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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 2013

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 2013 and consolidated balance sheet as at that date together with comparative figures for the financial year ended 31 March 2012. The annual results have been reviewed by the Company’s audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2013

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Revenue	2	4,669,835	5,025,024
Cost of sales		(4,208,853)	(4,569,795)
Gross profit		460,982	455,229
Other gains and income, net		111,872	54,734
Selling expenses		(177,283)	(174,023)
Administrative expenses		(197,515)	(179,688)
Other operating expenses		(25,480)	(2,656)
Operating profit	3	172,576	153,596
Finance costs		(88,943)	(82,311)
Profit before taxation		83,633	71,285
Taxation	4	(18,626)	(15,221)
Profit for the year		65,007	56,064

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Attributable to:			
Owners of the Company		63,661	56,710
Non-controlling interests		1,346	(646)
		<u>65,007</u>	<u>56,064</u>
Earnings per share			
Basic	5	<u>HK 5.4 cents</u>	<u>HK 4.8 cents</u>
Diluted		<u>HK 5.0 cents</u>	<u>HK 4.5 cents</u>
Dividends	6	<u>19,097</u>	<u>18,843</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 March 2013*

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Profit for the year	65,007	56,064
Other comprehensive income		
Currency translation differences	22,130	44,841
Revaluation of land and buildings, net of deferred tax	8,290	49,009
Reversal of deferred tax on fair value gains upon transfer from property, plant and equipment to investment properties	6,720	9,758
Revaluation of available-for-sale financial assets	114	112
	<hr/>	<hr/>
Other comprehensive income for the year, net of tax	37,254	103,720
	<hr/>	<hr/>
Total comprehensive income for the year	102,261	159,784
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
— Owners of the Company	99,423	160,304
— Non-controlling interests	2,838	(520)
	<hr/>	<hr/>
Total comprehensive income for the year	102,261	159,784
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED BALANCE SHEET

As at 31 March 2013

	<i>Note</i>	31 March 2013 HK\$'000	31 March 2012 HK\$'000 (Restated)	1 April 2011 HK\$'000 (Restated)
Non-current assets				
Property, plant and equipment		1,695,826	1,521,326	1,330,148
Prepaid premium for land leases		157,483	159,762	42,343
Investment properties		163,601	165,997	150,000
Intangible assets		47,536	44,653	45,168
Available-for-sale financial assets		5,624	5,258	4,327
Non-current deposit		8,165	15,400	14,863
Deferred tax assets		8,249	4,940	7,195
		<u>2,086,484</u>	<u>1,917,336</u>	<u>1,594,044</u>
Current assets				
Inventories		704,536	706,662	836,973
Accounts receivable, deposits and prepayments	7	1,768,326	1,630,971	1,431,250
Financial assets at fair value through profit or loss		675	2,673	6,282
Taxation recoverable		890	3,014	6,004
Restricted bank deposits		182,948	174,446	152,258
Bank balances and cash		392,307	765,045	682,724
		<u>3,049,682</u>	<u>3,282,811</u>	<u>3,115,491</u>
Non-current asset held for sale		<u>110,000</u>	<u>76,000</u>	<u>—</u>
		<u>3,159,682</u>	<u>3,358,811</u>	<u>3,115,491</u>
Current liabilities				
Accounts payable and other payables	8	1,339,738	1,326,672	1,362,261
Trust receipt loans		774,408	839,292	815,841
Taxation payable		12,523	15,158	15,239
Derivative financial instruments		769	795	—
Borrowings		680,482	749,286	520,572
		<u>2,807,920</u>	<u>2,931,203</u>	<u>2,713,913</u>
Net current assets		<u>351,762</u>	<u>427,608</u>	<u>401,578</u>
Total assets less current liabilities		<u>2,438,246</u>	<u>2,344,944</u>	<u>1,995,622</u>

	<i>Note</i>	31 March 2013 HK\$'000	31 March 2012 HK\$'000 (Restated)	1 April 2011 HK\$'000 (Restated)
Equity				
Equity attributable to owners of the Company				
Share capital		127,315	127,315	127,315
Reserves		1,476,646	1,399,037	1,086,176
Proposed final dividend		14,005	12,477	12,731
		1,490,651	1,411,514	1,098,907
		1,617,966	1,538,829	1,226,222
Non-controlling interests		107,446	104,801	10,144
		1,725,412	1,643,630	1,236,366
Non-current liabilities				
Accounts payable and other payables	8	1,486	73,869	—
Borrowings		641,581	559,375	720,986
Deferred tax liabilities		69,767	68,070	38,270
		712,834	701,314	759,256
		2,438,246	2,344,944	1,995,622

Notes:

1. BASIS OF PREPARATION

The consolidated accounts of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of properties, available-for-sale financial assets and financial assets/liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

(a) New and amended standards adopted by the Group

The Group has adopted the following new standards, amendments and interpretations on 1 April 2012:

(a) Changes in accounting policy and disclosures on the provision of deferred tax on revaluation of investment properties:

The HKICPA has amended Hong Kong Accounting Standard (“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.

The Group has adopted this amendment retrospectively for the financial year ended 31 March 2013 and the effects of adoption are disclosed as follows.

The Group has investment properties measured at their fair values totalling HK\$165,997,000 (1 April 2011: HK\$150,000,000) as of 1 April 2012. As required by the amendment, the Group has re-measured the deferred tax relating to certain investment properties amounting to HK\$165,997,000 (1 April 2011: HK\$150,000,000) as of 1 April 2012 according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. The comparative figures for the year ended 31 March 2012 have been restated to reflect the change in accounting policy, as summarised below.

Effect on consolidated balance sheet	31 March	31 March	1 April
	2013	2012	2011
	HK\$'000	HK\$'000	HK\$'000
Decrease in deferred tax liabilities	45,860	26,952	14,081
Increase in retained earnings	23,204	10,564	8,055
Increase in asset revaluation reserve	22,656	16,388	6,026

Effect on consolidated profit and loss account	Year ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
Decrease in income tax expense	12,640	2,509
Increase in net profit attributable to owners of the Company	12,640	2,509
Increase in basic earnings per share (“EPS”)	HK 1.1 cents	HK 0.2 cent
Increase in diluted EPS	HK 1.0 cent	HK 0.2 cent

(b) The following amended standards are mandatory for the first time for the financial year beginning 1 April 2012 but either have no significant impact to the Group’s results and financial position or are not currently relevant to the Group:

- HKFRS 1 (Amendment) Severe hyperinflation and removal of fixed dates for first-time adopters
- HKFRS 7 (Amendment) Disclosures — Transfers of financial assets

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted by the Group

The following new and amended standards have been issued but are not effective for the financial year beginning 1 April 2012 and the Group has not 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 1 (Amendment)	First time adoption — government loans	1 January 2013
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 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, Joint arrangements and disclosure of interests in other entities transitional guidance	1 January 2013
HKFRS 10, HKFRS 12 and HKFRS 27 (2011) (Amendments)	Investment entities	1 January 2014
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

The directors are currently assessing the impact on their adoption and the impact of adoption of these new standards, revised standards and amendments and interpretations to existing standards in future periods is not currently known or cannot be reasonably estimated.

2. SEGMENT INFORMATION

As at 31 March 2013, 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 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.

The segment information for the year ended and as at 31 March 2013 is as follows:

	Paper trading HK\$'000	Paper manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Total segment revenue	4,097,377	843,631	139,746	5,080,754
Inter-segment revenue	(153,815)	(249,302)	(7,802)	(410,919)
Revenue from external customers	3,943,562	594,329	131,944	4,669,835
Reportable segment results	132,580	47,735	2,193	182,508
Corporate expenses				(9,932)
Operating profit				172,576
Finance costs				(88,943)
Profit before taxation				83,633
Taxation				(18,626)
Profit for the year				65,007
Other items for the year ended 31 March 2013				
Interest income	9,321	1,566	10	10,897
Depreciation of property, plant and equipment	10,143	39,102	8,375	57,620
Amortisation of prepaid premium for land leases	178	3,237	72	3,487
Amortisation of intangible assets	721	38	—	759
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment assets	2,930,047	2,134,514	172,387	5,236,948
Taxation recoverable				890
Deferred tax assets				8,249
Corporate assets				79
Total assets				5,246,166
Reportable segment liabilities	1,652,817	427,751	35,368	2,115,936
Taxation payable				12,523
Deferred tax liabilities				69,767
Corporate liabilities				1,322,528
Total liabilities				3,520,754

The segment information for the year ended and as at 31 March 2012 is as follows:

	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
Total segment revenue	4,199,128	1,041,901	134,713	5,375,742
Inter-segment revenue	(145,683)	(190,627)	(14,408)	(350,718)
Revenue from external customers	4,053,445	851,274	120,305	5,025,024
Reportable segment results	92,049	71,078	5,506	168,633
Corporate expenses				(15,037)
Operating profit				153,596
Finance costs				(82,311)
Profit before taxation				71,285
Taxation				(15,221)
Profit for the year				56,064
Other items for the year ended 31 March 2012:				
Interest income	9,425	2,226	17	11,668
Depreciation of property, plant and equipment	11,776	34,082	7,673	53,531
Amortisation of prepaid premium for land leases	837	550	72	1,459
Amortisation of intangible assets	541	30	—	571
	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
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
Reportable segment liabilities	1,798,387	410,165	31,483	2,240,035
Taxation payable				15,158
Deferred tax liabilities				68,070
Corporate liabilities				1,309,254
Total liabilities				3,632,517

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

	Group			
	Revenue		Non-current assets¹	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,070,755	1,423,808	259,386	266,307
The PRC ²	3,051,142	3,094,932	1,730,755	1,558,148
Singapore	125,092	112,768	72,502	87,054
Korea	357,696	323,472	1,298	638
Malaysia	60,520	63,084	14,277	239
USA	4,630	6,960	17	10
	4,669,835	5,025,024	2,078,235	1,912,396

¹ Non-current assets excluded deferred tax assets.

² 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 charging and crediting the following:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Charging		
Cost of inventories sold	3,757,519	4,538,163
Depreciation of property, plant and equipment	57,620	53,531
Amortisation of prepaid premium for land leases	3,487	1,459
Amortisation of intangible assets	759	571
Operating lease rentals in respect of:		
— land and buildings	17,196	15,432
Transportation costs	120,917	121,765
Unrealised losses on derivative financial instruments	—	795
Provision for impairment on inventories	25,979	—
Provision for impairment on receivables	11,272	6,461
Employee benefits expenses	123,068	110,089
Auditor's remuneration	2,620	2,522
Loss on disposal of non-current asset held for sale	726	—
Crediting		
Gains on disposal of property, plant and equipment	174	96
Net exchange gains	5,865	953
Realised and unrealised gains on derivative financial instruments	—	396
Provision for impairment on inventories written back	—	42
Provision for impairment on receivables written back	6,830	2,143

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 profit and loss account represents:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Hong Kong profits tax	4,619	6,535
Overseas taxation	9,370	5,806
Over provision in previous years	(30)	—
Deferred taxation relating to origination and reversal of temporary differences	4,667	2,880
	<u>18,626</u>	<u>15,221</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\$61,839,000 (2012 restated: HK\$54,729,000) by the weighted average number of 1,141,076,000 (2012: 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 (2012: Nil) has been granted under the scheme.

	Group	
	2013	2012
		(Restated)
Profit attributable to the owner of the Company (<i>HK\$'000</i>)	<u>63,661</u>	<u>56,710</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,141,076	1,141,076
Adjustment for:		
— Preference shares (<i>'000</i>)	<u>132,065</u>	<u>132,065</u>
Weighted average number of shares for diluted earnings per share (<i>'000</i>)	<u>1,273,141</u>	<u>1,273,141</u>
Diluted earnings per share	<u>HK 5.0 cents</u>	<u>HK 4.5 cents</u>

6. DIVIDENDS

	Group and Company	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim — HK\$0.004 (2012: HK\$0.0050) per ordinary share	4,564	5,706
Interim — HK\$0.004 (2012: HK\$0.0050) per preference share	528	660
Proposed final — HK\$0.011 (2012: HK\$0.0098) per ordinary share	12,552	11,183
Proposed final — HK\$0.011 (2012: HK\$0.0098) per preference share	1,453	1,294
	<u>19,097</u>	<u>18,843</u>

At a meeting held on 25 June 2013, the directors proposed a final dividend of HK\$0.011 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2014.

7. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable — net of provision	1,100,971	1,088,457
Other receivables, deposits and prepayments	667,355	542,514
	<u>1,768,326</u>	<u>1,630,971</u>

The aging analysis of accounts receivable is as follows:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 60 days	838,037	771,218
61 to 90 days	136,097	132,868
Over 90 days	126,837	184,371
	<u>1,100,971</u>	<u>1,088,457</u>

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

8. ACCOUNTS PAYABLE AND OTHER PAYABLES

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts and bills payables	1,154,538	1,167,892
Accruals and other payables	186,686	232,649
	1,341,224	1,400,541
Less: non-current portions:		
Accounts payable and other payables	(1,486)	(73,869)
	<u>1,339,738</u>	<u>1,326,672</u>

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

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 60 days	922,722	900,106
61 to 90 days	126,027	170,658
Over 90 days	105,789	97,128
	<u>1,154,538</u>	<u>1,167,892</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the financial year under review, the business environment was bleak. In Europe, the sovereign debt crisis lingered stubbornly and a number of countries continued to adopt austerity policies. In the United States, the recovery of economy was still rife with uncertainties and high unemployment rate. Under the effects of globalization, the real economies in different countries worldwide, including Hong Kong and Mainland China, had great negative impact.

In the Mainland, exports and foreign investments dropped sharply while domestic demand was anaemic because of weak consumer confidence and tight money supplies.

In Hong Kong, the economy experienced a modest growth, with real GDP in the first quarter of 2013 up by 2.8% over the preceding year, similar to that in the fourth quarter of 2012. Exports remained weak in the face of an unsteady global economic conditions that affected the motherland.

The Paper Industry

Amid the stagnant market situation, customers were cautious in procurement and kept less stock for their operation and thus led to weaker demand for paper products. As new capacities from paper mills in the PRC kept starting up, this further exacerbated the imbalance situation of supply and demand in the industry. Under the market condition, prices of book printing paper and packaging board decreased 5% and 15% respectively as compared to those in the beginning of the year. However, the price has been stabilized from a downward trend towards the end of the financial year.

The slowdown in demand growth as a result of the tight monetary policy and the feeble consumer confidence has caused competition to intensify and thus margins are under pressure in the industry.

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

Against this challenge business climate, the Group strategically shifted its focus to serving quality customers and optimizing earning quality instead of seeking turnover growth. As a result, the Group's turnover decreased by 7.1% year on year from HK\$5,025 million to HK\$4,670 million but sales volume rose by 2% with actively consolidation of the existing sales network in the PRC. Attaining favourable pricing from suppliers, streamlining the logistic and warehousing arrangement with customers and suppliers as well as an aggressive procurement strategy adopted in the PRC market, the gross profit margin recovered during the second half of the year and thus the overall gross profit margin improved 8.9% from 9.1% to 9.9%. After provision made for slow moving stocks of HK\$26 million and doubtful debts of HK\$11 million, consistent with group accounting policies, profit for the year increased 16% to HK\$65 million. Net profit margin stood at 1.4% compared to 1.1% last year. Earning per share were HK5.4 cents, compared to HK4.8 cents (restated) for the preceding year.

The Board has recommended the payment of a final dividend of HK1.1 cents per share. Together with an interim dividend of HK0.4 cent per share already paid, total dividend for the year will amount to HK1.5 cents per share, translating to a dividend payout ratio of 30%.

The Group has always been committed to controlling costs, improving operating efficiency and minimizing credit risk. With tight monetary supply and more stringent credit policies in China, the management has maintained an appropriate level of cash and bank balance (including restricted bank deposit), which reached HK\$575 million as at 31 March 2013. This enables the Group to tap its own resources when necessary, lower interest costs and maintain a healthy gearing ratio — currently at approximately 46.9%. In terms of provisions for doubtful debt, it presently represents 0.1% of the Group's total revenue after taking into account of the write back of the provision of HK\$6.8 million. All of the measures taken also serve to highlight the Group's healthy financial position.

By business segment, paper trading, paper manufacturing and other businesses accounted for 84.4%, 12.8% and 2.8% of the Group's total turnover respectively.

Paper Business

The Group focused its sales strategy on serving quality customers to mitigate the credit risk and the effect of the downward price trend. The Group's paper product business reported a decrease of 7.5% in turnover to HK\$4,538 million compared with HK\$4,905 million last year but in volume term, the Group's sales of paper products has a rise of 2% to 833,400 metric tonnes supported by the strong extensive sales network in the PRC. Operating profit amounted to HK\$180 million, representing an increase of 10% when compared to HK\$163 million last year.

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 67% of total turnover of paper products. Hong Kong — the Group's second largest market — accounted for approximately 23.6% of total paper products sales whereas other Asian markets accounted for the remaining 9.4%.

As at 31 March 2013, 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 reported a decrease of 2.7% to HK\$3,944 million but with a 7.9% rise in sales tonnage, despite sluggish economic conditions.

As the domestic market became stabilized in the second half of the year and sales efforts targeted on quality customers, the sales revenue and tonnage of paper manufacturing business has picked up significantly. The paper manufacturing business recorded a decrease of 19% in turnover of HK\$844 million and 4.1% drop in sales tonnage. With the soften fibre costs, the effective of cost control measures and streamlining work flow procedures, operating profit of HK\$48 million was recorded for the year while operating profit margin slightly decreased by 3.9% to 8.0%.

Other Businesses

The aeronautic parts and services business and marine services business recorded turnover of HK\$49 million and HK\$76 million respectively during the year.

Prospects

With the current global economic conditions, to mitigate the current market instability and uncertainties, the management believes that a prudent with visionary approach on business development shall be continued to adopt as the overall group policy. The Group's core business, paper trading business, will set its effort on expansion of sales network by setting up more sales offices in the central part of China in the coming years. By expanding the sales coverage, the Group will be able to speedily leverage its extensive sales network upon the economy picking up and capture

the market share further in the domestic market. For the other core business, paper manufacturing business, the management will continue to optimize the productivity and efficiency of the business to enhance its profitability continuously. With the intensified environmental protection effort of the PRC government, the speed of closing down the inefficient paper production capacities is expected to be escalated, and thus to alleviate the market imbalance, this will give a great opportunity to fully exert the potential of the paper manufacturing business.

Urbanisation in the PRC increased in speed following the initiation of the national reform policy. By the end of 2012, the PRC had a big portion of total urban population, highly rising from 1990. The government believes that it will continue to expand in latitude in the coming years. This will effectively boost domestic demand and serves as a structural adjustment for the future sustainable and stable growth of China's economy. Consequently, the overall businesses of the Group will definitely be benefited by this fundamental element.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK1.1 cents per share (2012: HK0.98 cent) payable on or around 18 October 2013 to persons who are registered shareholders of the Company on 30 September 2013 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK0.4 cent per share (2012: HK0.5 cent), the total dividend for the financial year is HK1.5 cents per share (2012: HK1.48 cents).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 19 September 2013 to 24 September 2013 (both days inclusive) and 2 October 2013 to 4 October 2013 (both days inclusive) respectively, 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 Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 18 September 2013. 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 Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 30 September 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2013, the Group employed 1,813 staff members, 125 of whom are based in Hong Kong and 1,360 are based in the PRC and 328 are based in other Asian countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund, medical insurance and the use of a share option scheme to reward high-calibre staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2013, short term deposits plus bank balances amounted to HK\$575 million (2012: HK\$939 million) (including restricted bank deposits of HK\$183 million (2012: HK\$174 million)) and bank borrowings amounted to HK\$2,096 million (2012: HK\$2,148 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2013, the Group's gearing ratio was 46.9% (2012 (restated): 42.4%), calculated as net debt divided by total capital. Net debt of HK\$1,521 million (2012: HK\$1,209 million) is calculated as total borrowings of HK\$2,096 million (2012: HK\$2,148 million) (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK\$575 million (2012: HK\$939 million). Total capital is calculated as total equity of HK\$1,725 million (2012 (restated): HK\$1,644 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.13 times (2012: 1.15 times).

With bank balances and other current assets amounted to HK\$3,160 million (2012: HK\$3,359 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 2013, bank borrowings in Renminbi amounted to HK\$482 million (2012: HK\$439 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 2013 was HK\$20,000,000 (2012: HK\$20,000,000).

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2013, 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 2013 amounted to HK\$2,090 million (2012: HK\$2,145 million).

Certain land and buildings, investment properties and non-current asset held for sale of the Company's subsidiaries, with a total carrying value of HK\$328 million as at 31 March 2013 (2012: HK\$308 million) were pledged to banks as securities for bank loans of HK\$71 million (2012: HK\$96 million) and trust receipt loans of HK\$71 million (2012: HK\$280 million) granted to the Group.

AUDIT COMMITTEE

The audit committee of the Company (the "Committee") comprises two independent non-executive directors of the Company, namely Mr. Pang Wing Kin, Patrick and Mr. Tong Yat Chong and one non-executive director of the Company, namely Mr. Lau Wang Yip, Eric. The principal activities of the Committee include the review and supervision of the Group's financial reporting process and

internal controls. The Committee has met with the senior management of the Company and the Company's external auditor to review the annual financial statements as at 31 March 2013 before recommending them to the Board for approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

The 2012/2013 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) and the Company's website (www.samsonpaper.com) in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. SHAM Kit Ying, Mr. LEE Seng Jin, Mr. CHOW Wing Yuen, Ms. SHAM Yee Lan, Peggy and Mr. LEE Yue Kong, Albert, one non-executive Director, Mr. LAU Wang Yip, Eric and three independent non-executive Directors, namely Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong and Mr. NG Hung Sui, Kenneth.

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 25 June 2013

* *for identification purpose only*