Corporate Information

Board of Directors

Executive Directors

SHAM Kit Ying (Chairman) (alias SHAM Kit)
LEE Seng Jin (Deputy Chairman)
CHOW Wing Yuen
SHAM Yee Lan, Peggy
LEE Yue Kong, Albert

Independent Non-executive Directors

PANG Wing Kin, Patrick
LAU Wang Yip, Eric

Company Secretary

LEE Yue Kong, Albert

Principal Bankers

BNP Paribas Hong Kong Branch
DBS Bank Ltd., Hong Kong Branch
Belgian Bank
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
UFJ Bank Limited

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

3rd Floor, Seapower Industrial Centre
177 Hoi Bun Road
Kwun Tong
Kowloon, Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
6 Front Street
Hamilton
Bermuda

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1901-5
19th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2004 HK$'000	As restated 2003 HK$'000
Turnover	2,644,619	2,512,363
Operating profit	96,127	88,239
Finance costs	32,352	39,428
Operating profit before taxation	64,177	48,957
Profit attributable to shareholders	52,781	39,823

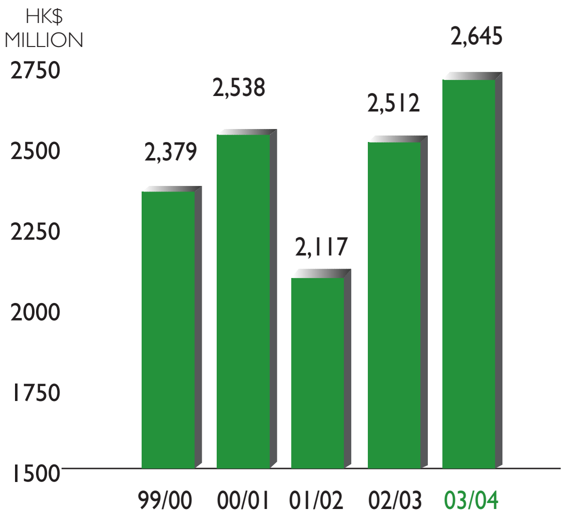
CONSOLIDATED BALANCE SHEET

	As at 31 March 2004 HK$'000	As restated 2003 HK$'000
Non-current assets		
Fixed assets	144,691	151,013
Investment in associated companies	66,018	67,708
Deferred tax assets	2,508	1,629
	213,217	220,350
Current assets		
Inventories	299,023	250,482
Accounts receivable, deposits and prepayments	991,250	850,444
Other investments	24,982	8,582
Bank balances and cash	282,215	241,847
	1,597,470	1,351,355
Current liabilities		
Accounts payable and accrued charges	390,488	240,864
Trust receipt loans	595,808	546,050
Taxation payable	4,564	6,222
Bank loans	148,809	179,837
	1,139,669	972,973
Net current assets	457,801	378,382
Total assets less current liabilities	671,018	598,732
Shareholders' funds	577,185	537,980
Non-current liabilities	93,833	60,752
	671,018	598,732

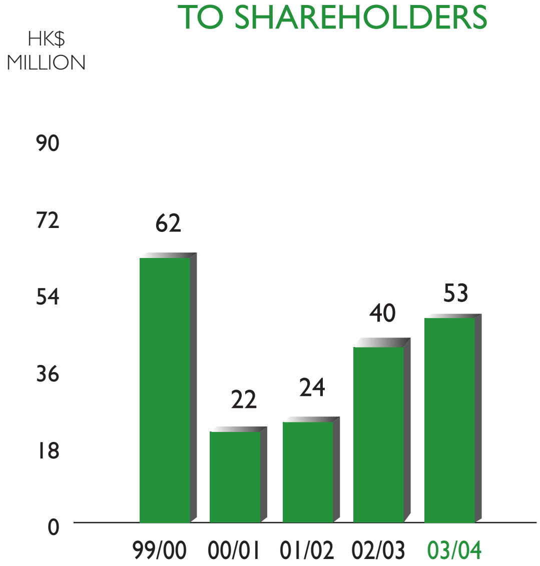
SHARE STATISTICS

Basic earnings per share	HK12.3 cents	HK9.3 cents
Dividends per share	HK4.0 cents	HK3.0 cents
Net asset value per share	HK134 cents	HK125 cents

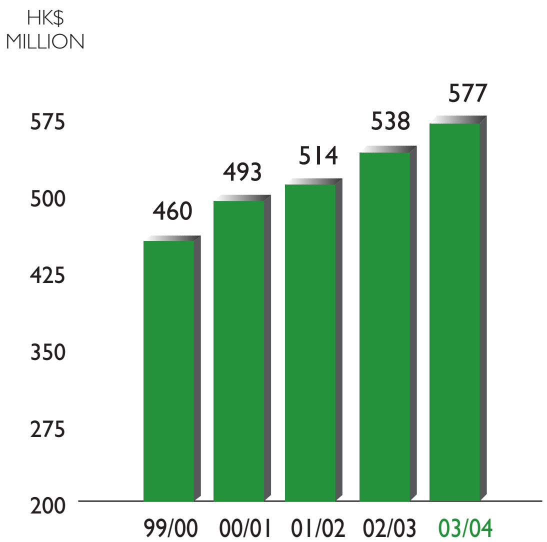
TURNOVER



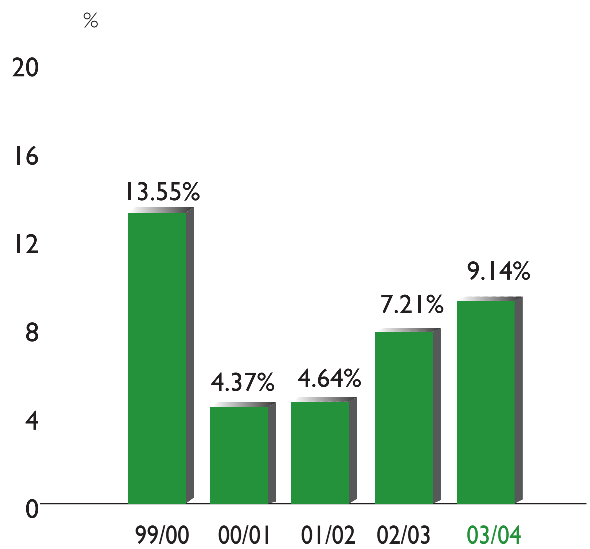
PROFIT ATTRIBUTABLE TO SHAREHOLDERS



SHAREHOLDERS' FUNDS



RETURN ON EQUITY



Chairman's Statement

The Economy

The financial year under review was extraordinary for Hong Kong. The effect of the outbreak of Severe Acute Respiratory Syndrome ("SARS") swept the territory, impacting almost all business sectors. Fortunately, the SARS scare was brief and with support of the central government, Hong Kong soon found itself on the track of recovery. The economy of Mainland China remained extremely strong, creating an environment conducive to the growth of business of Samson Group (the "Group").

The Paper Industry

In the early half of the year, prices of paper saw a mild general downward adjustment. However, as suppliers began to exhaust their inventories, prices surged again. Compared with the level at the end of September 2003, prices of book printing papers and packaging boards were approximately 15% and 5% higher at the end of the financial year. Much of the rise was recorded in the first quarter of 2004, when global demand of paper as well as pulp costs started to escalate.

Operations Review

The Group reported turnover of HK$2,644,619,000 for the financial year ended 31 March 2004, 5.3% higher than that of the previous financial year. This was matched by a rise of 6.1% in sales volume to 506,000 metric tonnes.

The Group is pleased to report that its profit levels have also improved. Gross profit climbed 2.8% to reach HK$271,397,000, giving a gross profit margin of 10.3%. Profit attributable to shareholders rose significantly by 32.5% to HK$52,781,000, translating into net margin of 2.0% as opposed to 1.6% in the previous financial year. The level of net profit was also very encouraging despite increase in doubtful debt provision, which itself was resulted from a prudent provision policy. Basic earnings per share were HK 12.3 cents, 32.3% above the level the year before.

The board of directors (the "Board") resolved to pay a final dividend of HK 3.0 cents per share. Together with interim dividend of HK 1.0 cent per share paid, total dividend for the financial year amounted to HK 4.0 cents.

Expansion of the Mainland China market continued to be one of the key reasons behind these pleasing results. It was particularly important in driving turnover growth. The Group was also able to achieve higher gross margin in the latter half of the financial year. In addition, effective control on operation costs and inventory management also brought important contributions.

Hong Kong remained the Group's main market with a share of HK$1,566,699,000, approximately 59% of the total turnover, and the Mainland China market accounted for the remaining 41%. The Group has also continued to forge ahead in the Mainland China market where sales formally surpassed the billion mark to reach HK$1,077,920,000, 35% higher than the previous financial year's figure. The sequential turnover increase in Mainland China was the result of various factors, including expansion of sales network and the Group's ability to offer value added logistics services. The Group will strive to push further in this market and expects to see further growth in the years ahead.

By product types, packaging boards and book printing papers accounted for 50% and 44% of the total turnover respectively.

The Board is delighted to see improving performance from its paper manufacturing arm, the Singapore-listed United Pulp & Paper Company Limited ("UPP"), an associated company of the Group. UPP will continue to be our vehicle in exploring opportunities within the paper industry and we shall render our full support to its business development.

Despite higher turnover, the Group was able to lower its selling expenses from 3.94% to 3.72%. Administrative expenses were lower at 2.59% of turnover, whilst finance costs were also down to 1.22%.

Average stock turnover for the year under review stood at 37 days, compared with 43 days a year ago. The Group's policy has always been to maintain an average inventory level of approximately one month whilst having close regard to the prevailing and expected market conditions.

Under the shadow of SARS, market environment in the early half of the financial year was extremely tough. Therefore, the Group decided to exercise a more stringent credit policy which helped to contain its doubtful debt exposure. However, in line with its prudent provision policy, the Group's provision for the year stood at 0.61% of turnover, as compared to 0.41% in the year before. This included a general provision of 0.1% of total sales.

Prospects

The influx of Mainland tourists and the introduction of the Closer Economic Partnership Arrangement ("CEPA") in the latter half of 2003 have helped to boost the overall market sentiment, sending the local market onto the recovery path. It is widely believed that they will remain important stimuli to maintain Hong Kong's growth momentum. The economy of Mainland China is expected to continue to flourish, despite the recent austerity measures instituted by the central government. As demand for paper products correlates closely with economic development, we see a favorable market environment for the Group business.

Demand for paper products is expected to be keen given the continual pick up of business activities globally. In view of the time required for supply to adjust, the industry expects prices of paper, in particular book printing papers, to rise mildly.

Notwithstanding the price development, the Group will continue to commit itself to boosting its core paper trading business. Sounding a positive note is the expansion of our Mainland China business, from which the Group anticipates higher contribution. As for the Hong Kong market, steady development is expected as the Group further strengthened its leading position.

The Group will be entering its 40th anniversary. It is a testimony to our past achievements and at the same time a strong impetus for us to bring better 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, 19 July 2004

Management Discussion and Analysis

Sales by Geographical Area

After the passage of SARS, the economy was gradually recovered. On the back of picking up of global demand of papers and expansion of sales network in the Mainland China, the Group's turnover increased by 5.3% to HK$2,644,619,000. In terms of sales volume, this represented a rise of 6.1% to 506,000 metric tonnes. Growth of Mainland China business has continued to be an important element in fueling the Group's business, with the share of turnover rising from 32% last year to 41% of the Group's total turnover this year. In tonnage terms, the Mainland China market recorded a 31% growth.

	2004 HK$'000	2003 HK$'000
Sales to Hong Kong customers	1,566,699	1,711,461
Sales to Mainland China customers	1,077,920	800,902
	2,644,619	2,512,363

Hong Kong Paper and Board Import/Re-export Statistics

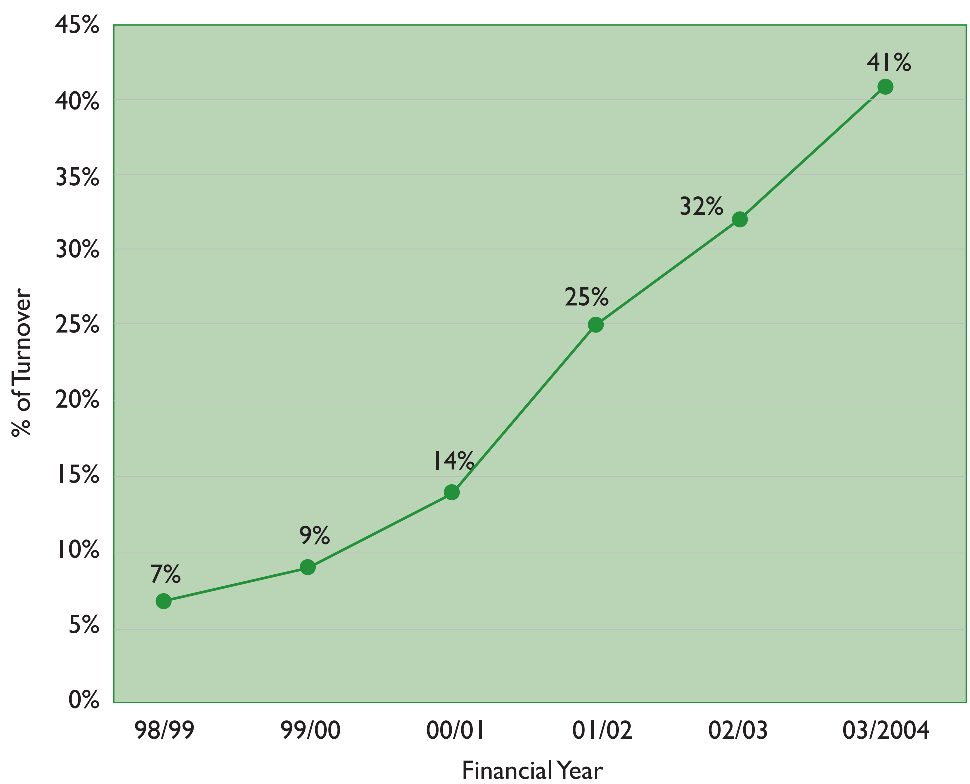
(In'000 Metric Tons)	**4/2003-3/2004**	**4/2002-3/2003**	**+/-**
Import	1,933	2,120	-8.8%
Re-export	1,003	1,176	-14.7%
Local Consumption	930	944	-1.5%

Sales by Geographical Area (continued)

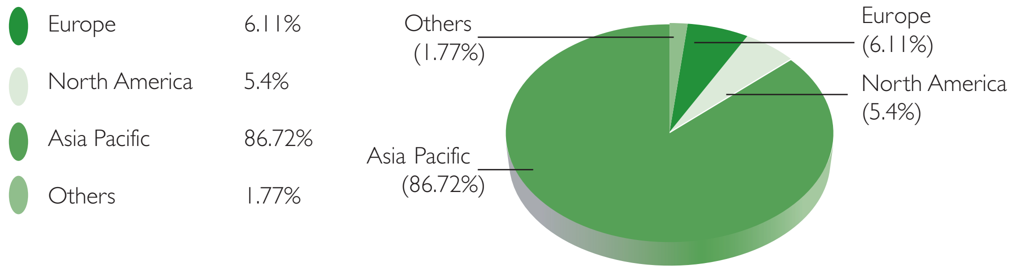
Import Statistics of Paper & Board to the Mainland China (January to December)

(In'000 Metric Tons)	2003	2002	+/-
Newsprint	351	199	+76.38%
Woodfree	394	365	+7.95%
Coated Paper	1,010	1,218	-17.08%
Kraft Paper	279	314	-11.15%
Corrugated Board	1,172	1,254	-6.54%
Duplex Board	1,043	815	+27.98%
Corrugating Medium	1,349	1,335	+1.05%
Others	749	870	-13.91%
	6,347	6,370	-0.36%

Analysis of Mainland China's Contribution to the Group's Turnover(%)



Purchases by Geographical Location for 2003/2004



Major Product Analysis

As one of the largest paper product traders in Hong Kong, the Group currently maintains a stock of over 100 paper brands. Our two main product categories, book printing papers and packaging boards, accounted for 44% and 50% of our total turnover respectively. Sales of book printing papers for the financial year rose by 17% while sales of packaging boards dropped slightly by 2% compared with the previous year.

Working Capital and Inventory Management

The Group has continued to maintain prudent working capital management. In view of the tough market condition experienced in the first half of the year, the Group has adopted tight credit policies to minimize the credit risk exposure. Doubtful debt provision before the write back of the previous year's doubtful debts of HK$2 million was at a level of 0.61% of the sales as compared to 0.41% for the previous year.

To meet the demand of the improved market in the last quarter of the financial year and the robust situation in the Mainland China market, a relative higher level of stock as compared to that of last year was maintained at the end of the financial year. At the outbreak of SARS, faced with the challenging market environment, the Group's strategy was to step up its sales efforts to stimulate stock turnover. At the same time, the Group exercised a more prudent inventory policy in view of soft demand. During the year under review, the average stock turnover day decreased from 43 days to 37 days.

Foreign Exchange Risk

The Group’s borrowings are principally denominated in US and Hong Kong dollars. This arrangement allows the Group to better contain its currency exchange risks. The Group also 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 2004, bank borrowings in Renminbi amounted to HK$53 million.

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 and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2004, short-term deposits plus bank balances and bank borrowings amounted to HK$282 million and HK$831 million respectively.

As at 31 March 2004, the Group's current ratio (current assets divided by current liabilities) stood at 1.40 times, (31 March 2003: 1.39 times). The gearing ratio, measured on the basis of the Group's total bank loans net of cash balances over the Group's shareholders' funds stood at 0.95 time (31 March 2003 : 1.0 time).

With bank balances and other current assets of HK$1,597 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.

Contingent Liabilities and Charge of Assets

As at 31 March 2004, the Company continued to provide corporate guarantees on banking facilities granted to three subsidiaries. The amounts of facilities utilised by the subsidiaries as at 31 March 2004 amounted to HK$831 million.

The leasehold land and buildings in Hong Kong of the Group, with a total net book value of HK$125 million as at 31 March 2004 were pledged to banks as securities for bank loans of HK$39 million and trust receipt loans of HK$195 million granted to the Group.

Employees and Remuneration Policies

As at 31 March 2004, the Group employed 410 staff members, 204 of whom are based in Hong Kong and 206 are based in Mainland China. 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-caliber staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31 March 2004.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are trading and marketing of paper products as set out in note 28 to the accounts. The Group's customers are mainly based in Hong Kong. The Group also sells its paper products directly to customers based in the Mainland China.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 26.

The Directors have declared an interim dividend of HK 1 cent per ordinary share, totalling HK$4,293,000, which was paid on 16 January 2004.

The Directors recommend the payment of a final dividend of HK3 cents per ordinary share, totalling HK$12,878,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 20 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK$223,000.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 11 to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in note 19 to the accounts.

Distributable Reserves

Distributable reserves of the Company at 31 March 2004, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$266,183,000 (2003: HK$261,633,000).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Five Year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out below:

	2000 HK$'000	2001 HK$'000	2002 HK$'000	2003 HK$'000	2004 HK$'000
Turnover	2,379,132	2,538,064	2,117,592	2,512,363	2,644,619
Profit attributable to shareholders	62,403	21,509	23,870	39,823*	52,781
Total assets	1,417,921	1,345,776	1,272,354	1,571,705*	1,810,687
Total liabilities	957,434	853,142	757,996	1,033,725*	1,233,502
Net assets	460,487	492,634	514,358	537,980	577,185

* The comparative figures for the year ended 31 March 2003 have been restated to reflect the adoption of Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants ("HKSA") which is effective for accounting periods commencing on or after 1 January 2003. The comparative figures for each of the three years ended 31 March 2002, 2001, 2000 have not been restated as the Directors are of the opinion that it would involve extra costs and time to do so.

Purchase, Sale or Redemption of Securities

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.

Share Options

At the Special General Meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the termination of the operation of the existing share option scheme (the "Old Scheme") which was approved on 8 November 1995. No share option was granted under the Old Scheme since 8 November 1995 and up to the date of the termination or was outstanding as at the date of the termination. As at 31 March 2004, no option has been granted under the New Scheme. Terms and conditions of the New Scheme are set out below.

(1) Purpose

The purpose of the New Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

(2) Participants

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

(3) Maximum number of shares

The number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the New Scheme. The maximum number of share available for issue under the New Scheme is 42,925,803 as at the date of this report.

Share Options (continued)

(4) Maximum entitlement of each Participant

The maximum number of shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the shares in issue as at the date of grant.

(5) Time of exercise of option

An option may be exercised in accordance with the terms of the New 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 the date of grant but subject to the provisions for early termination of the option as contained in the terms of the New Scheme.

(6) Exercise price

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of

a) the closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant;

b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

c) the nominal value of a share on the date of grant.

(7) Remaining life of the New Scheme

The New Scheme will remain in force until 26 February 2014.

Directors

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. SHAM Kit Ying (Chairman) (alias SHAM Kit)
Mr. LEE Seng Jin (Deputy Chairman)
Mr. CHOW Wing Yuen
Ms. SHAM Yee Lan, Peggy
Mr. LEE Yue Kong, Albert

Non-executive Directors

Mr. PANG Wing Kin, Patrick (note)
Mr. LAU Wang Yip, Eric (note)
Mr. YEO Choon Tat (resigned on 5 September 2003)

Note: Independent non-executive Director

Mr. CHOW Wing Yuen, Mr. LEE Yue Kong, Albert and Mr. LAU Wang Yip, Eric retire in accordance with clause 99 of the Company's Bye-laws and, being eligible, offer themselves for re-election.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years from the date of their respective contract and each of such service contracts will continue thereafter until terminated by either party concerned with not less than three month's notice in writing.

Apart from the above, none of the Directors has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than under statutory compensation.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Biographical Details of Directors and Senior Management

Brief biographical details of the directors and senior management of the Group are set out as follows:

Executive Directors

Mr. SHAM Kit Ying (alias SHAM Kit), aged 78, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 45 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 47, is the Deputy Chairman and Chief Executive Officer of the Group. Mr. Lee is responsible for the formulation of the Group's corporate strategies and development. He joined the Group in 1997. He is the husband of Ms. Sham Yee Lan, Peggy and the son-in-law of Mr. Sham Kit Ying.

Mr. CHOW Wing Yuen, aged 45, is the Chief Operating Officer of the Group. Mr. Chow joined the Group in 1978 and is responsible for the overall management of the Group's operation in Hong Kong and Mainland China. Mr. Chow has over 26 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 38, is a Director of the Group. Ms. Sham joined the Group in 1989 and is responsible for the Group's overall credit administrative management. Ms. Sham is the wife of Mr. Lee Seng Jin and a daughter of Mr. Sham Kit Ying.

Mr. LEE Yue Kong, Albert, aged 48, is the Chief Financial Officer of the Group and the Company Secretary of the Company. Mr. Lee is responsible for the Group's financial and accounting management. He has over 21 years of experience in finance, auditing and accounting fields. Prior to joining the Group in June 1997, Mr. Lee was an independent non-executive Director of the Company. He is an associate member of the Institute of Chartered Accountants in Australia and the Hong Kong Society of Accountants.

Independent Non-executive Directors

Mr. PANG Wing Kin, Patrick, aged 48, is a qualified accountant and has over 21 years of working experience in the auditing, finance and general management areas. Mr. Pang was appointed independent non-executive Director of the Company in 1995 and is currently the Finance Manager of an international corporation. He is a member of the Australian Society of Certified Practising Accountants, the Hong Kong Society of Accountants and the Institute of Internal Auditors of the United Kingdom.

Mr. LAU Wang Yip, Eric, aged 37, is a solicitor practising in Hong Kong. He was appointed independent non-executive Director of the Company in 1997 and is currently a partner of a local law firm. Mr. Lau holds a Bachelor's degree in Laws and has been admitted as a solicitor in England and Wales. He has also been admitted as a legal practitioner in Tasmania, Australia.

Senior Management

Mr. CHU Wai Kwong, aged 47, is a Sales Director, Southern China of Samson Paper (China) Company Limited. Mr. Chu joined the Group in 1976. Mr. Chu has over 18 years of sales experience in the paper distribution industry and is responsible for the purchases of packaging boards and overseeing the general operations in Southern China.

Mr. HOI Tin On, Joseph, aged 42, is the General Manager of Samson Paper Company Limited. He joined the Group in 1990. He has over 18 years of working experience in the paper distribution industry.

Mr. CHAN Kwok Keung, aged 44, is a Sales Director, Northern China of Samson Paper (China) Company Limited. Mr. Chan joined the Group in 1990 and has over 17 years of working experience in the paper distribution industry and is responsible for the purchases of printing paper and overseeing the general operations in Northern China.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 March 2004, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(a) Long Position in Ordinary Shares of HK$0.10 each in the Company

	Number of ordinary shares beneficially held					
	Personal interest	Corporate interest	Family interest	Other interest	Total	Percentage
Mr. LEE Seng Jin	11,624,000	–	–	268,340,000 (note 1)	279,964,000	65.22%
Ms. SHAM Yee Lan, Peggy	572,556	–	–	284,480,000 (notes 1 and 2)	285,052,556	66.41%
Mr. CHOW Wing Yuen	540,000	–	–	–	540,000	0.13%

Notes:

(1) Of the 284,480,000 shares, 268,340,000 shares were held 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 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 objects of the family trust include Ms. Sham Yee Lan, Peggy.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation (continued)

Save as disclosed above, as at 31 March 2004, none of the Directors and chief executives had any interests or short positions in the shares or underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Other than those interests disclosed above, the Directors and chief executives also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

At no time during the year was the Company, its holding company, its subsidiaries or its associated companies a party to any arrangement to enable any Director or chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company and its associated corporations as defined in the SFO.

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company

At 31 March 2004, the interests and short positions of the shareholders other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO were as follows:

Long Position in Ordinary Shares of HK$0.10 each in the Company

Name of shareholder	Number of ordinary shares	Percentage
Quinselle Holdings Limited	268,340,000	62.51%
HSBC International Trustee Limited (note)	284,480,000	66.27%

Note:

Of the 284,480,000 shares, 268,340,000 shares are held by Quinselle Holdings Limited and 16,140,000 shares are held by Cashstar Investments Limited.

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company (continued)

Quinselle Holdings Limited holds the 268,340,000 shares 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.

Cashstar Investments Limited holds the 16,140,000 shares 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.

Save as disclosed above, the register which was required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 March 2004.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases	
– the largest supplier	12%
– five largest suppliers combined	39%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers.

During the year, the Group sold less than 30% of its goods and services to its five largest customers and therefore no additional disclosure with regard to major customers is made.

Compliance with the Code of Best Practice of the Listing Rules

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not during the year, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors 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.

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. 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. During the year, the Committee has met twice to review with senior management of the Company and the Company's external auditors the interim and annual financial statements before recommending them to the Board for approval.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment

On behalf of the Board

SHAM Kit Ying
Chairman

Hong Kong, 19 July 2004

Auditors' Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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AUDITORS' REPORT TO THE SHAREHOLDERS OF
SAMSON PAPER HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 26 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 July 2004

Consolidated Profit and Loss Account

For the year ended 31 March 2004

	Note	2004 HK$'000	As restated 2003 HK$'000
Turnover	2	2,644,619	2,512,363
Cost of sales		(2,373,222)	(2,248,324)
Gross profit		271,397	264,039
Other revenues	2	7,740	4,744
Selling expenses		(98,452)	(98,899)
Administrative expenses		(68,482)	(71,786)
Other operating expenses		(16,076)	(9,859)
Operating profit	3	96,127	88,239
Finance costs	4	(32,352)	(39,428)
Share of profits of associated companies		402	146
Profit before taxation		64,177	48,957
Taxation	5	(11,396)	(9,134)
Profit attributable to shareholders	6	52,781	39,823
Dividends	7	17,171	12,878
Basic earnings per share	8	HK12.3 cents	HK9.3 cents

Consolidated Balance Sheet

As at 31 March 2004

	Note	2004 HK$'000	As restated 2003 HK$'000
Non-current assets			
Fixed assets	11	144,691	151,013
Investment in associated companies	13	66,018	67,708
Deferred tax assets	21	2,508	1,629
		213,217	220,350
Current assets			
Inventories	14	299,023	250,482
Accounts receivable, deposits and prepayments	15	991,250	850,444
Other investments	16	24,982	8,582
Bank balances and cash		282,215	241,847
		1,597,470	1,351,355
Current liabilities			
Accounts payable and accrued charges	17	390,488	240,864
Trust receipt loans	18	595,808	546,050
Taxation payable		4,564	6,222
Bank loans	18	148,809	179,837
		1,139,669	972,973
Net current assets		457,801	378,382
Total assets less current liabilities		671,018	598,732
Financed by:			
Share capital	19	42,926	42,926
Reserves	20	534,259	495,054
Shareholders' funds		577,185	537,980
Non-current liabilities			
Bank loans	18	86,806	52,737
Deferred tax liabilities	21	7,027	8,015
		671,018	598,732

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

Balance Sheet

As at 31 March 2004

	Note	2004 HK$'000	2003 HK$'000
Non-current assets			
Investment in subsidiaries	12	392,776	392,485
Current assets			
Dividend receivable from a subsidiary		12,878	8,585
Taxation recoverable		35	–
Bank balances and cash		5	5
		12,918	8,590
Current liabilities			
Accrued charges		292	132
Taxation payable		–	91
		292	223
Net current assets		12,626	8,367
Total assets less current liabilities		405,402	400,852
Financed by:			
Share capital	19	42,926	42,926
Reserves	20	362,476	357,926
Shareholders' funds		405,402	400,852

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2004

	Note	2004 HK$'000	As restated 2003 HK$'000
Total equity as at 1 April, as previously reported		542,529	514,358
Effect of changes in accounting policy			
– adoption of SSAP 12 (revised)	1(n) & 20	(4,549)	(5,249)
Total equity as at 1 April, as restated		537,980	509,109
Deficit on revaluation of properties	20	–	(1,600)
Share of reserve of an associated company	20	(698)	(766)
Profit for the year	20	52,781	39,823
Dividends	20	(12,878)	(8,586)
Total equity as at 31 March		577,185	537,980

Consolidated Cash Flow Statement

For the year ended 31 March 2004

	Note	2004 HK$'000	2003 HK$'000
Operating activities			
Cash inflow generated from operations	22(a)	112,872	202,338
Interest paid		(32,352)	(39,428)
Hong Kong profits tax paid		(14,590)	(6,673)
Hong Kong profits tax refund		6	335
Overseas taxation paid		(725)	(26)
Net cash inflow from operating activities		65,211	156,546
Investing activities			
Purchase of associated companies		–	(69,047)
Purchase of fixed assets		(5,102)	(4,994)
Purchase of other investments		(17,000)	(9,646)
Proceeds from disposal of fixed assets		46	28
Proceeds from sale of other investments		1,810	24,921
Interest received		5,094	4,286
Dividends received from other investments		21	–
Dividends received from an associated company		125	–
Net cash outflow from investing activities		(15,006)	(54,452)
Financing activities	22(b)		
Bank loans raised		543,502	469,640
Repayment of bank loans		(540,461)	(413,969)
Dividends paid		(12,878)	(8,586)
Net cash (outflow) / inflow from financing activities		(9,837)	47,085
Increase in cash and cash equivalents		40,368	149,179
Cash and cash equivalents at the beginning of the year		241,847	92,668
Cash and cash equivalents at the end of the year		282,215	241,847
Analysis of balances of cash and cash equivalents			
Bank balances and cash		282,215	241,847

Notes to the Accounts

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (" HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain land and buildings, machinery and equipment and investments in securities are stated at fair value.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003. The changes to the Group's accounting policies and the effect of adopting the new policy are set out in note1(n) to the accounts.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

In the Company's balance sheet the investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

1 Principal accounting policies (continued)

(c) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet the investments in associated companies are stated at cost less impairment losses, if any. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(d) Translation of foreign currencies

Transactions in foreign currency are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising from these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences arising are dealt with as a movement in reserves.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired associated company at the date of acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5-10 years.

1. Principal accounting policies (continued)

(f) Fixed assets

Leasehold land and buildings are stated at cost or valuation.

Depreciation of leasehold land and buildings is calculated to write off their cost or valuation on a straight-line basis over their expected useful lives to the Group or the unexpired lease periods, whichever is shorter. The principal annual rates range from 1.52% to 5.9%.

Other fixed assets, comprising leasehold improvements, plant and machinery and furniture and fixtures are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Depreciation on other fixed assets is calculated at rates sufficient to write off their cost less accumulated impairment losses or valuation over their estimated useful lives to the Group on a straight-line basis. The principal annual rates are as follows:

Furniture and fixtures	10% to 25%
Machinery and equipment	10% to 20%
Motor vehicles and vessels	20%
Leasehold improvements	20% or over the unexpired lease period, whichever is shorter
Office and computer equipment	10% to 20%

Improvements are capitalised and depreciated over their estimated useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any assets revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from leasing company are charged to the consolidated profit and loss account on a straight-line basis over the lease periods.

1. Principal accounting policies (continued)

(h) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) Inventories

Inventories comprise merchandise, raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises purchase price of inventories and direct expenses. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks, cash investments with a maturity of three months or less from date of investment.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

1. Principal accounting policies (continued)

(m) Employee benefits (continued)

(ii) Pension obligations

The Group operates a number of defined contribution schemes for all its employees in Hong Kong, the assets of which are held in separate administered funds. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also contributes on a monthly basis to various defined contribution retirement benefit schemes, organised by relevant municipal and provincial governments in the People's Republic of China (the "PRC") for all its employees in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees for post-retirement benefits beyond the contributions made. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. Contributions to these schemes are expensed as incurred.

(iii) Equity compensation benefits

Share options are granted to any employee including any executive or non-executive director of the Company and its subsidiaries at an exercise price which is at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. No compensation cost is recognised in the profit and loss account. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(n) Deferred taxation

Deferred income taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred income taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

1. Principal accounting policies (continued)

(n) Deferred taxation (continued)

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 20 to the accounts, the opening reserves at 1 April 2002 and 2003 have been decreased by HK$5,249,000 and HK$4,549,000 respectively, which represent the unprovided net deferred tax liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31 March 2003 by HK$1,629,000 and HK$6,178,000 respectively. The profit and amount charged to equity for the year ended 31 March 2003 have been increased by HK$700,000 and decreased by HK$10,700,000 respectively.

(o) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(p) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Sales commission is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

1 Principal accounting policies (continued)

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

(r) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2 Turnover, revenue and segment information

The Group is principally engaged in the trading and marketing of paper products. Revenues recognised during the year are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Turnover – sale of goods	2,644,619	2,512,363
Other revenue		
Interest income	5,094	4,286
Sales commission	402	458
Gain on sale of other investments	740	–
Dividends received – listed investments	146	–
Others	1,358	–
	7,740	4,744
Total revenue	2,652,359	2,517,107

2 Turnover, revenue and segment information (continued)

Primary reporting format – business segments

The Group only has one business segment which comprises trading and marketing of paper products and an analysis of the Group's turnover, contribution, assets and liabilities by business segments is therefore not presented.

Secondary reporting format – geographical segments

	Group							
	Turnover		Segment results		Total assets		Capital expenditure	
						As restated		
	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	1,566,699	1,711,461	57,903	61,007	1,053,292	1,045,793	2,541	3,428
Mainland China	1,077,920	800,902	38,224	27,232	757,395	525,912	2,561	1,566
	2,644,619	2,512,363	96,127	88,239	1,810,687	1,571,705	5,102	4,994

3 Operating profit

Operating profit is stated after charging and crediting the following:

	Group	
	2004	2003
	HK$'000	HK$'000
Charging		
Amortisation of goodwill (included in other operating expenses)	1,782	709
Depreciation of fixed assets	11,037	11,351
Loss on disposal of fixed assets	341	–
Operating lease rentals in respect of land and buildings	11,388	10,388
Provision for slow-moving inventories	610	3,353
Provision for doubtful debts	16,194	10,255
Staff costs (excluding directors' remuneration (note 9))	69,625	71,993
Unrealised losses on other investments	–	810
Auditors' remuneration	653	500
Crediting		
Gain on disposal of fixed assets	–	28
Provision for doubtful debts written back	2,001	3,707
Realised gains on sale of other investments	740	–
Unrealised gains on other investments	470	–

4 Finance costs

	Group	
	2004	2003
	HK$'000	HK$'000
Interest on bank loans wholly repayable within 5 years	21,240	29,020
Interest on trade credit	11,112	10,408
	32,352	39,428

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits 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	
		As restated
	2004	2003
	HK$'000	HK$'000
Hong Kong profits tax		
Current	13,177	10,079
Overprovision in previous years	(247)	(675)
	12,930	9,404
Mainland China taxation	724	27
Deferred taxation relating to origination and reversal of temporary differences	(2,512)	(307)
Deferred taxation resulting from increase in tax rate	642	–
	11,784	9,124
Share of taxation attributable to associated companies	(388)	10
	11,396	9,134

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2004	2003
	HK$'000	HK$'000
Profit before taxation	64,177	48,957
Calculated at a taxation rate of 17.5% (2003: 16%)	11,231	7,833
Effect of different taxation rates in other countries	35	50
Income not subject to taxation	(736)	(714)
Expenses not deductible for taxation purposes	909	2,579
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	642	–
Utilisation of previously unrecognised tax losses	(72)	(36)
Tax losses not recognised	22	87
Overprovision in previous years	(247)	(675)
Taxation charge	11,784	9,124

6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$17,428,000 (2003: HK$13,046,000) (note 20).

7 Dividends

	Group	
	2004 HK$'000	2003 HK$'000
Interim – HK$0.01 (2003: HK$0.01) per share	4,293	4,293
Proposed final – HK$0.03 (2003: HK$0.02) per share	12,878	8,585
	17,171	12,878

At a meeting held on 19 July 2004, the Directors proposed a final dividend of HK3.0 cents 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 2005.

8 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$52,781,000 (2003: HK$39,823,000 (as restated)) and on the weighted average number of 429,258,039 shares (2003: 429,258,039 shares) in issue during the year.

Diluted earnings per share is not presented because there were no dilutive potential shares outstanding during the year.

9 Staff costs (excluding directors' remuneration)

	Group	
	2004 HK$'000	2003 HK$'000
Wages and salaries	66,986	66,760
Long service payments	104	3,303
Pension costs – defined contribution schemes	2,535	1,930
	69,625	71,993

10 Directors' and senior management's emoluments

(a) The aggregate amounts of emoluments payable to the Directors of the Company during the year are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Fees	160	160
Basic salaries, housing allowances, other allowances and benefits in kind	10,617	10,491
Discretionary bonuses	3,861	3,820
Pension costs – defined contribution schemes	198	204
	14,836	14,675

Directors' fees disclosed above were paid to the two independent non-executive Directors. The non-executive Director has waived his emoluments in respect of the years ended 31 March 2004 and 2003.

The emoluments of the Directors fell within the following bands:

	Number of directors	
	2004	2003
Emolument bands HK$		
0 – 1,000,000	3	5
1,000,001 – 1,500,000	3	2
1,500,001 – 2,000,000	–	1
4,500,001 – 5,000,000	–	–
5,000,001 – 5,500,000	1	2
5,500,001 – 6,000,000	1	–
	8	10

(b) The five individuals whose emoluments were the highest in the Group for both years were also Directors and their emoluments are reflected in the analysis presented above.

11 Fixed assets – Group

	Leasehold land and buildings in Hong Kong HK$'000	Leasehold land and buildings outside Hong Kong HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Total HK$'000
Cost or valuation								
At 1 April 2003	146,400	9,356	5,558	27,965	12,681	10,530	13,692	226,182
Additions	–	–	35	1,894	1,379	–	1,794	5,102
Disposals	–	–	(7)	(28)	(428)	–	(1,129)	(1,592)
At 31 March 2004	146,400	9,356	5,586	29,831	13,632	10,530	14,357	229,692
Accumulated depreciation								
At 1 April 2003	17,415	536	4,417	24,794	8,487	9,597	9,923	75,169
Charge for the year	4,336	206	399	1,165	1,978	592	2,361	11,037
Disposals	–	–	(7)	(9)	(372)	–	(817)	(1,205)
At 31 March 2004	21,751	742	4,809	25,950	10,093	10,189	11,467	85,001
Net book value								
At 31 March 2004	124,649	8,614	777	3,881	3,539	341	2,890	144,691
At 31 March 2003	128,985	8,820	1,141	3,171	4,194	933	3,769	151,013

11 Fixed assets – Group (continued)

The Group's interests in land and buildings at their net book values are analysed as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
In Hong Kong, held on		
Leases of between 10 to 50 years	124,649	128,985
Outside Hong Kong, held on		
Leases of over 50 years	697	708
Leases of between 10 to 50 years	7,917	8,112
	8,614	8,820
	133,263	137,805

(a) Leasehold land and buildings of HK$146,400,000 (2003: HK$146,400,000) were situated in Hong Kong and were revalued at 31 March 2004 on the basis of open market value carried out by FPDSavills (Hong Kong) Limited, an independent firm of chartered surveyors.

The carrying amount of the leasehold land and buildings situated in Hong Kong would have been HK$100,271,000 (2003: HK$102,446,000) had they been stated at cost less accumulated depreciation.

At 31 March 2004, the leasehold land and buildings situated in Hong Kong were pledged to banks as securities for bank loans and certain trust receipt loans granted to the Group (note 25).

(b) Machinery and equipment of HK$2,994,000 (2003: HK$2,994,000) held by Burotech Limited, a wholly-owned subsidiary of the Company, at 31 July 1989 were valued by the Directors of the Group at 30 August 1989 by reference to a valuation report prepared by American Appraisal Limited on a fair market value basis on 30 August 1989. Surplus arising on the revaluation was taken directly to the assets revaluation reserve. Effective from 1st April 1995 no further revaluation have been carried out. The Group places reliance on paragraph 80 of the Hong Kong SSAP No.17 (revised) which provides exemption from the need to make regular revaluations for such assets.

The machinery and equipment would have no carrying value (2003: Nil) had they been stated at cost less accumulated depreciation.

(c) All other fixed assets of the Group are stated at cost less accumulated depreciation.

12 Investment in subsidiaries

	Company	
	2004	2003
	HK$'000	HK$'000
Unlisted shares, at cost (note a)	249,897	249,897
Amounts due from subsidiaries (note b)	142,879	142,588
	392,776	392,485

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 March 2004 are set out in note 28 to the accounts.

(b) The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months from the balance sheet date.

13 Investment in associated companies

	Group	
	2004	2003
	HK$'000	HK$'000
Share of net assets	61,419	61,327
Goodwill on acquisition of an associated company less accumulated amortisation	4,599	6,381
	66,018	67,708

	Group	
	2004	2003
	HK$'000	HK$'000
Investments at cost :		
Listed overseas shares	67,334	67,334
Unlisted shares	640	640
	67,974	67,974
Market value of listed shares	39,946	37,948

13 Investment in associated companies (continued)

The following is the details of the associated companies at 31 March 2004:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Interest held indirectly	
				2004	2003
Tri-Pine Trading (Hong Kong) Limited	Hong Kong	Trading of paper products	640,000 shares of HK$1 each	40%	40%
United Pulp & Paper Company Limited (note)	Singapore	Manufacturing and trading of paper and paper products	22,192,000 shares of S$0.25 each	19.11%	19.18%

Note:
United Pulp & Paper Company Limited has a financial accounting period of 31 December which is not coterminous with the Group.

14 Inventories

	Group	
	2004 HK$'000	2003 HK$'000
Merchandise	298,162	246,411
Raw materials	675	3,686
Work in progress	3	20
Finished goods	183	365
	299,023	250,482

At 31 March 2004 and 2003, all inventories were carried at cost.

15 Accounts receivable, deposits and prepayments

At 31 March 2004, included in accounts receivable, deposits and prepayments are trade debtors of HK$884,749,000 (net of provision) (2003: HK$787,979,000 (net of provision)) and their ageing analysis is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Current to 60 days	596,134	553,753
61 to 90 days	159,153	136,215
Over 90 days	129,462	98,011
	884,749	787,979

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

16 Other investments

	Group	
	2004	2003
	HK$'000	HK$'000
Listed securities, at fair value:		
Listed shares in Hong Kong	297	630
Listed shares outside Hong Kong	16,281	734
Bonds listed outside Hong Kong	8,404	7,218
	24,982	8,582

17 Accounts payable and accrued charges

At 31 March 2004, included in accounts payable and accrued charges are trade creditors of HK$361,916,000 (2003: HK$208,078,000) and their ageing analysis is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Current to 60 days	265,344	156,775
61 to 90 days	51,028	35,735
Over 90 days	45,544	15,568
	361,916	208,078

18 Bank loans and trust receipt loans

	Group	
	2004	2003
	HK$'000	HK$'000
Bank loans		
Unsecured	196,878	169,684
Secured (note 25)	38,737	62,890
	235,615	232,574
Current portion	(148,809)	(179,837)
	86,806	52,737
Trust receipt loans	595,808	546,050

At 31 March 2004, the Group's bank loans were repayable as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Within one year	148,809	179,837
In the second year	70,278	38,153
In the third to fifth years inclusive	16,528	14,584
	235,615	232,574

At 31 March 2004, the Group's trust receipt loans of HK$595,808,000 (2003: HK$546,050,000) were repayable within one year from the balance sheet date.

19 Share capital

	Number of shares of HK$0.10 each		Share capital	
	2004	2003	2004	2003
			HK$'000	HK$'000
Authorised:				
At the beginning and the end of year	800,000,000	800,000,000	80,000	80,000
Issued and fully paid:				
At the beginning and the end of year	429,258,039	429,258,039	42,926	42,926

At the Special General Meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") to comply with the new requirements of Chapter 17 of the Listing Rules and the termination of the operation of the existing share option scheme (the "Old Scheme") which was approved on 8 November 1995. No share option was granted under the Old Scheme since 8 November 1995 and up to the date of the termination or was outstanding as at the date of the termination. As at 31 March 2004, no option has been granted under the New Scheme.

20 Reserves

Group

	Share premium HK$'000	Assets revaluation reserve HK$'000	Capital reserve (note a) HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2002, as previously reported	96,293	62,742	33,311	(126)	279,212	471,432
Changes in accounting policy						
– adoption of SSAP 12 (revised)	–	(10,700)	–	–	5,451	(5,249)
At 1 April 2002, as restated	96,293	52,042	33,311	(126)	284,663	466,183
2001-2002 final dividend paid	–	–	–	–	(4,293)	(4,293)
Profit for the year	–	–	–	–	39,823	39,823
Deficit on revaluation of properties	–	(1,600)	–	–	–	(1,600)
Share of reserve of an associated company	–	–	–	(766)	–	(766)
2002-2003 interim dividend paid	–	–	–	–	(4,293)	(4,293)
Reserves	96,293	50,442	33,311	(892)	307,315	486,469
Proposed 2002-2003 final dividend	–	–	–	–	8,585	8,585
At 31 March 2003	96,293	50,442	33,311	(892)	315,900	495,054
Company and subsidiaries	96,293	50,442	33,311	–	315,764	495,810
Associated companies	–	–	–	(892)	136	(756)
At 31 March 2003	96,293	50,442	33,311	(892)	315,900	495,054
At 1 April 2003, as previously reported	96,293	61,142	33,311	(892)	309,749	499,603
Changes in accounting policy						
–- adoption of SSAP 12 (revised)	–	(10,700)	–	–	6,151	(4,549)
At 1 April 2003, as restated	96,293	50,442	33,311	(892)	315,900	495,054
2002-2003 final dividend paid	–	–	–	–	(8,585)	(8,585)
Profit for the year	–	–	–	–	52,781	52,781
Share of reserve of an associated company	–	–	–	(698)	–	(698)
2003-2004 interim dividend paid	–	–	–	–	(4,293)	(4,293)
Reserves	96,293	50,442	33,311	(1,590)	342,925	521,381
Proposed 2003-2004 final dividend	–	–	–	–	12,878	12,878
At 31 March 2004	96,293	50,442	33,311	(1,590)	355,803	534,259
Company and subsidiaries	96,293	50,442	33,311	–	354,877	534,923
Associated companies	–	–	–	(1,590)	926	(664)
At 31 March 2004	96,293	50,442	33,311	(1,590)	355,803	534,259

20 Reserves (continued)

Company

	Share premium HK$'000	Contributed surplus (note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2002	96,293	249,697	7,476	353,466
2001-2002 final dividend paid	–	–	(4,293)	(4,293)
Profit for the year (note 6)	–	–	13,046	13,046
2002-2003 interim dividend paid	–	–	(4,293)	(4,293)
Reserves	96,293	249,697	3,351	349,341
Proposed 2002-2003 final dividend	–	–	8,585	8,585
At 31 March 2003	96,293	249,697	11,936	357,926
At 1 April 2003	96,293	249,697	11,936	357,926
2002-2003 final dividend paid	–	–	(8,585)	(8,585)
Profit for the year (note 6)	–	–	17,428	17,428
2003-2004 interim dividend paid	–	–	(4,293)	(4,293)
Reserves	96,293	249,697	3,608	349,598
Proposed 2003-2004 final dividend	–	–	12,878	12,878
At 31 March 2004	96,293	249,697	16,486	362,476

Notes:

(a) The capital reserve of the Group represents the difference between the nominal value of the shares issued by Samson Paper (BVI) Limited and the nominal value of the share capital of those companies forming the Group pursuant to a group reorganisation in 1995.

(b) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its component of reserves of the underlying subsidiaries.

21 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003:16%).

The movement on the deferred tax liabilities/(assets) account is as follows:

	Group	
		As restated
	2004	2003
	HK$'000	HK$'000
At 1 April	6,386	6,693
Deferred taxation credited to profit and loss account (note 5)	(1,867)	(307)
At 31 March	4,519	6,386

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has no material unrecognised tax losses as at 31 March 2004 and 2003.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

	Group	
Deferred tax liabilities	**Accelerated tax depreciation**	
		As restated
	2004	2003
	HK$'000	HK$'000
At 1 April	8,722	8,453
(Credited)/charged to profit and loss account	(638)	269
At 31 March	8,084	8,722

21 Deferred taxation (continued)

Deferred tax assets	Group					
	Provisions		Tax losses		Total	
		As restated		As restated		As restated
	2004	2003	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April	963	1,238	1,373	522	2,336	1,760
Charged/(credited) to profit and loss account	631	(275)	598	851	1,229	576
At 31 March	1,594	963	1,971	1,373	3,565	2,336

The amounts shown in the balance sheet include the following:

	Group	
		As restated
	2004	2003
	HK$'000	HK$'000
Deferred tax assets to be recovered after more than 12 months	(2,508)	(1,629)
Deferred tax liabilities to be settled after more than 12 months	7,027	8,015
	4,519	6,386

22 Consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	Group	
	2004	2003
	HK$'000	HK$'000
Operating profit	96,127	88,239
Amortisation of goodwill	1,782	709
Depreciation of fixed assets	11,037	11,351
Losses / (gains) on disposal of fixed assets	341	(28)
Realised gains on sale of other investments	(740)	(780)
Unrealised (gains) / losses on other investments	(470)	810
Interest income	(5,094)	(4,286)
Dividends income	(146)	–
Operating profit before working capital changes	102,837	96,015
(Increase) / decrease in inventories	(48,541)	29,432
Increase in accounts receivable, deposits and prepayments	(140,806)	(133,529)
Increase in accounts payable and accrued charges	149,624	81,967
Increase in trust receipt loans	49,758	128,453
Net cash inflow generated from operations	112,872	202,338

(b) Analysis of changes in financing during the year

	Group	
	Bank loans	
	2004	2003
	HK$'000	HK$'000
At the beginning of year	232,574	176,903
Bank loans raised	543,502	469,640
Repayment of bank loans	(540,461)	(413,969)
At the end of year	235,615	232,574

23 Contingent liabilities

At 31 March 2004, the Company provided corporate guarantees on the banking facilities granted to three subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2004 amounted to HK$831,423,000 (2003: HK$778,624,000).

24 Commitments

(a) **Capital commitments**

Capital commitments for property, plant and equipment

	Group	
	2004	2003
	HK$'000	HK$'000
Contracted but not provided for	2,362	312

(b) As at 31 March 2004, a wholly-owned subsidiary of the Company had commitment in respect of the injection of capital into a subsidiary in Mainland China amounted to approximately HK$16,380,000 (2003: Nil).

(c) **Operating lease commitments**

At 31 March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Not later than one year	11,171	9,434
Later than one year and not later than five years	4,514	12,538
	15,685	21,972

25 Charge of assets

At 31 March 2004, trust receipt loans of HK$195,341,000 (2003: HK$175,289,000) and bank loans of HK$38,737,000 (2003: HK$62,890,000) were secured by legal charges on the Group's properties in Hong Kong with net book value of approximately HK$124,649,000 (2003: approximately HK$128,985,000) (note 11).

26 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business at prices and terms no less than those charged and contracted with other third party suppliers of the Group are as follows:

	Group	
	2004 HK$'000	2003 HK$'000
Purchase from associated companies	133,974	149,238

27 Ultimate holding company

The Directors regards Quinselle Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

28 Particulars of principal subsidiaries

	Name of subsidiary	Country/ place of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding 2004 & 2003	Nature of business
	Shares held directly:				
*	Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK$1 each	100	Investment holding
	Shares held indirectly:				
	Boardton Consultants Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Property holding
	Burotech Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	100	Printing and sales of computer forms and trading of commercial paper products
	Foundation Paper Company Limited	Hong Kong	10,000 ordinary shares of HK$100 each	100	Export trading of paper products to Mainland China
*	Global Century Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	100	Property holding

28 Particulars of principal subsidiaries (continued)

	Name of subsidiary	Country/ place of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding 2004 & 2003	Nature of business
	Shares held indirectly (continued):				
	Samson Paper (China) Company Limited	Hong Kong	1,000 ordinary shares of HK$10each	100	Investment holding
	Samson Paper Company Limited	Hong Kong	100 ordinary shares of HK$10 each	100	Trading of paper products
			2,850,000 non-voting share of HK$10 each	100	
	Shun Hing Paper Company Limited	Hong Kong	7,600 ordinary shares of HK$100 each	100	Trading of paper products
			2,400 non-voting shares of HK$100 each	100	
*	Sino Development (Tianjin) International Trading Co. Ltd.**	The People's Republic of China	Registered capital US$300,000	100	Trading of paper products in Mainland China
*	Sky (Shenzhen) International Trading Co. Ltd.**	The People's Republic of China	Registered capital US$640,000	100	Trading of paper products in Mainland China
*	Star Vision Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	100	Investment holding

* The statutory accounts of these subsidiaries were not audited by PricewaterhouseCoopers, Hong Kong.

** Foreign investment enterprises

All subsidiaries operate in Hong Kong except otherwise stated.

The above table only listed those subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particular of excessive length.

29 Approval of accounts

The accounts were approved by the board of Directors on 19 July 2004.

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