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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 2016

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 2016 and consolidated balance sheet as at that date together with comparative figures for the financial year ended 31 March 2015. The annual results have been reviewed by the Company’s audit committee.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2016

		Year ended 31 March	
		2016	2015
	Note	HK\$'000	HK\$'000
Revenue	2	5,000,852	5,277,933
Cost of sales		(4,519,234)	(4,780,503)
Gross profit		481,618	497,430
Fair value gains on investment properties		50,200	121,300
Other gains and income, net		32,008	27,420
Selling expenses		(198,313)	(185,391)
Administrative expenses		(203,375)	(207,797)
Other operating expenses		(10,817)	(7,662)
Operating profit	3	151,321	245,300
Finance costs		(71,601)	(92,708)
Profit before taxation		79,720	152,592
Taxation	4	(25,359)	(29,256)
Profit for the year		54,361	123,336

		Year ended 31 March	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Owners of the Company		46,675	114,225
Non-controlling interests		7,686	9,111
		<u>54,361</u>	<u>123,336</u>
Earnings per share			
Basic	5	<u>HK3.8 cents</u>	<u>HK9.9 cents</u>
Diluted		<u>HK3.7 cents</u>	<u>HK9.0 cents</u>
Dividends	6	<u>13,367</u>	<u>36,921</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Year ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Profit for the year	54,361	123,336
Other comprehensive loss		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(142,331)	(7,618)
Revaluation of available-for-sale financial assets	779	(537)
Other comprehensive loss for the year, net of tax	(141,552)	(8,155)
Total comprehensive (loss)/income for the year	(87,191)	115,181
Attributable to:		
— Owners of the Company	(92,138)	106,293
— Non-controlling interests	4,947	8,888
Total comprehensive (loss)/income for the year	(87,191)	115,181

CONSOLIDATED BALANCE SHEET*As at 31 March 2016*

		As at 31 March	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment		1,755,225	1,841,074
Land use rights		143,266	166,105
Investment properties		515,500	465,300
Intangible assets		41,618	41,788
Available-for-sale financial assets		5,732	4,953
Non-current deposits and prepayments		6,614	5,715
Deferred tax assets		8,983	3,545
		2,476,938	2,528,480
Current assets			
Properties under development		60,968	—
Inventories		610,372	721,431
Accounts and other receivables	7	2,021,894	1,998,650
Financial assets at fair value through profit or loss		637	786
Taxation recoverable		1,838	913
Restricted bank deposits		166,181	218,000
Bank balances and cash		359,466	411,270
		3,221,356	3,351,050
Non-current assets held for sale		—	4,373
		3,221,356	3,355,423
Current liabilities			
Accounts and other payables	8	1,392,023	1,571,600
Trust receipt loans		885,623	752,466
Taxation payable		53,517	32,617
Derivative financial instruments		55	293
Borrowings		510,465	581,512
		2,841,683	2,938,488
Net current assets		379,673	416,935
Total assets less current liabilities		2,856,611	2,945,415

		As at 31 March	
		2016	2015
	<i>Note</i>	HK\$'000	HK\$'000
Financed by:			
Share capital		127,315	127,315
Reserves		<u>1,576,972</u>	<u>1,706,031</u>
		1,704,287	1,833,346
Non-controlling interests		<u>183,834</u>	<u>178,887</u>
Total equity		<u>1,888,121</u>	<u>2,012,233</u>
Non-current liabilities			
Accounts and other payables	8	71,140	23,808
Borrowings		804,019	813,857
Deferred tax liabilities		<u>93,331</u>	<u>95,517</u>
		<u>968,490</u>	<u>933,182</u>
		<u>2,856,611</u>	<u>2,945,415</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements 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 financial statements 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.

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

(a) New and Amended Standards adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning 1 April 2015 but have no significant impact to the Group’s results and financial positions:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs — 2010 — 2012 Cycle, on HKFRS 8, “Operating segments”, HKAS 16, “Property, plant and equipment” and HKAS 38, “Intangible assets” and HKAS 24, “Related party disclosures”.

Amendments from annual improvements to HKFRSs — 2011 — 2013 Cycle, on HKFRS 3, “Business combinations”, HKFRS 13, “Fair value measurement” and HKAS 40, “Investment property”.

(b) In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

- (c) New Standards and Interpretations not yet adopted.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2015 and have not been applied in preparing these consolidated financial statements.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investments entities applying the consolidation exception	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKAS 1	The disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual Improvements Project	Annual improvement 2014 cycle	1 January 2016
HKFRS 16	Leases	1 January 2019
HKFRS 9	Financial instruments	1 January 2018

The Group has commenced an assessment of the impact of the above new and amended standards and interpretations 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 amended standard and interpretations when they become effective.

2. SEGMENT INFORMATION

As at 31 March 2016, management revisited the Group's operating activities and identified as a separate business segment of the Group's principal activities. The Group is organised on a worldwide basis into four main business segments:

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

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

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

The segment information for the year ended and as at 31 March 2015 is restated as follows:

	Paper trading <i>HK\$'000</i>	Paper manufacturing <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment revenue	4,278,526	992,101	17,483	171,533	5,459,643
Inter-segment revenue	(93,544)	(78,338)	(2,360)	(7,468)	(181,710)
Revenue from external customers	4,184,982	913,763	15,123	164,065	5,277,933
Reportable segment results	45,921	85,109	135,036	(8,598)	257,468
Corporate expenses					(12,168)
Operating profit					245,300
Finance costs					(92,708)
Profit before taxation					152,592
Taxation					(29,256)
Profit for the year					123,336
Other items for the year ended 31 March 2015					
Interest income	7,969	876	—	35	8,880
Depreciation of property, plant and equipment	11,109	48,345	—	9,547	69,001
Amortisation of land use rights	857	3,597	—	74	4,528
Amortisation of intangible assets	847	49	—	60	956
Fair value gains on investment properties	—	—	121,300	—	121,300
Capital expenditure	9,833	108,168	—	12,838	130,839
Reportable segment assets	2,905,710	2,329,508	467,865	176,048	5,879,131
Taxation recoverable					913
Deferred tax assets					3,545
Corporate assets					314
Total assets					5,883,903
Reportable segment liabilities	2,070,963	240,349	2,890	33,497	2,347,699
Taxation payable					32,617
Deferred tax liabilities					95,517
Corporate liabilities					1,395,837
Total liabilities					3,871,670

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

	Revenue		Non-current assets ¹	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	854,931	943,379	600,488	570,403
The PRC ²	3,720,059	3,900,855	1,796,038	1,882,127
Singapore	110,646	116,638	57,995	57,786
Korea	276,797	271,776	2,159	2,539
Malaysia	37,788	41,527	11,268	12,072
USA	631	3,758	7	8
	<u>5,000,852</u>	<u>5,277,933</u>	<u>2,467,955</u>	<u>2,524,935</u>

¹ Non-current assets excluded deferred tax assets.

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

3. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2016	2015
	HK\$'000	HK\$'000
Charging		
Cost of inventories sold	4,382,911	4,631,225
Depreciation of property, plant and equipment	72,114	69,001
Amortisation of land use rights	5,010	4,528
Amortisation of intangible assets	957	956
Operating lease rentals in respect of land and buildings:		
— Minimum lease payment	41,756	28,797
— Contingent rent	159	209
Transportation costs	79,867	70,915
Provision for impairment on receivables	33,338	10,193
Employee benefit expenses	134,686	128,263
Auditor's remuneration		
— Audit services	3,173	3,237
— Non-audit services	82	83
	<u>82</u>	<u>83</u>
Crediting		
Gains on disposal of property, plant and equipment	292	970
Gain on disposal of land use rights	—	2,321
Write-back of provision for inventories	9,305	13,046
Write-back of provision for receivables	15,726	1,005
	<u>15,726</u>	<u>1,005</u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong profits tax	6,009	5,282
Overseas taxation	24,479	16,667
Over-provision in previous years	(25)	(911)
Deferred taxation relating to origination and reversal of temporary differences	(5,104)	8,218
	<u>25,359</u>	<u>29,256</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\$42,845,000 (2015: HK\$112,508,000) by the weighted average number of 1,141,076,000 (2015: 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.

	2016	2015
Profit attributable to the owner of the Company (<i>HK\$'000</i>)	<u>46,675</u>	<u>114,225</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>HK3.7 cents</u>	<u>HK9.0 cents</u>

6. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim — HK\$0.004 (2015: HK\$0.004) per ordinary share	4,564	4,564
Interim — HK\$0.004 (2015: HK\$0.004) per preference share	528	528
Proposed final — HK\$0.0065 (2015: HK\$0.025) per ordinary share	7,417	28,527
Proposed final — HK\$0.0065 (2015: HK\$0.025) per preference share	858	3,302
	<u>13,367</u>	<u>36,921</u>

At a meeting held on 27 June 2016, the directors proposed a final dividend of HK\$0.0065 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2017.

7. ACCOUNTS AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accounts receivable — net of provision	1,017,196	1,241,952
Bills receivable	353,065	266,726
Other receivables, deposits and prepayments	651,633	489,972
	<u>2,021,894</u>	<u>1,998,650</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current to 60 days	1,120,722	1,128,450
61 to 90 days	116,879	171,153
Over 90 days	132,660	209,075
	<u>1,370,261</u>	<u>1,508,678</u>

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

8. ACCOUNTS AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accounts and bills payable	1,236,617	1,446,372
Accruals and other payables	226,546	149,036
	1,463,163	1,595,408
Less: non-current portions: Accounts and other payables	<u>(71,140)</u>	<u>(23,808)</u>
	<u>1,392,023</u>	<u>1,571,600</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current to 60 days	913,964	947,467
61 to 90 days	161,266	194,865
Over 90 days	161,387	304,040
	<u>1,236,617</u>	<u>1,446,372</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

For the financial year under review, the United States was staying on a path of moderate growth while other major countries' economies, including Eurozone and China, were still facing uncertainties and slowdown. The gross domestic product growth in China, the world's second-largest economy, has continuously decelerated, reaching 6.7% in the first quarter of 2016 from 6.9% for the year of 2015, the slowest pace in 25 years. Over-capacity across heavy industries, rising bad loans among corporates and weak export environment were crimping investment and production.

In Hong Kong, the territory's economy experienced a modest growth, with 0.8% growth in real GDP in the first quarter of 2016, which is slightly slower than the 1.9% growth in the immediately preceding quarter. Slowdown in the mainland economy has caused impacts on Hong Kong economic growth. Owing to a stronger HK dollar, which is pegged to the US dollar, the Hong Kong's export performance and retail sales were adversely affected.

The Paper Industry

For the financial year under review, paper and board prices were mostly stagnant and low in the market as the downstream demand for certain grades of paper products has remained weak amid the lackluster China economy. To tackle oversupply and the ensuing stagnant pricing, mills curtailed production to lock in price hikes in the second half of the year. The efforts have brought market prices for certain grades of paper products up for small hikes and kept prices of paper products relatively steady. Banks continued to tighten their credits on customers in order to limit their high bad debt exposure. This caused fierce competition for orders from good quality customers, leading to lower profit margin when securing business.

Overview of Operations

Financial Performance

Amid the relatively stagnant operating situation, the Group, coupled with the flexible sales strategies, has adopted more prudent and stringent approach on selection of customers to prevent an increase in credit exposure while seeking higher profitability. As a result, the growth of the Group's businesses was slowed down. During the year under review, the Group's turnover decreased slightly by 5.2% to approximately HK\$5,000,852,000. In terms of sales volume, it was slightly up by 0.2%. The gross profit was approximately HK\$481,618,000 with a 2.2% increase in the gross profit margin to 9.6%. Notwithstanding the strong performance of paper manufacturing segment, profit for the financial year under review decreased by 55.9% to approximately HK\$54,361,000 as compared with last year as a result of the significant reduction in the fair value gains attributable to the investment properties in the year under review from approximately HK\$121,300,000 to approximately HK\$50,200,000, and even after taking into account the startup loss of approximately HK\$25,815,000 from the newly established retail business. Before accounting for the fair value gains attributable to the investment properties, the impact of the startup loss incurred in developing the Group's retail business and the net impairment on account receivables, the profit for the financial year under review would be approximately HK\$47,680,000 with an increase of 1.03 times as compared with last year. Profit attributable to the owners of the Company was recorded at approximately HK\$46,675,000 (2014/2015: HK\$114,225,000) and the basic earnings per share were HK3.8 cents (2014/2015: HK9.9 cents).

Under the current economic headwind and the volatile market environment, the Group strives to preserve an appropriate level of cash reserves to strengthen the working capital position, while dedicating to maintain a healthy financial status to maximize flexibility for the future development of the Group. As at 31 March 2016, the Group had cash and bank balance (including restricted bank deposit) of approximately HK\$525,647,000 with a gearing ratio at level of 47.0%. This enables the Group to lower interest costs by 22.8% to HK\$71,601,000. During the year under review, we continued to exercise a stringent credit policy and reduce the level of inventory amid the uncertain market condition. The turnover days for debtors and stock were in total shortened by 9 days. In view of the tight credit policy adopted by banks to contain their credit exposure and the volatility of the market, the provision for impairment of receivables made were HK\$33,338,000, representing 0.7% of the Group's total revenue before taking into account the write back of the provision for impairment of receivables of HK\$15,726,000.

Paper Business

In response to the relatively stagnant operating environment and increased focus on the creditability of customers, the Group has taken more cautious sales and procurement strategies for the business for the financial year under review. The growth of the business has slowed down. Even with a sales growth of 12.4% in paper manufacturing segment, the Group's paper product business recorded a decrease of 6.3% in turnover from approximately HK\$5,098,745,000 to approximately HK\$4,779,292,000. In volume terms, the sales tonnage has a slightly increase of 0.2% to 1,084,600 metric tonnes. The operating profit was approximately HK\$128,675,000.

For paper trading business, the Group reported a drop of 10.3% in turnover of approximately HK\$3,751,901,000, ascribing to the conservative sales approach in paying more attention on the creditability of customers while the sales tonnage fell 6.6%. Turnover from paper trading business in the PRC market decreased 9.8% to approximately HK\$2,690,877,000 with a drop of 6.1% in volume facing a fierce competitive market in China while the Hong Kong market recorded a turnover of approximately HK\$745,810,000, slipped by 15.7% compared to last year. As for other Asian countries, the business has been stabilized with its sales decreasing slightly by 0.6% to approximately HK\$315,214,000 but with a 4.6% growth in sales tonnage.

For paper manufacturing business, the segment's turnover rose 5.5%, including inter-segment revenue, to approximately HK\$1,046,485,000 with a growth of 10.8% in the sales tonnage. With its well established customer base and competitive quality of paper products recognized by customers in the region, the segment maintained steady performance in the face of weak China economic performance. Operating profit was at approximately HK\$74,222,000 with operating profit margin stood at 7.1%.

Property Development and Investment

For the financial year under review, the segment generated stable rental income from the investment properties with an aggregate fair value of approximately HK\$515,500,000. The total rental income of the Group rose significantly by 17.8% to approximately HK\$17,819,000. The segment provides a continuous and steady inflow of revenue to the Group. A fair value gain attributable to the investment properties in the aggregate amount of approximately HK\$50,200,000 was also recorded. Under the PRC government policy of upgrading and restructuring industries and increasing the level of urbanization, the Nantong local authority has granted the necessary approval for the Group to conduct property management, real estate development and real estate agency services to develop a site in a prime business location in Nantong, Jiangsu province with an aggregate area of approximately 300 mu, which has been owned by the Group since 2007, as an integrated business park. The park is designed to comprise multiple buildings tailored to accommodate a variety of businesses in an

integrated setting with supporting facilities. The land is ready for development as pre-construction works have all been completed. The Group has also engaged professional surveyors for the land planning and development of the land which has already been underway. The Group is planning to develop two third of the land area in stages for sale. As a result, the costs incurred and recorded by the Group as property and land use rights in previous years were reclassified to properties under development under current assets in the Group's consolidated balance sheet, which amounted to approximately HK\$60,968,000.

Other Businesses

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

The aeronautic parts and services business and marine services business recorded turnover of approximately HK\$53,736,000 and HK\$56,910,000 respectively during the year under review.

During the year under review, the Group expanded the retail business network from 7 to 14 stores, which achieved gains in market share. In view of the competitive local retail environment, the management adopted innovative strategies to conquer market challenges such as optimizing the store layout to improve the shopping experience of the customers, restructuring product mix through broadening the product categories into non-food products to attract customers, and implementing a new ERP system to streamline back-end and frontline workflows. An extensive training program has been implemented to enhance the merchandise management and operation discipline in order to restructure the categories and to improve service standard to customers. Furthermore, the Group's procurement team has been actively establishing new business opportunities with overseas consumer products' suppliers to widen category selections and further expand the scope of sales and margin. The segment's revenue rose 1.11 times from approximately HK\$43,227,000 to approximately HK\$91,302,000 due to expanded market share, but the challenging market conditions, especially in the second half of the year, led to the same store sales decreased by 14.7% as compared to last year. The gross profit margin of store sales slightly improved by 0.9 percentage point for the financial year under review. Since the segment was not only developing at the initial infrastructure building stage, but also operating in a slackened retail business environment, the Group recorded an operating loss of approximately HK\$25,815,000 for the segment for the financial year under review, in which a significant amount of costs was incurred in developing infrastructures such as ERP computer system as well as hiring management resources to expand the workforce of relevant departments.

Prospects

Looking ahead, the macro economy is expected to be challenging and China's economy still faces downward pressure but improvement has been reflected in recent data such as PMI and trade export figures. The government will adopt pre-emptive policy adjustments to strive to maintain economic growth within a reasonable range of 6.5% to 7.0% for 2016 and excessive industrial overcapacity will be trimmed down through pressing ahead with "supply-side reforms". Despite financial market fluctuations and geopolitical issues, China is working towards its plan to rebalance from investment and manufacturing-driven growth to a model based on expanding services and consumer spending.

After the elimination of outdated production capacities and implementation of stringent environmental protection policies, the imbalance of supply and demand situation is gradually easing. In the long run, paper prices will be stabilized and gradually recover in an upward trend direction once the market demand picks up. In view of the banks' tight credit policy on customers, the Group continues to adopt a flexible, appropriate and cautious approach on sales and procurement in developing the paper business while monitoring closely the creditability of customers. At the same time, the Group

will further enhance the competitiveness of paper business through consolidating units of operation, streamlining workflows, establishing effective cost controls and making capital investments on machineries and power plant facilities.

The property development and investment segment is one of the Group's business segment. To pursue growth on such businesses, the Group has been providing further resources and efforts on the Nantong business park project. The Group has in place a dedicated and specialized project development team to oversee both the development and marketing activities in order to tailor the design and features of the park directly with potential buyers, who would have been secured before the construction of the units commences. The potential buyers will make progressive payments over the construction period which will also ease the cash flow spending of the Group. Phase I of the construction works is planned to commence in the second half of 2016. It is expected that the project will provide a steady boost of revenue from the property sales and service fees income to the Group. This further enhances the profitability as well as operating cash flow of the Group to support the continued and sustained development of new development projects for the Group.

Although the market is expected to remain challenging in the coming years, the Group strives to find synergies across the Group's different business units, with a special emphasis on providing wide variety of caring, energetic, trustworthy, healthy and value for money products to Hong Kong consumers. The retail business will strengthen the range of choices of the products sold through direct sourcing from overseas with a higher proportion of unique products to sharpen its presence in brands and business. Under the local rental environment, particular attention will be focused on the store consolidation opportunities. Meanwhile, the retail business will broaden the product range, streamline logistics and costs and improve the store location in 2016 to attract customers to support steady and healthy growth in sales and margin.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK0.65 cent per share (2015: HK2.5 cents) payable on or around 19 October 2016 to persons who are registered shareholders of the Company on 4 October 2016 subject to the approval of shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK0.4 cent per share (2015: HK0.4 cent), the total dividend for the financial year is HK1.05 cents per share (2015: HK2.9 cents).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15 September 2016 to 20 September 2016 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the Meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 14 September 2016.

The Register of Members of the Company will be closed from 5 October 2016 to 6 October 2016 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 4 October 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed 1,737 staff members, 151 of whom are based in Hong Kong and 1,286 are based in the PRC and 300 are based in other countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund and medical insurance. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flows generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2016, short term deposits plus bank balances amounted to HK\$526 million (2015: HK\$629 million) (including restricted bank deposits of HK\$166 million (2015: HK\$218 million)) and bank borrowings amounted to HK\$2,200 million (2015: 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 2016, the Group's gearing ratio was 47.0% (2015: 43.0%), calculated as net debt divided by total capital. Net debt of HK\$1,674 million (2015: HK\$1,519 million) is calculated as total borrowings of HK\$2,200 million (2015: HK\$2,148 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\$526 million (2015: HK\$629 million). Total capital is calculated as total equity of HK\$1,888 million (2015: HK\$2,012 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.13 times (2015: 1.14 times).

With bank balances and other current assets amounted to HK\$3,221 million (2015: HK\$3,355 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 2016, bank borrowings in Renminbi amounted to HK\$123 million (2015: HK\$340 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 2016 was HK\$20,000,000 (2015: HK\$20,000,000).

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 March 2016, 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 2016 amounted to HK\$2,194 million (2015: HK\$2,139 million).

Certain land and buildings, investment properties and non-current assets held for sale of the Company's subsidiaries, with a total carrying value of HK\$575 million as at 31 March 2016 (2015: HK\$519 million) were pledged to banks as securities for bank loans of HK\$33 million (2015: HK\$51 million) and trust receipt loans of HK\$99 million (2015: HK\$117 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 final results for the year ended 31 March 2016 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 2015/2016 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, 27 June 2016

* *for identification purpose only*