

CHAIRMAN'S STATEMENT

The Economy

During the financial year under review, the economy of Hong Kong and the People's Republic of China (the "PRC"*) continued to gain growth momentum. Hong Kong's GDP grew 8.2% in the first quarter of the calendar year of 2006, against 7.3% in the same period in 2005.

For the PRC, the economy maintained a 9.9% GDP growth in the calendar year of 2005 while recording a 10.3% growth in the first quarter of 2006.

The Printing & Publishing Industries

With the global economy reviving continuously, the prospects of the printing and publishing industries are looking bright. According to the Hong Kong Census and Statistics Department, the total export value of printed matters was HK\$15,989 million for the twelve months ended 31 March 2006, an increase of 13.2% when comparing with HK\$14,119 million for same period in last year. The total import value was HK\$9,064 million.

The PRC remained the largest exporter of printed matters valuing at HK\$6,791 million to Hong Kong for the twelve months ended 31 March 2006, which represented a 74.9% of the total value of printed matters imported to Hong Kong.

During the review year, new production lines at several paper mills in the PRC commenced production. They added enormous tonnages in supplies to the paper market and a drop in paper prices resulted. To cope with customers' demand for quality at low prices, paper merchants have to offer products at highly competitive prices and shoulder heavy pressure on their profit margins. By the end of the financial year, the prices of book printing papers had stabilised while those of packaging boards had fallen approximately 5% when compared with the levels in September 2005.

* For the purpose of this report, the PRC excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan.

Operations Review

During the year, Samson Group (the "Group") continued to expand its customer base, contributing to both revenue and sales volume growth. The Group achieved revenue of approximately HK\$3,120 million for the financial year ended 31 March 2006, representing a 6% growth as compared with the previous financial year.

Due to the over supply and fierce competition in the paper market, the Group's gross profit for the year decreased by 6.2% to approximately HK\$266 million compared with the last financial year. Gross profit margin was 8.5%. To counter pressure on its margin, the Group continued to apply stringent cost control measures, which lowered selling and administrative expenses from 6% of its turnover to 5.7%. Other operating expenses were also lowered by 34.8% to approximately HK\$8.9 million. The continuous interest rate surge of the US, however, pushed up the Group's finance costs from 1.1% of the total turnover to 1.7%. Profit attributable to equity holders was approximately HK\$30.4 million. Earnings per share were HK7.1 cents.

The board of directors (the "Board") resolved to pay a final dividend of HK1 cent per share. Together with the interim dividend of HK1.5 cents per share already paid, total dividend for the financial year amounted to HK2.5 cents (2005: HK5 cents).

As one of the largest paper trading companies in the region, the Group is committed to providing the timeliest services and extensive product choices. Revenue attributable to the sales of paper products for the year increased by 5.5% to approximately HK\$3,071 million. Sales volume increased by 11.4% to 586,993 metric tonnes.

The Group has presence in major cities in the PRC including Beijing, Chongqing, Foshan, Shanghai, Shenzhen and Wuxi. At its focused effort to develop the PRC market and sell to quality customers, the Group's sales of paper products in the PRC market recorded an 8.1% growth to approximately HK\$1,483 million, making up 48.3% of the Group's total turnover of paper products and close to the 48.7% coming from Hong Kong, the Group's largest market in the region.

During the year, the Group continued to explore new markets and extended its market reach to Malaysia and other countries that together contributed approximately 3% of the Group's total sales. Since tremendous demand for quality paper products is anticipated from these markets, the Group expects revenues from them to grow in the years to come.

Sales contribution by product was maintained at a stable level. Packaging boards and book printing papers accounted for 41.3% and 49.7% of the Group's total turnover respectively.

The Group's paper manufacturing arm, the Singapore-listed United Pulp & Paper Company Limited recorded a loss of S\$5.7 million attributable to S\$2.8 million non-recurring charges for plant and machinery write downs and S\$2.5 million non-recurring development expenses incurred to effect product improvement, and also high fuel costs. The Group had to share a loss of HK\$5.2 million with its associate in Singapore.

To expand its revenue stream and to add value to its service to customers, the Group has diversified into consumable aeronautic parts and transportation services in recent years. The consumable aeronautic parts business, served by a distribution network spanning 13 countries, recorded an increase in revenues of 84.5% to HK\$37 million. As for the transportation service segment, revenue decreased by 3.6% to HK\$12 million as a result of keen competition in the PRC transportation service market. To boost this segment's revenue, the Group invested in the freight forwarding business in Hong Kong in January 2006. This new business started to generate a good amount of revenue in its first month operation. Sustained revenue growth is expected for the business as the local economy continues to boom. The two business segments contributed profit of HK\$1.6 million and HK\$0.3 million respectively.

Average stock turnover for the financial year under review stood at 39 days, compared to 41 days a year ago. The Group's policy has always been to maintain average inventory level at approximately one month with close regard to prevailing and expected market conditions.

Prospects

Looking ahead, the Group will carry on providing excellent quality products and services to customers to foster its reputation and client relationship. Characterised by strong export and domestic demands, the rapidly growth PRC economy has buttressed the Hong Kong economy, and in turn the printing and publishing industries.

Today, the PRC market is the second largest paper market in the world. Its printing and publishing industries are growing steadily with plenty of potential yet to be exploited. It is destined for prominence in the paper market of the world. Economic globalization and integration of markets will continue to nurture the paper market in the PRC. Moreover, the PRC paper industry is going through consolidation, with weak industry players to be ousted ultimately. The market can look forward to sufficient supply of products of improved quality, and paper prices will pick up again when the industry consolidation ends.

According to China Paper Association, the PRC market consumed 59.3 million metric tonnes of paper in the calendar year of 2005, representing 9% growth as compared with the previous year. The average personal paper consumption was therefore 45kg for the calendar year of 2005.

The Group will continue to explore and develop potential markets, for example, the newly developed Malaysia market and allocate more resources to deepen penetration of existing markets so as to maintain market shares and at the same time secure more business opportunities.

Having been in the paper business for over 40 years, the Group has always aspired to maintain its lead in the region market whilst diversifying into other potential areas to promote growth. The Group believes investing in aeronautic parts and transportation services businesses is a sound decision and has strong strategic value. It will continue to expand the scope of the two new business segments and explore new value-added services to further diversify its sources of profit.

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

SHAM Kit Ying

Chairman

Hong Kong, 21 July 2006