075,827) ordinary shares in issue during the period.

	Unaudited Six months ended 30 September	
	2012	2011
Profit attributable to owners of the Company less preference dividend *(HK$'000)*	**23,993**	39,158
Weighted average number of ordinary shares in issue *('000)*	**1,141,076**	1,141,076
Basic earnings per share	**HK2.1 cents**	HK3.4 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has issued convertible non-voting preference shares in 2008 which are assumed to be converted into ordinary shares. The Company has a share option scheme but no share option (2011: Nil) has been granted under the scheme.

	Unaudited Six months ended 30 September	
	2012	2011
Profit attributable to owners of the Company *(HK$'000)*	**25,287**	40,479
Weighted average number of ordinary shares in issue *('000)*	**1,141,076**	1,141,076
Adjustments for:		
— Assumed conversion of preference shares *('000)*	**132,065**	132,065
Weighted average number of shares for diluted earnings per share *('000)*	**1,273,141**	1,273,141
Diluted earnings per share	**HK2.0 cents**	HK3.2 cents

6. INTERIM DIVIDENDS

	Unaudited Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Proposed — HK$0.004 (2011: HK$0.005) per ordinary share	**4,564**	5,706
Proposed — HK$0.004 (2011: HK$0.005) per preference share	**528**	660
	5,092	6,366

At a meeting held on 23 November 2012, 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 accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2013.

7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2012	Audited 31 March 2012
	HK$'000	*HK$'000*
Trade receivables — net of provision	**1,191,928**	1,088,457
Other receivables, deposits and prepayments	**663,026**	542,514
	1,854,954	1,630,971

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

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

The aging analysis of trade receivables is as follows:

	Unaudited 30 September 2012	Audited 31 March 2012
	HK$'000	*HK$'000*
Current to 60 days	**876,954**	771,218
61 to 90 days	**188,559**	132,868
Over 90 days	**126,415**	184,371
	1,191,928	1,088,457

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 OTHER PAYABLES

	Unaudited 30 September 2012 *HK$'000*	Audited 31 March 2012 *HK$'000*
Trade and bills payables	**1,275,504**	1,167,892
Accruals and other payables	**291,312**	232,649
Dividend payable	**12,477**	—
	1,579,293	1,400,541
Less: non-current portions:		
Accounts payable	**(51,591)**	(73,869)
	1,527,702	1,326,672

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

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

	Unaudited 30 September 2012 *HK$'000*	Audited 31 March 2012 *HK$'000*
Current to 60 days	**881,456**	900,106
61 to 90 days	**157,755**	170,658
Over 90 days	**236,293**	97,128
	1,275,504	1,167,892

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the review period, the economic conditions in Hong Kong and China remained unstable as both areas were impacted by a lackluster global economy — principally the result of the sovereign debt crisis in Europe and modest economic growth in the United States.

The mainland economy grew by 7.4% in the third quarter of 2012, down from 7.6% in the previous quarter, marking the lowest growth rate since early 2009. With respect to China's gross domestic product ("GDP"), a year-on-year increase of 7.7% was recorded for the first three quarters of 2012, reaching RMB35.35 trillion.

Over the past three decades, China's economy has grown at an average of approximately 10.0% per year, enabling it to overtake many developed countries to become the second largest economy in the world. However, in the last quarter, the economy slowed more than expected as weak consumption sentiment in Europe and the United States curbed demand for goods manufactured in China.

In Hong Kong, the economy experienced a modest growth, with real GDP in the third quarter of 2012 up by 1.3% over the preceding year, similar to the 1.2% pace in the second quarter. Exports remained weak in the face of the same sluggish global economic conditions that affected the motherland.

The Paper Industry

Against the stagnant market situation, customers were more cautious in procurement and tended to keep less stock for their operation and this further led to weaker demand for paper products. Startup of new paper machines in the PRC during the period further dampened market confidence in the sector. Under the imbalance of supply and demand, prices of book printing paper and packaging board decreased in the range of 10% as compared to those in the beginning of the period. However, the decreasing price trend has been stabilized in the fourth quarter of the year when the economy in the PRC appeared to have bottomed out.

The slowdown in demand growth as a result of the tight monetary policy and the feeble consumer confidence has caused competition to intensify, with competitors, especially in the paper manufacturing sector with new capacities coming on board sacrificing margins to maintain market share and liquidity position.

Under the tight monetary supply situation in the PRC, the liquidity of customers was seriously affected and the risk of credit default became much higher for those customers in a weak financial position.

Overview of Operations

Financial Performance

Facing a surge in supply, deteriorating demand and high credit risk exposure from customers, the Group strategically shifted its focus to serving quality customers instead of just aiming for turnover growth. As a result, the Group's turnover decreased by 9.6% year on year from HK$2,676,000,000 to HK$2,419,000,000.

To further combat the poor market conditions, the Group adopted stringent cost and risk control measures, which acted as a first line of defense for protecting the Group's profitability. Profit attributable to the owners of the Company was recorded at HK$25,000,000 (2011/12: HK$40,000,000). Basic earnings per share were HK2.1 cents (2011/12: HK3.4 cents).

The Group has always been committed to controlling costs and minimizing credit risk. With tight monetary supply and more stringent credit policies in China, the management has accumulated an appropriate level of cash and bank balance (including restricted bank deposit), which reached HK$733,000,000 (31 March 2012: HK$939,000,000) as at 30 September 2012. This enables the Group to tap its own resources when necessary, lower interest costs and maintain a healthy gearing ratio — currently at approximately 45.7%. In terms of provisions for doubtful debt, it presently represents 0.14% of the Group's total revenue. All of the measures taken also serve to highlight the Group's healthy financial position.

In respect of turnover by business segment, paper trading, paper manufacturing and other businesses accounted for 86.6%, 10.7% and 2.7% of the Group's total turnover respectively.

Paper Business

The Group adopted a conservative sales strategy for paper business, especially for the paper manufacturing business to mitigate the credit risk and the effect of the decreasing price trend. The Group's paper product business reported a decrease of 10.2% in turnover to HK$2,353,000,000, compared with HK$2,619,000,000 for the same period last year. Operating profit reached HK$75,000,000 (2011/12: HK$96,000,000). In terms of total volume, the Group sold 407,900 metric tonnes of paper products during the review period, compared with 459,800 metric tonnes for the last corresponding period.

The Group's effort to expand its presence in China has achieved notable results. The PRC continues to be the Group's largest market, accounting for 63.7% of total turnover of paper products. Hong Kong — the Group's second largest market — accounted for approximately 26.2% of total paper products sales whereas other Asian markets accounted for the remaining 10.1%.

As at 30 September 2012, the Group has sales offices in 20 cities across the country. While continuously strengthening its presence in China, the Group has also sought to optimize the efficiency of individual offices, and has started to reap the benefits of such effort. Turnover of the paper trading business increased by 1.5% to HK$2,095,000,000 against HK$2,064,000,000 for the same period last year with a 3.3% rise in sales tonnage, despite adverse economic conditions.

The shift of focus of the Group to defending profitability and serving quality customers prompted by adverse market conditions brought a decrease of 45.6% in the sales of paper products of the paper manufacturing business to HK$390,000,000 with the sales tonnage declining by 37.9%. As the PRC economy has bottomed out in the fourth quarter of the year, the decreasing price trend and the market situation has stablised. Operating profit of HK$18,000,000 was recorded for the period while operating profit margin stood at 6.9%.

Other Businesses

The aeronautic parts and services business and marine services business recorded turnover of HK$26,000,000 and HK$36,000,000 respectively during the period under review.

Prospects

Going forward, the management believes that global economies will continue to be restrained by unresolved economic, political and social issues affecting key industrialized nations. Fallout from the debt crisis in Europe and weak economic performance in the US have expectedly affected Asian economies, including Hong Kong where the export outlook has been less promising. However, given that Asian economies generally have better fundamentals than their Western counterparts allowing for greater room to maneuver in terms of stimulus policies, the slowdown in the East is not seen as a long-term issue.

With economic outlook remaining unclear, the management believes that taking a cautious yet farsighted approach towards business development will be essential. In terms of the paper trading business, the Group will focus on further growing a regional sales offices network. This will not only stimulate the paper trading business leading to greater sales for the Group's paper products, but also benefit the manufacturing business over the long term.

To enhance the profitability in the paper manufacturing business, the Group will continue to optimize the productivity and energy usage of the machinery and develop its production lines to turn out a broader range of products, which include higher-margin items. Aside from the prudent management of the core businesses, the Group will also continue to practise safe financial measures, which include conservative cash management and complemented by close control of customer credit. The management is convinced that the Group has all necessary attributes to overcome the current economic malaise.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK 0.4 cent (2011: HK 0.5 cent) per share for the six months ended 30 September 2012. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 4 January 2013. The interim dividend will be paid around 16 January 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 January 2013 to 4 January 2013 (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 31 December 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2012, the Group employed 1,782 staff members, 127 of whom are based in Hong Kong and 1,320 are based in the PRC and 335 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, medical insurance and the use of share option scheme to reward high-calibre staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 30 September 2012, short term deposits plus bank balances amounted to HK$733 million (including restricted bank deposits of HK$143 million) and bank borrowings amounted to HK$2,115 million.

As at 30 September 2012, the Group's gearing ratio was 45.7% (31 March 2012: 42.8%), calculated as net debt divided by total capital. Net debt of HK$1,382 million is calculated as total borrowings of HK$2,115 million (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK$733 million. Total capital is calculated as total equity of HK$1,643 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.15 times (31 March 2012: 1.15 times).

With bank balances and other current assets of approximately HK$3,368 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 2012, bank borrowings in Renminbi amounted to HK$468 million (31 March 2012: HK$439 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. As at 30 September 2012, the Group has HK$20 million interest rate swap contracts (31 March 2012: HK$20 million).

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 2012 amounted to HK$2,115,000,000 (31 March 2012: HK$2,148,000,000).

CHARGE OF ASSETS

As at 30 September 2012, trust receipt loans of HK$195,563,000 (31 March 2012: HK$279,560,000) and bank loans of HK$74,524,000 (31 March 2012: HK$95,862,000) 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 2012 before it was tabled for the Board's approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2012, 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 2012 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 2012/13 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, 23 November 2012

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*