

The board of directors (the “Board”) of Samson Paper Holdings Limited (the “Company”) is pleased to present the interim financial report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30 September 2002, and the consolidated balance sheet as at 30 September 2002 of the Group, all of which are unaudited and condensed, along with comparative figures for the corresponding period and selected explanatory notes are as follows:-

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period ended 30 September 2002

	Notes	Unaudited	
		Six months ended 30 September	
		2002	2001
		HK\$'000	HK\$'000
Turnover	2	1,342,078	1,226,760
Cost of sales		(1,200,839)	(1,102,688)
Gross profit		141,239	124,072
Other revenues		2,585	4,875
Selling expenses		(50,543)	(45,736)
Administrative expenses		(33,475)	(31,008)
Other operating expenses		(5,273)	(13,126)
Operating profit	3	54,533	39,077
Finance costs		(22,453)	(25,349)
Share of loss of associated company		(34)	–
Profit before taxation		32,046	13,728
Taxation	4	(5,705)	(3,620)
Profit attributable to shareholders		26,341	10,108
Dividends	5	4,293	2,146
Earnings per share	6	6.1 cents	2.4 cents
Interim dividend per share		1.0 cent	0.5 cent

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2002

		Unaudited	Audited
		30 September 2002	31 March 2002
	<i>Notes</i>	HK\$'000	HK\$'000
Fixed assets		156,301	158,970
Interest in associated company		606	–
Current assets			
Inventories		270,287	279,914
Accounts receivable, deposits and prepayments	7	1,024,948	716,915
Other investments		15,795	23,887
Cash and bank balances		194,039	92,668
		1,505,069	1,113,384
Current liabilities			
Accounts payable and accrued charges	8	271,966	158,897
Trust receipt loans		639,924	417,597
Taxation		8,653	3,155
Bank loans		98,520	134,846
		1,019,063	714,495
Net current assets		486,006	398,889
Total assets less current liabilities		642,913	557,859
Financed by:			
Share capital		42,926	42,926
Reserves		489,187	467,139
Proposed dividend		4,293	4,293
		493,480	471,432
Shareholders' funds		536,406	514,358
Bank loans		105,063	42,057
Deferred taxation		1,444	1,444
		642,913	557,859
Net asset value per share		125 cents	120 cents

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 September 2002	2001
	HK\$'000	HK\$'000
Net cash inflow from/(used in) operating activities	94,397	(21,122)
Net cash inflow from investing activities	7,040	1,337
Net cash (used in)/inflow from financing activities	(66)	21,393
Net increase in cash and cash equivalents	101,371	1,608
Cash and cash equivalents at 1 April	92,668	151,593
Cash and cash equivalents at 30 September	194,039	153,201
Analysis of balances of cash and cash equivalents		
Cash and bank balances	194,039	153,201

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Share capital	Share premium	Assets revaluation	Capital reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002	42,926	96,293	62,742	33,311	(126)	279,212	514,358
Profit for the period	-	-	-	-	-	26,341	26,341
2001-2002 final dividend paid	-	-	-	-	-	(4,293)	(4,293)
	42,926	96,293	62,742	33,311	(126)	296,967	532,113
Proposed interim dividend	-	-	-	-	-	4,293	4,293
At 30 September 2002	42,926	96,293	62,742	33,311	(126)	301,260	536,406
At 1 April 2001	42,926	96,293	62,742	33,311	(126)	257,488	492,634
Profit for the period	-	-	-	-	-	10,108	10,108
	42,926	96,293	62,742	33,311	(126)	265,450	500,596
Proposed interim dividend	-	-	-	-	-	2,146	2,146
At 30 September 2001	42,926	96,293	62,742	33,311	(126)	267,596	502,742

1. Basis of preparation and accounting policies

The unaudited interim financial report has been reviewed by the Company's audit committee, and reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:-

SSAP 1 (revised)	Presentation of financial statements
SSAP 15 (revised)	Cash flow statements
SSAP 25 (revised)	Interim financial reporting
SSAP 34	Employee benefits

The changes to the Group's accounting policies and the effect of adopting these new policies is set out below:-

(a) *SSAP15 (revised): Cash flow statements*

The presentation and classification of items in the cash flow statement have been changed due to the adoption of SSAP15 (revised). As a result, cash flow during the period has been reclassified by operating, investing and financing activities. For the six months ended 30 September 2001, net cash outflow from taxation paid of HK\$2,411,000 has been reclassified as operating cash flow. Interest received of HK\$4,474,000 has been reclassified as investing cash flow. Interest paid of HK\$25,349,000 has been reclassified as financing cash flow.

(b) *SSAP34: Employee benefits*

This new SSAP prescribes the accounting treatment and disclosure requirements for employee benefits. There is no material impact on the financial results and financial position of the Group by the adoption of this new SSAP.

2. Segment information

The Group is engaged in trading and marketing of paper products. An analysis of the Group's turnover and contribution to profit from operating activities by principal activity is not presented as profit from operating activities was derived predominantly from trading and marketing of paper products.

The Group operates in two main geographical areas, Hong Kong and Mainland China. An analysis of the Group's turnover for the period by geographical segment is as follows:-

	Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong	958,001	987,211
Mainland China	384,077	239,549
	<u>1,342,078</u>	<u>1,226,760</u>

No contribution to operating profit from any of the above geographical segment is substantially out of line with the normal ratio of profit to turnover.

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 2002	30 September 2001
	HK\$'000	HK\$'000
Crediting		
Interest income	2,006	4,474
Charging		
Depreciation of fixed assets	5,416	5,955

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001:16%) 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 applicable rates of taxation prevailing in the areas in which the Group operates.

The taxation charges comprise:

	Six months ended 2002	30 September 2001
	HK\$'000	HK\$'000
Hong Kong profits tax	5,520	3,620
Overseas taxation	185	–
	<u>5,705</u>	<u>3,620</u>

5. Dividends

	Six months ended 2002	30 September 2001
	HK\$'000	HK\$'000
Proposed interim – HK\$0.01 (2001: HK\$0.005) per share	<u>4,293</u>	<u>2,146</u>

Notes:

- (a) At a meeting held on 22 July 2002 the directors proposed a final dividend of HK\$0.01 per share for the year ended 31 March 2002, which was paid on 9 September 2002 and has been reflected as an appropriation of retained earnings for the six months ended 30 September 2002.
- (b) At a meeting held on 5 December 2002 the directors declared an interim dividend of HK\$0.01 per share for the year ending 31 March 2003. 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 2003.

6. Earnings per share

The calculation of earnings per share is based on the Group's unaudited consolidated profit attributable to shareholders of HK\$26,341,000 (2001: HK\$10,108,000) for the period and on the weighted average number of 429,258,039 (2001: 429,258,039) shares of the Company in issue during the period.

7. Accounts receivable, deposits and prepayments

Included in accounts receivable, deposits and prepayments are trade debtors of HK\$954,372,000 (net of provision) (31 March 2002: HK\$659,544,000) and their ageing analysis is as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Current to 60 days	653,829	439,398
61 to 90 days	203,400	120,538
Over 90 days	97,143	99,608
	<u>954,372</u>	<u>659,544</u>

The Group has a defined credit policy with general credit terms ranged from 30 days to 90 days.

8. Accounts payable and accrued charges

Included in accounts payable and accrued charges are trade payable of HK\$224,594,000 (31 March 2002: HK\$126,154,000) and their ageing analysis is as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Current to 60 days	170,879	103,015
61 to 90 days	43,468	19,647
Over 90 days	10,247	3,492
	<u>224,594</u>	<u>126,154</u>

9. Contingent liabilities

The Company provided corporate guarantees on the banking facilities granted to three subsidiaries. The amount of such facilities utilized by the subsidiaries as at 30 September 2002 amounted to HK\$843,507,000 (31 March 2002: HK\$594,500,000).

10. Commitments

(a) Forward exchange contracts

As at 30 September 2002, the Group had outstanding forward exchange contracts to purchase American Dollars amounted to an aggregate of HK\$42,220,730 (31 March 2002: HK\$26,462,000).

(b) Operating lease commitments

As at 30 September 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Within one year	167	5,194
In the second to fifth years inclusive	23,631	247
	<u>23,798</u>	<u>5,441</u>

11. Charge of assets

At 30 September 2002, trust receipt loans of HK\$244,246,000 (31 March 2002: HK\$174,886,000) and bank loans of HK\$74,967,000 (31 March 2002: HK\$34,960,000) were secured by legal charges on certain properties of the Group in Hong Kong.

12. Subsequent event

The Group completed on 11 November 2002 the acquisition of a 19.18% interest in the share capital of United Pulp & Paper Company Limited (“UPP”) for a total cash consideration of HK\$67,334,000 (SG\$15,208,000). UPP is a listed company in Singapore which is engaged in manufacturing and supplying paper boards and packaging products. Based upon the net tangible assets of UPP as at 30 June 2002, the acquisition has resulted in a goodwill of approximately HK\$7 million, which will be amortized over 10 years, leading to a charge of approximately HK\$700,000 per annum.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK1 cent (2001: HK0.5 cent) per share for the six months ended 30 September 2002. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on Friday, 10 January 2003. The interim dividend will be paid on or about Friday, 17 January 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9 January 2003 to Friday 10 January 2003 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 Suite 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:00 pm on Wednesday 8 January 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the review period, the Hong Kong export sector continued to gain momentum. The local printing and publishing industries picked up moderately, as reflected by the turnaround in the growth of orders on hand. Overall performance of the local economy has also been enhanced by the robust growth of the China market, which has continued to benefit from escalating levels of income and investment.

The Paper Industry

The period saw a 12% increase in Hong Kong’s total volume imports of paper products. Mirroring this change, the value of orders on hand in the printing and publishing industries started to pick up during the period, concluding at a level in September 2002 2% higher than the corresponding month last period.

Paper prices followed an upward path during the period. Compared to March 2002, prices of book printing papers have risen by approximately 5% whilst packaging boards have risen by 10%. The supply conditions have also continued to improve, as inventory in major supply countries began to run down.

Operations Review

The Group’s solid foundation helped it to weather the economic climate and made encouraging gains in both turnover and profit. Compared to the corresponding last period, the Group delivered 9.4% growth in turnover to HK\$1,342,078,000. In tonnage terms, this represented a rise of 7.6% to approximately 254,000 MT. Gross profit rose 13.8% to HK\$141,239,000. The management is also pleased to announce a 161% increase in profit attributable to shareholders to HK\$26,341,000. In addition, the Group also achieved significant improvements in business margins with a 139% increase in net profit margin from 0.82% to 1.96% whilst the gross margin improved from 10.1% to 10.5%. Earnings per share increased 154% from HK 2.4 cents to HK 6.1 cents. The Board has resolved to pay an interim dividend of HK 1 cent per share (2001/02: HK 0.5 cent)

This positive performance during the report period reflects that the Group has turned the corner. Apart from the higher levels in paper prices, the Group's continued efforts to expand in the Mainland China market have also been an important factor in the turnover growth. The Group's focus has been to enhance customer services by providing efficient services together with the widest possible range of paper products in the most timely manner. Its market presence in several major cities including Beijing, Chongqing, Foshan and Shenzhen has also presented the Group with advantages in broadening the customer base. During the period, the Group expanded its market presence to cover Shanghai, an important base through which the Group will develop business in the neighboring Jiangsu area. Contributions from the Mainland market recorded sequential growth of 49% over last period in volume terms and 60% in sales terms, accounting for 28.6% of the Group's total turnover during the period.

Well-defined strategic expansion plans have helped the Group to maintain its leading position in the market. Sales contribution by product was maintained at a stable level, with 39% accounted for by book printing papers and 54% by packaging boards.

Effective inventory controls on the back of the low interest rate environment have helped to pitch pleasing improvements in profit margins. Stock turnover was maintained at 38 days, an optimal level in view of the gradual pick up in paper prices. The Group saw a further reduction in finance costs during the review period from 2.07% of total turnover to 1.67% of total turnover.

The Group continued to adopt a prudent credit policy and despite the difficult economic conditions, the Group was able to maintain general provision at the 0.1% level. In addition, sales to major customers were also maintained at a stable level of approximately 32% of total turnover.

Prospects

Looking ahead, performance of the Hong Kong economy is expected to hinge upon the global situation, and the US economy in particular. On the other hand, the Mainland China market is expected to thrive, giving the local economy some support. Based on industry statistics for the review period, it is reasonable to believe that the printing and publishing sector will perform steadily. At the same time, the price of paper is expected to remain stable, assuming that supply and demand conditions will continue to develop steadily.

Built over 37 years, the Group's solid roots in the paper trading industry have enabled it to ride the cycles in the paper industry. With shareholder interest as a priority, the Group's planned expansion plans are founded on a prudent management philosophy. Marking a new phase of development, management has decided to take business further by diversifying into the industrial paper manufacturing business and the corrugated box production business through the acquisition of a 19.18% interest in the Singapore listed UPP at a cash consideration of approximately HK\$67,334,000 (SG\$15,208,000) subsequent to the review period. This has made the Group the single largest shareholder of UPP.

With over 35 years of operating history, UPP possesses a diverse mix of skills, experience and integrated manufacturing facilities which will be crucial assets in allowing the Group to tap further opportunities in the Asia Pacific region. In particular, the addition of UPP's expertise fits well into the Group's goal in diversifying into China's paper manufacturing sector. The acquisition will also bring an immediate return, linking the Group to the Asia Pacific markets where UPP already has an established presence. The Group will also benefit from UPP's satisfactory track record and quality asset base.

In addition to the backward integration plan, the management will continue to focus on developing its paper trading business where the Group enjoys significant advantages. The Mainland China market is expected to be an important growth driver as the positive impact from her entry to WTO becomes more apparent. To further enhance its core business, the Group has plans to create synergies by expanding UPP's existing trading arm which will boost the Group's product diversity. On the back of these favorable factors, the Group will also be committed to strengthening its capabilities by closely reviewing and improving operations.

The Group will continue to regard prudent financial management and customer orientation as important elements for accelerated growth. Given the improving industry background, management is optimistic about its performance in the second half of the financial year.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2002, the total number of the Group's employees was 285. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and the individual concerned. In addition to salary payment, other staff benefits including performance bonus, education subsidies, provident fund, medical insurance and share option scheme are offered to reward our high-calibre staff. Training encompassing strategic, implementation, sales and marketing disciplines are offered to various levels of management on a regular basis.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's short term deposits and bank balances as at 30 September 2002 amounted to approximately HK\$194 million. To meet the demand of the Group's activities, additional bank borrowings were drawn and their aggregate balance increased by HK\$249 million to HK\$843 million in the financial period ended 30 September 2002. As at 30 September 2002, its gearing ratio, measured on the basis of the Group's total bank loans net of cash balances over the Group's shareholders' funds was 1.21 times (31 March 2002: 0.98 times). With bank balances and other current assets of HK\$1,505 million as well as available bank and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital to meet its present requirement.

The Group's foreign currency purchases were mainly denominated in United States dollars. Foreign exchange contracts and options were used, where necessary, to hedge the Group's foreign currency exposure.

DIRECTORS' INTERESTS

As at 30 September 2002, the interests of the Directors and chief executive in the shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

(a) Ordinary shares of HK\$0.10 each in the Company

	Number of ordinary shares beneficially held				Total
	Personal interest	Corporate interest	Family interest	Other interest	
Mr. LEE Seng Jin	7,124,000	–	–	268,340,000 <i>(Note 1)</i>	275,464,000
Ms. SHAM Yee Lan, Peggy	572,556	–	–	284,480,000 <i>(Notes 1 and 2)</i>	285,052,556
Mr. CHOW Wing Yuen	540,000	–	–	–	540,000

Notes:

- (1) Of the 284,480,000 shares, 268,340,000 shares were held by Caewern Holdings Limited, the entire issued share capital of which is owned by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds the majority units in the private unit trust. The objects of the family trust include Mr Lee Seng Jin and Ms Sham Yee Lan, Peggy.
- (2) Of the 284,480,000 shares, 16,140,000 shares were held by Morpeth Investments Limited, the entire issued share capital of which is owned by Cashstar Investments Limited, acting in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust holds the majority units in the private unit trust. The object of the family trust include Ms Sham Yee Lan, Peggy.

Other than as disclosed above, as at 30 September 2002, none of the Directors and chief executive and their associates had any interests in shares in, or debentures of, the Company or any of its associated corporations which had been entered in the register maintained by the Company under Section 29 of the SDI Ordinance.

(b) Share Option Scheme

Pursuant to a share option scheme (“the Scheme”) approved at a special general meeting of the Company held on 8 November 1995, the Directors may, at their discretion, invite employees and Directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. A summary of the Scheme is as follows:

(1) Purpose

The purpose of the Scheme is to provide an employee incentive compensation plan that is based on corporate performance and is tied to the Company’s share value with the goal of increasing shareholders’ wealth.

(2) Eligible persons

Any employee, including any executive director, of the Company and any of its subsidiaries.

(3) Maximum number of shares

The maximum number of shares available for issue is 42,925,803, representing approximately 10 percent of the issued share capital of the Company as at the date of this report.

(4) Maximum entitlement of each eligible person

No option shall be granted to an eligible person which if exercised in full would result in the total number of shares already issued and issuable to that eligible person under the Scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

(5) Time of exercise of option

An option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed the period of ten years from 8 November 1995 but subject to the provisions for early termination of the option as contained in the rules of the Scheme.

(6) *Exercise price*

The option price per share payable on the exercise of an option is determined by the Directors as being not less than 80% of the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher.

(7) *Remaining life of the Scheme*

The Scheme will remain in force until 8 November 2005.

At 30 September 2002, no option has been granted under this Scheme.

Apart from the above, at no time during the period was the Company, its holding company or its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company (including their spouse or children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 30 September 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of ordinary shares
Caewern Holdings Limited	268,340,000
HSBC International Trustee Limited (<i>Note</i>)	284,480,000

Note: Of the 284,480,000 shares, 268,340,000 shares were held by Caewern Holdings Limited and 16,140,000 shares were held by Morpeth Investments Limited. The entire issued share capital of Caewern Holdings Limited is owned by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds the majority units in the private unit trust. The entire issued share capital of Morpeth Investments Limited is owned by Cashstar Investments Limited, acting in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust holds the majority units in the private unit trust.

AUDIT COMMITTEE

The principal activities of the Audit Committee (the "Committee") include the review and 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 2002 before it was tabled for the Board's approval. The review of the unaudited interim financial statements was conducted in conjunction with the Group's external auditors.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2002 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not during the six months ended 30 September 2002 in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

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

A detailed Interim Results Announcement containing all the information in respect of the Company required by paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website in due course.

By order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 5 December 2002