

Chairman's Statement

The Economy

The Hong Kong economy continued to grow in the last quarter of the financial year ended 31 March 2005, with GDP surged by a further 6%, following the strong 8.1% growth in the calendar year of 2004. In the PRC, despite the implementation of the macroeconomic control measures by the central government, the country's GDP still increased by 8.8% in the last quarter of the financial year ended 31 March 2005.

The printing and publishing industries benefited from the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"), which was concluded in June 2003. Certain printed matters made in Hong Kong, thanks to CEPA, began to enjoy duty-free access to the PRC from January 2004.

The Paper Industry

With the Hong Kong economy steadily recovering, the value of its total paper import increased by 5.7% to HK\$10,939 million and the total re-export value decreased by 2.8% to HK\$5,669 million in the calendar year of 2004. The People's Republic of China (the "PRC") (For the purpose of this report, the PRC excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan) remains as the leading exporter to Hong Kong, accounting for a total worth of HK\$2,042 million or 18.7% of the total paper imports.

The paper consumption in the PRC market reached 54.4 million tonnes in the calendar year of 2004, representing a 13.2% growth as compared with the previous calendar year. The average personal paper consumption was 42kg for the calendar year of 2004, 5kg more than that in 2003.

Supported by the encouraging economic environment, the paper trade in Hong Kong and the PRC enjoyed a good year in the calendar year of 2004.



Operations Review

Samson Group (the “Group”) achieved a revenue of HK\$2,944 million for the financial year ended 31 March 2005, representing a 11.3% growth as compared with the previous financial year. The Group’s sales increased by 4% in terms of volume to 527,000 metric tonnes.

Gross profit was recorded at HK\$283 million with gross margin of 9.6%, as compared with 10.3% for last financial year. Profit attributable to shareholders increased by 7.2% to HK\$56.6 million, with net profit margin of 1.9%, similar to that of last financial year. Earnings per share increased by 7.3% to HK13.2 cents.

The board of directors (the “Board”) has resolved to pay a final dividend of HK3 cents per share. Together with the interim dividend of HK2 cents per share already paid, total dividend for the financial year amounted to HK5 cents.

Subsequent to directing reasonable efforts and resources into expanding the PRC market, the Group recorded encouraging results. Turnover from the PRC market rose by 28.5% to reach HK\$1,385.5 million. It made up 47.1% of the Group’s total turnover. Hong Kong remained as the largest market of the Group in the region and contributed 52.3%, or HK\$1,538.8 million.

By product types, packaging boards and book printing papers accounted for 43% and 48% of the Group’s total turnover respectively.

The Board is pleased to see the continuous growth of its paper manufacturing associate, the Singapore-listed United Pulp & Paper Company Limited (“UPP”). UPP contributed a profit before tax of HK\$1.9 million to the Group, representing 4.5 times over that of last financial year.

The Group is committed to providing quality value added service to its customers. During the financial year, the Group spent reasonable resources to further enhance its sheeting, transportation and custom clearance services, which started to have contribution to the business.

During the financial year, the Group employed stringent cost control. As a result, it was able to lower its selling expenses from 3.7% to 3.5% and administrative expenses from 2.6% to 2.5% of its turnover. Other operating expenses and finance costs were also lowered by 15.4% and 2% respectively to HK\$13.6 million and HK\$31.7 million respectively.

Average stock turnover for the financial year under review stood at 41 days, compared with 37 days a year ago. The Group's policy has always been maintaining an average inventory level of approximately one month with close regard to prevailing and expected market conditions.

In the light of the introduction of different control measures by the central government to better control its economic development, the Group adopted a more stringent credit policy, which has helped to contain its exposure to doubtful debt. The Group's provision for the financial year stood at 0.45% of its turnover, as compared to 0.61% in the financial year before.

Prospects

With an abundant supply of paper products and the slowing down of global economic growth, the Group expects competition to intensify in the PRC market, leading to a much more challenging year ahead for it.

There is a vast demand for paper products in the PRC as most of the printing factories, originally based in Hong Kong, have moved across the border. The Group expects the proportion of revenue contribution from the PRC to further enlarge, while that from Hong Kong to narrow.

In view of the growing demand for paper products in the PRC, the Group will allocate more resources to develop the market. Adding to the current market presence in Beijing, Shanghai, Chongqing, Foshan and Shenzhen, the Group will set up a new office network in Wuxi. The move will enhance the Group's coverage of the PRC market, allowing it to tap increasing business opportunities in the market and boost its market share. In addition, the Group also plans to open an additional office overseas to assist its regional expansion.

In Hong Kong, a printing and publishing centre of worldwide fame, the Group will further strengthen its leading position to ensure steady business development.

This year marked an important milestone for the Group celebrating its 40th anniversary. As we commemorate our past achievements, we also feel a strong impetus to bring even higher quality products and services to our customers. We will continue to work hard and maintain the Group's position as an industry leader in the years to come.

Finally, on behalf of the Board, I would like to thank our customers, suppliers, bankers and staff for their support and efforts during the past year.

SHAM Kit Ying

Chairman

Hong Kong, 12 July 2005