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SAMSON PAPER HOLDINGS LIMITED
森 信 紙 業 集 團 有 限 公 司 *

(Provisional Liquidators Appointed)
(For Restructuring Purposes Only)
(Incorporated in Bermuda with limited liability)
(Stock Code: 731)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

Reference is made to the announcement of Samson Paper Holdings Limited (the "Company") dated 30 June 2020, in relation to the unaudited financial information for the year ended 31 March 2020 of the Company and its subsidiaries (the "Group") (the "Unaudited Results"). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Unaudited Results.

Further to the publication of the Unaudited Results, the board of Directors (the "Board") of the Company hereby announces its audited annual consolidated results ("Audited Results") for the year ended 31 March 2020 as follows.

The major variances between Audited Results and Unaudited Results could be referred to in the section headed "MAJOR VARIANCE BETWEEN AUDITED RESULTS AND UNAUDITED RESULTS" in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	3	**5,736,917**	5,907,821
Cost of sales		**(5,218,080)**	(5,347,831)
Gross profit		**518,837**	559,990
Fair value (losses)/gains on investment properties		**(15,900)**	31,716
Other gains and income, net		**60,453**	64,618
Selling expenses		**(196,716)**	(213,882)
Administrative expenses		**(230,320)**	(233,318)
(Impairment losses)/reversal for impairment losses of financial assets, net		**(543,535)**	1,463
Impairment losses of property, plant and equipment		**(25,801)**	—
Other operating income, net		**283**	406
(Loss)/profit from operations		**(432,699)**	210,993
Finance costs		**(81,017)**	(71,174)
(Loss)/profit before tax		**(513,716)**	139,819
Income tax expense	5	**(29,236)**	(20,142)
(Loss)/profit for the year	4	**(542,952)**	119,677
Attributable to:			
Owners of the Company		**(550,566)**	109,206
Non-controlling interests		**7,614**	10,471
		(542,952)	119,677
(Loss)/earnings per share	6		
Basic		**HK(48.3) cents**	HK9.2 cents
Diluted		**HK(48.3) cents**	HK8.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 *HK$'000*	2019 *HK$'000*
(Loss)/profit for the year	**(542,952)**	119,677
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss:		
Revaluation of land and buildings, net of deferred tax	**1,683**	10,471
Revaluation of right-of-use assets, net of deferred tax	**12,910**	—
Changes in the fair value of financial assets at fair value through other comprehensive income ("FVTOCI")	**365**	166
	14,958	10,637
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(223,733)**	(249,744)
	(223,733)	(249,744)
Other comprehensive income for the year, net of tax	**(208,775)**	(239,107)
Total comprehensive income for the year	**(751,727)**	(119,430)
Attributable to:		
Owners of the Company	**(742,613)**	(104,923)
Non-controlling interests	**(9,114)**	(14,507)
	(751,727)	(119,430)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**1,802,114**	2,056,466
Land use rights		—	113,553
Investment properties		**725,785**	742,676
Right-of-use assets		**325,113**	—
Goodwill		**35,699**	37,622
Other intangible assets		**4,540**	4,071
Financial assets at FVTOCI		**1,700**	1,335
Financial assets at fair value through profit or loss ("FVTPL")		**5,169**	4,692
Non-current deposits and prepayments	*8*	**20,858**	21,268
Deferred tax assets		**8,105**	7,343
		2,929,083	2,989,026
Current assets			
Properties under development		**211,701**	206,127
Inventories		**735,885**	700,884
Accounts and other receivables	*8*	**1,675,549**	2,101,742
Taxation recoverable		**7,906**	8,313
Restricted bank deposits		**92,673**	184,344
Bank and cash balances		**205,828**	332,408
		2,929,542	3,533,818
Total assets		**5,858,625**	6,522,844
Current liabilities			
Accounts and other payables	*9*	**1,192,171**	909,415
Contract liabilities		**3,362**	25,263
Trust receipt loans		**1,303,045**	1,051,271
Taxation payable		**110,411**	106,467
Borrowings		**1,601,097**	1,089,070
Finance lease payables		—	1,518
Lease liabilities		**17,060**	—
		4,227,146	3,183,004
Net current (liabilities)/assets		**(1,297,604)**	350,814
Total assets less current liabilities		**1,631,479**	3,339,840

	Note	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Accounts and other payables	9	**1,018**	451,566
Finance lease payables		**—**	1,760
Lease liabilities		**10,154**	—
Borrowings		**12,088**	603,600
Deferred tax liabilities		**108,578**	96,591
		131,838	1,153,517
NET ASSETS		**1,499,641**	2,186,323
Equity			
Share capital		**127,315**	127,315
Reserves		**1,130,394**	1,832,568
		1,257,709	1,959,883
Non-controlling interests		**241,932**	226,440
TOTAL EQUITY		**1,499,641**	2,186,323

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprises Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

Suspension of trading in shares of the Company and appointment of the joint and several provisional liquidators (for restructuring purposes only)

On 30 June 2020, the Company published an announcement on the Stock Exchange containing extracts of its Unaudited Results. Based on the Unaudited Results, it was likely that a financial covenant ratio requirement of the Group not being fulfilled.

As additional time was required by the then auditors of the Company (the "Former Auditors") to finalize their audit procedures in respect of the annual results for the year ended 31 March 2020 (the "2020 Annual Results"), the Company was unable to announce its 2020 Annual Results by the deadline prescribed by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The trading of the Company's shares on the Stock Exchange was suspended with effect from 2 July 2020 (the "Suspension").

As a direct result of the above stated developments, certain creditors of the Group accelerated the repayment obligations of certain indebtedness of the Group and ceased providing facilities to the Group, leading to a detrimental effect on the Group's cash flow, a series of events of default by the Group on its indebtedness and various legal actions against the Company and its subsidiaries. To facilitate a restructuring of the Company's indebtedness, the Company filed with the Supreme Court of Bermuda (the "Bermuda Court") on 18 July 2020 (Hong Kong time) a petition for the winding up of the Company and an application for the appointment of joint and several provisional liquidators on a "light touch" basis for restructuring purposes.

On 24 July 2020, the Bermuda Court ordered that Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen, both of Deloitte Touche Tohmatsu, and Ms. Rachelle Ann Frisby of Deloitte Ltd. be appointed as the joint provisional liquidators of the Company (the "JPLs") for the purpose of, inter alia, formulating, proposing and implementing a restructuring plan of the indebtedness of the Company. The Board continues to manage the day-to-day affairs of the Company in all respects, subject to the oversight and monitoring of the JPLs.

On 13 August 2020, on the application of the JPLs, the High Court of Hong Kong ("Hong Kong Court") recognised their appointment and further ordered that no action or proceedings shall be proceeded with or commenced against the Company or its assets in Hong Kong for the duration of the provisional liquidation proceedings in Bermuda.

Since their appointment, the JPLs, together with the Board, have taken steps to stabilize operations of the Group and improve the liquidity of the Group, as well as to develop and implement a restructuring plan of the indebtedness of the Group, including (i) reducing cash outflows through staff redundancy and other cost cutting measures, reducing capital expenditure, and winding down non-core businesses; (ii) deconsolidation of non-core businesses of the Group, by way of voluntary liquidation and disposal; (iii) having identified the Investor (as defined below) for the Proposed Restructuring (as defined below and details of which are set out below at the paragraphs under the section headed the "Proposed Restructuring of the Group") to provide necessary funds to regularize the Company's paper manufacturing business, which shall be retained in the Group upon completion of the Proposed Restructuring (the "Retained Group"), and to provide recovery to the Company's creditors; (iv) developing, proposing and implementing a restructuring of the capital and indebtedness of the Company's paper manufacturing business conducted through its subsidiary Universal Pulp & Paper (Shandong) Co. Ltd. ("UPPSD") (the "UPPSD Bankruptcy Reorganisation"); and (v) developing and proposing a scheme of arrangement between the Company and its creditors (the "ListCo Scheme"), with the objective to achieve a resumption of trading of the shares of the Company on the Stock Exchange (the "Resumption").

Going Concern

As at 31 March 2020, the Group's current liabilities exceeded its current assets by HK$1,297,604,000. Current portion of the Group's borrowings and lease liabilities amounted to approximately HK$2,904,142,000 and HK$17,060,000 respectively while its cash and cash equivalents amounted to approximately HK$205,828,000. Included in the Group's borrowings as at 31 March 2020 was a principal amount of HK$2,916,230,000 due to various banks under loan facilities to which the Company was a guarantor. The Group had failed to comply with the financial covenants of these loan facilities in respect of its current ratio as stipulated in the loan agreements. This non-compliance constituted an event of default under the loan agreements, such that the banks may exercise their rights to serve notice to terminate the loan agreements and forthwith demand all principal amounts and interests immediately due and payable. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, in view of the measures already taken by the JPLs and the Directors of the Company in improving the liquidity and solvency position of the Group and the progress made in respect of the Proposed Restructuring of the Group, the consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realization and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. The validity of the going concern assumption is dependent on the successful and favorable outcomes of the measures taken by the Group including the completion of the Proposed Restructuring.

Should the Group fails to achieve its plans and measures, it may be unable to continue as a going concern, and adjustments would have to be made to write down the carrying value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

Listing status of the Company

By way of letters dated 21 July 2020, 26 November 2020 and 11 June 2021, the Stock Exchange imposed the following resumption guidance (the "Resumption Guidance") for the Company:

1. Address all audit issues raised by the Former Auditors (the "Audit Issues");

2. Conduct an appropriate independent investigation into the Audit Issues, announce the findings and take appropriate remedial actions;

3. Publish all outstanding financial results required under the Listing Rules and address any audit modifications;

4. Have the winding-up petition (or winding-up order, if made) against the Company withdrawn or dismissed;

5. Announce all material information for the Company's shareholders and investors to appraise the Company's position;

6. Demonstrate its compliance with Rule 13.24 of the Listing Rules;

7. Conduct an independent internal control review and demonstrate adequate internal control systems being put in place to meet the obligations under the Listing Rules; and

8. Re-comply with Rules 3.05, 3.10(1), 3.21 and 3.25 of the Listing Rules.

For details, please refer to the announcements made by the Company dated 23 July 2020, 27 November 2020 and 18 June 2021.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 1 January 2022 (the "Delisting Deadline"). If the Company fails to remedy the issue(s) causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 1 January 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company is taking appropriate steps to remedy the issues causing the Suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in the shares is allowed to resume. On 20 September 2021, the Company submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange. The Company is currently attending to the queries of the Stock Exchange with regards to the Resumption Proposal.

Please refer to the announcements of the Company dated 30 September 2020, 4 January 2021, 8 April 2021, 7 July 2021 and 5 October 2021 for details of the progress of the Resumption. The Company will keep its shareholders and public informed of the developments in this regard by making further announcements as and when appropriate.

Proposed Restructuring of the Group

On 13 April 2021, the Company, the JPLs, Xiamen C&D Paper & Pulp Co., Ltd.* ("Xiamen C&D Paper") and Zhejiang Xinshengda Holding Group Co., Ltd.* ("Zhejiang Xinshengda") entered into a term sheet in relation to the proposed restructuring of the Group ("Term Sheet"). For details, please refer to the announcement made by the Company dated 13 April 2021.

On 30 July 2021, the Company, the JPLs, Xiamen C&D Paper, Zhejiang Xinshengda, NCD Investment Holding Limited (the "Investor") (a company incorporated in the British Virgin Islands owned by Xiamen C&D Paper as to 55% and Zhejiang Xinshengda as to 45%) and Shandong Bairun Pulp & Paper Co., Ltd.* ("Shandong Bairun") (background of which is set out in the paragraphs under the section headed "UPPSD Bankruptcy Reorganisation" below) entered into a restructuring agreement (as amended by a supplemental restructuring agreement dated 22 November 2021) (the "Restructuring Agreement") in relation to the restructuring of the Group (the "Proposed Restructuring") involving, inter alia, (i) the Capital Reorganisation; (ii) the Subscription; (iii) the Group Reorganisation; (iv) the Placement; (v) the ListCo Scheme; (vi) the UPPSD Bankruptcy Reorganisation; and (vii) the Resumption.

Details of the Restructuring Agreement has been announced in an announcement dated 22 November 2021.

1. Capital Reorganisation

The Board proposes to implement, subject to the approval by the shareholders, the capital reorganisation ("Capital Reorganisation"), which comprises of:

a. the reduction of the issued capital of the Company by cancelling the paid up capital to the extent of HK$0.095 on each of the issued ordinary shares in the issued capital of the Company before the Capital Reorganisation becoming effective (the "Existing Shares") such that the par value of each of the Existing Shares shall be reduced from HK$0.10 to HK$0.005 (the "Capital Reduction");

b. the cancellation of the authorised but unissued ordinary share capital of the Company in its entirety upon the Capital Reduction becoming effective (the "Authorised Share Capital Diminution");

c. the cancellation of entire amount standing to the credit of the share premium account of the Company (the "Share Premium Cancellation") of approximately HK$161,000,000, being the aggregate amount subscribed for the Existing Shares in excess of such Existing Shares' par value at that time, and credit the amount cancelled to the contributed surplus reserve account of the Company;

d. the consolidation of every ten issued and unissued shares of HK$0.005 each into one new ordinary share of the Company of HK$0.05 (the "New Shares") upon the Capital Reduction, the Authorised Share Capital Diminution and the Share Premium Cancellation becoming effective (the "Share Consolidation"); and

e. the increase in authorised share capital — upon the Capital Reduction, the Authorised Share Capital Diminution, the Share Premium Cancellation and the Share Consolidation becoming effective, the Company's authorised ordinary share capital will be increased from approximately HK$5,710,000 divided into 114,107,582 New Shares of HK$0.05 each to HK$100,000,000 divided into 2,000,000,000 New Shares of HK$0.05 each.

2. *Subscription*

The Company shall issue and allot, and the Investor shall subscribe for 990,220,583 New Shares (the "Subscription Shares"), representing 70% of the enlarged ordinary share capital of the Company upon the completion of the Capital Reorganisation and the issue and allotment of the Subscription Shares, Creditors' Shares (as defined below) and Placement Shares (as defined below) and assuming all issued preference shares of the Company have been converted into ordinary shares of the Company, at the subscription price of HK$0.121056 per share (the "Subscription Price") for a total consideration of HK$119,872,142 (the "Subscription Proceeds"). The Subscription Proceeds shall be used for settling the costs and expenses for implementing the Proposed Restructuring and discharging debts of the Company under the ListCo Scheme.

3. *Group Reorganisation*

Pursuant to the Restructuring Agreement, the group reorganisation ("Group Reorganisation") shall involve:

a. the incorporation of Greater Paper Development Limited ("SPV1"), a company incorporated in Hong Kong with limited liability, owned as to 100% by the Company;

b. the incorporation of Greater Paper (Shenzhen) Paper Limited ("SPV2"), a company incorporated in the People's Republic of China (the "PRC") with limited liability and owned as to 100% by SPV1;

c. SPV2 becoming the sole registered shareholder of UPPSD through the UPPSD Bankruptcy Reorganisation;

d. upon the completion of all the transactions under the Restructuring Agreement (the "Closing"), to effectuate the transfer of the subsidiaries of the Group other than SPV1, SPV2 and UPPSD (the "Excluded Subsidiaries") to the SchemeCo (as defined below) for the Scheme Creditors (as defined below) pursuant to the terms of the ListCo Scheme by transferring the entire equity interests of Samson Paper (BVI) Ltd (being the holding company of the Excluded Subsidiaries and a directly wholly-owned subsidiary of the Company) held by the Company to the SchemeCo at a nominal consideration of HK$1.0. The Retained Group shall comprise of the Company, SPV1, SPV2 and UPPSD and will be principally engaged in manufacturing of paper product;

e. provision of a loan not less than RMB80,000,000 by Shandong Bairun to SPV2 which will be used in the daily business operations of UPPSD (which forms part of the loan of not less than RMB250,000,000 to be provided by Shandong Bairun to SPV2 under the UPPSD Bankruptcy Reorganisation, the remaining RMB170,000,000 of which will be used for the first instalment payment under the UPPSD Bankruptcy Reorganisation plan);

f. the completion of the implementation of the UPPSD Bankruptcy Reorganisation plan; and

g. the above-mentioned loan would be secured by charge over the shares of SPV1, SPV2 and UPPSD and the appropriate assets of UPPSD created in favour of the Investor or Shandong Bairun (as the case may be) by way of a first priority fixed charge, which shall be discharged upon the completion of the Group Reorganisation.

4. Placement

Pursuant to the Restructuring Agreement, the Company shall enter into a placing agreement with the Investor and a placing agent (the "Placing Agent for Placement"), pursuant to which the Placing Agent for Placement undertakes to place, on fully underwritten basis, 56,584,032 placement shares (the "Placement Shares") to no less than six placees at HK$0.121056 per Placement Share (the "Placement").

The gross proceeds from the Placement will be approximately HK$6,849,837, and shall be used for discharging debts of the Company under the ListCo Scheme.

5. ListCo Scheme

The Company shall restructure its indebtedness by ListCo Scheme under the Hong Kong Laws involving:

a. upon the ListCo Scheme become effective, the scheme administrators shall incorporate a special purpose vehicle (the "SchemeCo") to hold and realise assets of the SchemeCo for distribution to the creditors of the Company with unsecured claims admitted by the scheme administrators in accordance with the terms of the ListCo Scheme (the "Scheme Creditors") and settle the costs and expenses arising from the implementation of the ListCo Scheme in accordance with the terms of the ListCo Scheme;

b. all the claims against the Company shall be fully and finally discharged under ListCo Scheme by way of the SchemeCo accepting and assuming an equivalent liability in place of the Company in respect of the claims of the creditors of the Company. In return, the Scheme Creditors will be entitled to receive dividends from the realization of the assets of the SchemeCo pursuant to the ListCo Scheme in full and final settlement of their claims against the SchemeCo;

c. the assets of the SchemeCo to be realised for the benefit of the Scheme Creditors shall include:

   (i) the remaining balance of the gross Subscription Proceeds of approximately HK$119,872,142 after deducting the costs of implementing the Proposed Restructuring;

   (ii) 240,482,142 New Shares to be issued and allotted by the Company to the SchemeCo (the "Creditors' Shares") for the benefit of the Scheme Creditors, representing approximately 17% of the issued ordinary share capital of the Company after the completion of the Capital Reorganisation and as enlarged by the issue and allotment of the Subscription Shares, Placement Shares and Creditors' Shares and assuming all preference shares have been converted, subject to the right to dispose the Creditors' Shares as detailed in paragraph (viii) below;

   (iii) gross proceeds from the Placement of approximately HK$6,849,837;

   (iv) the shares and/other assets of the Excluded Subsidiaries;

   (v) the inter-company account receivables due from the Excluded Subsidiaries to the Retained Group in the amount of approximately HK$300 million;

(vi) the cash, bank deposits and account receivables of the Company as at the effective date of the ListCo Scheme (apart from the account receivables due from the Retained Group);

(vii) all claims or litigations and all potential claims or litigation rights against third parties raised by the Retained Group (to the extent transferrable under the applicable law and approved by the relevant party);

(viii) a right to the SchemeCo exercisable by the scheme administrators in their absolute discretion (for the benefit of the Scheme Creditors other than the Scheme Creditors who elected to hold the Creditors' Shares in their own names or through CCASS) to dispose the Creditors' Shares on behalf of the relevant Scheme Creditors, either (i) in the open market at the market price; or (ii) instructing a placing agent (the "Placing Agent for Placing Out") at one or more times during the 12 months from the Closing to place such number of the Creditors' Shares to independent placees at price(s) procured by the Placing Agent for Placing Out on a best effort basis (the "Placing Price for Placing Out") and, given the guarantee by the Investor (the "Price Protection") to pay the shortfall between the Placing Price for Placing Out and the issue price of the Creditors' Shares (i.e. HK$0.121056 per share) should the Placing Price for Placing Out be lower than the issue price of the Creditors' Shares, to realise such Creditors' Shares at a price not less than the issue price of the Creditors' Shares, thereby offering a certain minimum realization from the Creditors' Shares in exchange for the relevant Scheme Creditors releasing their admitted claims against the Company.

On 30 September 2021, the Company held a meeting of the creditors of the Company (the "Scheme Meeting") pursuant to the order dated 1 September 2021 granted by the Hong Kong Court. The resolution to approve the ListCo Scheme was duly passed. Subsequently, the ListCo Scheme was sanctioned by the Hong Kong Court on 28 October 2021.

6. UPPSD Bankruptcy Reorganisation

Upon completion of the Proposed Restructuring, the Retained Group shall continue to be engaged in paper manufacturing business conducted through UPPSD.

As set out in the Company's announcement dated 22 November 2021, due to the then liquidity shortage of the Group and the eventual suspension of production of UPPSD in late September 2020, in order to provide and ring-fence working capital to resume UPPSD's operation so as to preserve its operational value, UPPSD, Xiamen C&D Paper and Shandong Herun Holding Group Co., Ltd.* ("Shandong Herun") (a PRC company wholly-owned by Mr. Li Shengfeng, the majority ultimate beneficial owner of Zhejiang Xinshengda) entered into the an agreement dated 24 October 2020 (the "Entrusted Operation Agreement"), pursuant to which, Xiamen C&D Paper and Shandong Herun formed their joint venture Shandong Bairun (owned by Xiamen C&D Paper as to 55% and owned by Shandong Herun as at 45%) in November 2020 to operate the paper manufacturing facility of UPPSD (the "Entrusted Assets") on an entrusted basis (the "Entrusted Operation").

The resumption of manufacturing operations of UPPSD was funded by Shandong Bairun on the bases that UPPSD was paid/reimbursed the costs of its staff and Shandong Bairun would pay all operating expenses (including raw material and maintenance costs). Shandong Bairun would not, however, bear liabilities (trade or otherwise) that arose prior to the commencement of the Entrusted Operation. Shandong Bairun would not be entitled to any increase in value of the Entrusted Assets and the operations of UPPSD. Also, Shandong Bairun would not bear any risk of deterioration in value of the Entrusted Assets and risks of seizure of the Entrusted Assets (e.g. Shandong Bairun could terminate the Entrusted Operation Agreement if major assets of UPPSD were under bankruptcy proceedings or enforcement action such that it became impractical for Xiamen C&D Paper, Shandong Herun and Shandong Bairun to continue production in accordance to the terms of the Entrusted Operation Agreement).

The Company/UPPSD also retained control over UPPSD/the Entrusted Assets, including but not limited to selling assets of and/or interests in UPPSD and rights to reject any proposed addition/upgrade to the Entrusted Assets.

In view of the above, the Company is of the view that there is no impact on the accounting treatment of UPPSD in the Company's consolidated financial statements after entering into the Entrusted Operation Agreement.

On 23 December 2020, UPPSD received the notice from the People's Court of Xuecheng District, Zaozhuang City, Shandong Province (the "Shandong Court"), informing that a creditor of UPPSD had filed a bankruptcy application against UPPSD (the "UPPSD Bankruptcy Application"). Despite the objection filed by UPPSD to the Shandong Court, UPPSD received a civil judgement issued by the Shandong Court, advising that the UPPSD Bankruptcy Application was accepted and that a bankruptcy administrator (the "UPPSD Bankruptcy Administrator") was appointed on 30 December 2020. UPPSD Bankruptcy Administrator had taken custody of UPPSD's assets and company seal in accordance to the relevant rules and regulations. Accordingly, the Company lost control over UPPSD and financial results and position of UPPSD were deconsolidated from the Group with effect from 31 December 2020 in accordance with the requirements of HKFRS 10 Consolidated Financial Statements.

Following the execution of the Term Sheet, UPPSD submitted an application to the Shandong Court and the UPPSD Bankruptcy Administrator to seek for a conversion of the bankruptcy proceedings of UPPSD into a bankruptcy reorganisation, which was approved by the Shandong Court with effect from 20 April 2021.

On 29 July 2021, the UPPSD Bankruptcy Administrator convened the second meeting of creditors of UPPSD for the purpose of considering and approving the UPPSD Bankruptcy Reorganisation plan as summarised below:

a. UPPSD shall become a wholly-owned subsidiary of the Company (through SPV1 and SPV2) through the UPPSD Bankruptcy Reorganisation;

b. settlement of four creditors' priority claims with an aggregate amount of RMB4,960,533.58 in one lump sum payment by cash in priority to other creditors with unsecured claims, with their unsecured claims totalling RMB1,084,101,760.80 settled in the method as provided in (d), (e) and (f) below;

c. settlement of two creditors' verified tax claims with an aggregate amount of RMB48,333,787.65 in one lump sum payment by cash;

d. settlement of each creditor's unsecured claims with principal amount of RMB200,000 (inclusive) or below in full by way of cash;

e. for each creditor's unsecured claims with principal amount exceeding RMB200,000, settlement will be completed within four (4) years in five (5) instalments of 20% every year. The first instalment payment shall be made to repay creditor's unsecured claim of principal amount below RMB200,000 (inclusive) and 20% of the principal amount in excess of RMB200,000. The four subsequent instalments of 20% of the principal amount in excess of RMB200,000 shall be paid on or before the first, second, third and fourth anniversary date of the first instalment payment. Remaining debts shall not bear any interest for the period of settlement in instalments;

f. the settlement of the inter-company debts due by UPPSD to the Excluded Subsidiaries in the total sum of RMB741,989,908.38 as recognised by the UPPSD Bankruptcy Administrator in one lump sum payment of RMB50,000,000;

g. upon the completion of UPPSD Bankruptcy Reorganisation, UPPSD shall forfeit its all accounts receivables, prepayments and other receivables due by the Group to UPPSD, which amounted to RMB156,943,268.36 based on the liquidation audit on UPPSD commissioned by the UPPSD Bankruptcy Administrator; and

h. termination of the Entrusted Operation Agreement.

The UPPSD Bankruptcy Reorganisation was approved by its creditors and the Shandong Court on 29 July 2021 and 31 July 2021 respectively and the UPPSD Bankruptcy Administrator was discharged with effect from 1 August 2021. The Entrusted Operation Agreement has also been terminated with effect from 1 August 2021 and UPPSD resumed its self-operation. Financial results and position of UPPSD were consolidated to those of the Group in accordance with the requirements of HKFRS 10 Consolidated Financial Statements with effect from 1 August 2021.

On 11 October 2021, following the first instalment payment by UPPSD in accordance to the UPPSD Bankruptcy Reorganisation plan, the Shandong Court handed down a judgment confirming that the UPPSD Bankruptcy Reorganisation has been successfully implemented and ordered the termination of the UPPSD's bankruptcy reorganisation proceedings.

7. Resumption

To satisfy the Resumption Guidance as imposed by the Stock Exchange before the Delisting Deadline, the details of which are set out in the preceding paragraph.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

During the period between the reporting date and date of these consolidated financial statements, the Group had deconsolidated certain subsidiaries as set out below.

1. Paper manufacturing segment

As set out in the paragraphs under "UPPSD Bankruptcy Reorganisation", the Company lost control over UPPSD upon the appointment of the UPPSD Bankruptcy Administrator by the Shandong Court on application of a creditor, and UPPSD was deconsolidated from the Group in accordance with the requirements of HKFRS 10 Consolidated Financial Statements with effect from 31 December 2020.

The UPPSD Bankruptcy Reorganisation was approved by its creditors and the Shandong Court on 29 July 2021 and 31 July 2021 respectively and the UPPSD Bankruptcy Administrator was discharged. On 1 August 2021, the Company regained the control over UPPSD and UPPSD was consolidated into the Group in accordance with the requirements of HKFRS 10 Consolidated Financial Statements.

2. Paper trading segment

The Group's paper trading business was primarily carried out by Samson Paper Company Limited ("SMHK") (an indirectly wholly-owned subsidiary of the Company incorporated in Hong Kong) and its subsidiaries; Samson Paper (China) Company Limited ("SMC") (an indirectly wholly-owned subsidiary of the Company incorporated in the Hong Kong) and its subsidiaries in the PRC (the "PRC Paper Trading Subsidiaries") and indirectly wholly-owned subsidiaries of the Company incorporated in the South East Asia (e.g. Malaysia).

The paper trading business of the Group was most severely and immediately impacted by the withdrawal of banking facilities and acceleration of repayment obligations by certain creditors of the Group as a result of the Suspension, in particular, it was unable to make new purchases for maintaining normal trading operations. Some employees of the paper trading segment left the Group in light of the disruptions and uncertainty surrounding the Group's operation. The Board and the JPLs decided to wind down or dispose the paper trading business in view of its substantial working capital requirement and the Group's then liquidity position and its vulnerability against business interruption.

SMHK was the principal borrower of the Group with most of its indebtedness being guaranteed by the Company. Some of the SMHK's creditors had issued proceedings in the Hong Kong court against SMHK. On 10 August 2020, SMHK received a demand letter from a supplier demanding an immediate payment of approximately US$355,000 and HK$623,586,000.

With a view to protecting interests of all unsecured creditors of SMHK and to maintain the prospect of an holistic approach to the restructuring of the Company's indebtedness, the sole shareholder of SMHK passed a special resolution on 14 August 2020 to put SMHK into creditors' voluntary liquidation because it could not, by reason of its liabilities, continue in business. Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung, Glen of Deloitte Touche Tohmatsu were appointed as the joint and several liquidators of SMHK (the "SMHK Liquidators") and their appointment was subsequently confirmed at a creditors' meeting on 25 August 2020. Upon the commencement of its liquidation, SMHK laid off all remaining employees with immediate effect but re-employed a small number of sales personnel on a short-term basis to facilitate the collection of accounts receivable.

Similarly, the PRC Paper Trading Subsidiaries had been wound down since September 2020. Most staff were made redundant and a limited number of staff were re-employed on a short-term basis to assist with the winding down. Following the cessation of business of the PRC Paper Trading Subsidiaries, SMC was put into creditors' voluntary liquidation on 30 June 2021. Messrs. Lai Kar Yan (Derek), Ho Kwok Leung, Glen and Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu were appointed as the joint and several liquidators of SMC (the "SMC Liquidators") and their appointment was confirmed at a creditors' meeting on 9 July 2021.

Upon appointment of the SMHK Liquidators and the SMC Liquidators, the Group lost control over SMHK and SMC. SMHK and its subsidiaries (the "De-consolidated Group A") and SMC and its subsidiaries (the "De-consolidated Group B") were therefore deconsolidated from the consolidated financial statements of the Group with effect from 15 August 2020 and 1 July 2021 respectively in accordance with the requirements of HKFRS 10 Consolidation Financial Statements.

The SMHK Liquidators, the SMC Liquidators and the Directors of the Company had taken all reasonable steps to preserve and maintain the books and records of the De-consolidated Group A and the De-consolidated Group B respectively that were left behind by the former management and accounting departments of the De-consolidated Group A and the De-consolidated Group B, including but not limited to management accounts, ledgers and sub-ledgers account, vouchers, bank statements, agreements and documentation (collectively referred to as the "Basic Records"). However, despite the SMHK Liquidators, the SMC Liquidators and the Directors of the Company used their best endeavor to locate (i) certain supporting documents, such as invoices, receipts and purchaser orders, regarding certain business transactions; (ii) detailed explanations on the journal entries (collectively referred to as the "Specific Records"), they were unable to access the Specific Records as a result of the resignation or redundancy of the relevant senior management and accounting staff. The Company was unable to determine whether the Specific Records were complete in the first place or they were updated due to the departure of the former management and the accounting staff.

Apart from those in the De-consolidated Group A and De-consolidated Group B, certain subsidiaries of the Company were disposed subsequent to the reporting period. The books and records of these subsidiaries available to the Group at the material time which were retained by the Group upon the disposal were not found to be of a sufficient level for audit purposes. Despite the Directors of the Company have taken all reasonable steps and have used their best endeavors to resolve the matter, including but not limited to repeated verbal and written requests to the disposed subsidiaries, the Company has been unable to access to the complete set of books and records of these subsidiaries and detailed explanations on the accounting records and is unable to determine whether the records retained by the Group upon disposal was updated.

Other than the subsidiaries mentioned above, certain subsidiaries have been deregistered subsequent to the reporting period following staff redundancy and the cessation of business, the books and records of these subsidiaries available to the Group at the material time which were retained by the Group were not found to be of a sufficient level for audit purposes.

Set out below the financial results and positions of paper trading segment of the Group for the reporting period:

Statement of profit or loss

	Year ended 31 March 2020 ***HK$'000***
Revenue	**4,271,964**
Cost of sales	**(3,877,253)**
Gross profit	**394,711**
Other gains and income, net	**53,452**
Selling expenses	**(139,944)**
Administrative expenses	**(178,960)**
Impairment losses of financial assets, net	**(543,507)**
Impairment losses of property, plant and equipment	**(25,801)**
Other operating income, net	**3,779**
Loss from operations	**(436,270)**
Finance costs	**(76,508)**
Loss before tax	**(512,778)**
Income tax expense	**(28,649)**
Loss for the year	**(541,427)**

Statement of financial position

	As at 31 March 2020 *HK$'000*
Non-current assets	
Property, plant and equipment	**53,245**
Right-of-use assets	**47,399**
Other intangible assets	**4,275**
Financial assets at FVTPL	**5,169**
Non-current deposits and prepayments	**3,039**
Deferred tax assets	**8,103**
	121,230
Current assets	
Inventories	**499,996**
Accounts and other receivables	**1,302,633**
Taxation recoverable	**320**
Restricted bank deposits	**71,688**
Bank and cash balances	**148,200**
	2,022,837
Total assets	**2,144,067**
Current liabilities	
Accounts and other payables	**924,451**
Contract liabilities	**3,362**
Trust receipt loans	**1,303,045**
Taxation payable	**48,584**
Borrowings	**995,553**
Lease liabilities	**14,484**
	3,289,479
Net current liabilities	**(1,266,642)**
Total assets less current liabilities	**(1,145,412)**
Non-current liabilities	
Accounts and other payables	**1,018**
Lease liabilities	**7,755**
Borrowings	**12,088**
Deferred tax liabilities	**8,927**
	29,788
NET LIABILITIES	**(1,175,200)**

3. Property development and investment ("PID") segment

The Group was also engaged in the PID business including (i) the development of Nantong Business Park through subsidiaries of Seng Jin Group Limited ("SJ Limited"), namely SJ (China) Company Limited ("SJ (China)") and Jordan Property (Nantong) Co Ltd ("Jordan Nantong"); (ii) investment in warehouses and offices in the PRC and Hong Kong for rental income through SMHK and its subsidiary and certain PRC subsidiaries of SJ Limited.

Following the financial turmoil experienced by the Group in July 2020, SJ (China) has had limited access to working capital from the Group and defaulted payments to its creditors. Creditors have since taken action to freeze land and buildings owned by SJ (China) in Nantong Business Park, causing suspension in construction and certain phases of the development to be suspended from sale. There was increasing pressure from the local government on SJ (China) to resume construction. Certain management of the Group overseeing the operations of SJ (China) have departed the Group. The local management and staff were distressed by the disruptions to SJ (China)'s operation and uncertainties over its prospect and appealed to the Group to resolve the indebtedness of SJ (China) and maintain job stability.

On 16 September 2021, the shareholder of SJ Limited passed a qualifying resolution to wind up SJ Limited by way of an insolvent liquidation. Messrs. Lai Kar Yan (Derek) and Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu and Mr. Ryan Jarvis of Deloitte Ltd. were appointed as the joint and several liquidators of SJ Limited (the "Seng Jin Liquidators").

Upon appointment of the Seng Jin Liquidators, the Group lost control over SJ Limited (including SJ (China) and Jordon Nantong). Financial results and positions of SJ Limited and its subsidiaries (the "De-consolidated Group C") were therefore deconsolidated from the Group with effect from 17 September 2021 in accordance with the requirements of HKFRS 10 Consolidated Financial Statements.

The Company had maintained limited books and records of the De-consolidated Group C. Despite the repeated requests from the Company and its auditors during the course of the audit of the Group's consolidated financial statements for the year ended 31 March 2020, the local management and the staff of the De-consolidated Group C, in view of the disruptions surrounding the operations of SJ (China), did not provide sufficient supporting documents and detailed explanations for the accounting entries to the auditors of the Company. The Seng Jin Liquidators and the Directors of the Company consider that it was impracticable to provide the complete accounting records of the De-consolidated Group C given (i) the supporting documents were kept in the local PRC office where the remaining staff and management were not supportive in view of the crisis of the Group and SJ (China); (ii) the Seng Jin Liquidators and the Directors of the Company were unable to determine whether those records were being updated in the first place; and (iii) the Seng Jin Liquidators and the Directors of the Company had no other access to such records despite the fact that the Seng Jin Liquidators and Directors of the Company have taken all reasonable steps and have used their best endeavor to access such records.

Other than the De-consolidated Group C, SMHK and one of its subsidiaries were also engaged in the PID business. Due to the reasons set out above in the paper trading segment, the Company was unable to access to the Specific Records of SMHK and its subsidiary in relation to the PID business.

Set out below the financial results and positions of the PID segment for the year ended 31 March 2020:

Statement of profit or loss

	Year ended 31 March 2020 *HK$'000*
Revenue	**46,059**
Cost of sales	**(14,235)**
Gross profit	**31,824**
Fair value losses on investment properties	**(15,900)**
Other gains and income, net	**795**
Selling expenses	**(870)**
Administrative expenses	**(10,032)**
Profit from operations	**5,817**
Finance costs	**—**
Profit before tax	**5,817**
Income tax expense	**(68)**
Profit for the year	**5,749**

Statement of financial position

	As at 31 March 2020 *HK$'000*
Non-current assets	
Property, plant and equipment	**30,834**
Investment properties	**725,785**
Right-of-use assets	**109,674**
	866,293
Current assets	
Properties under development	**211,701**
Accounts and other receivables	**4,002**
Taxation recoverable	**6,066**
Bank and cash balances	**26,486**
	248,255
Total assets	**1,114,548**
Current liabilities	
Accounts and other payables	**66,224**
Net current assets	**182,031**
Total assets less current liabilities	**1,048,324**
Non-current liabilities	
Deferred tax liabilities	**7,622**
NET ASSETS	**1,040,702**

4. Others segment

Following the Suspension and the defaults of the Group, there was limited working capital available to fund the overheads of other business. In the circumstances, the Group disposed its marine vessels repair business in Singapore which was carried out by Hypex International Pte Ltd ("Hypex International") and its subsidiaries (the "De-Consolidated Group D") in September 2020.

The books and records of the De-consolidated Group D available to the Group at the material time which were retained by the Group were not found to be of a sufficient level for audit purposes. Despite the Directors of the Company have taken all reasonable steps and have used their best endeavors to resolve the matter, including repeated requests to Hypex International, the Company has been unable to access to the complete set of books and records of these subsidiaries and is unable to determine whether the records retained by the Group upon disposal was updated and complete.

Other than Hypex International, certain subsidiaries were disposed or deregistered subsequent to the reporting date. Due to the resignation of the former management and majority of the accounting staff, the Company was unable to determine whether the Specific Records of these subsidiaries were absent in the first place nor was it able to access the Specific Records of these subsidiaries for audit purposes. Certain other subsidiaries which form part of the others segment were held under De-consolidated Group A and De-consolidated Group B. Due to the reasons set out above in the paper trading segment, the Company was unable to obtain access to the Specific Records of these subsidiaries in others segment.

Statement of profit or loss

	Year ended 31 March 2020 *HK$'000*
Revenue	**58,737**
Cost of sales	**(76,374)**
Gross loss	**(17,637)**
Other gains and income, net	**1,569**
Selling expenses	**(4,276)**
Administrative expenses	**(18,741)**
Impairment losses of financial assets, net	**(28)**
Other operating expenses, net	**(3,496)**
Loss from operations	**(42,609)**
Finance costs	**(2,946)**
Loss before tax	**(45,555)**
Income tax expense	**(1,932)**
Loss for the year	**(47,487)**

Statement of financial position

	As at 31 March 2020 *HK$'000*
Non-current assets	
Property, plant and equipment	**2,073**
Right-of-use assets	**19,526**
Goodwill	**35,699**
Financial assets at FVTOCI	**1,700**
Deferred tax assets	**2**
	59,000
Current assets	
Inventories	**9,856**
Accounts and other receivables	**61,430**
Taxation recoverable	**1,520**
Bank and cash balances	**8,603**
	81,409
Total assets	**140,409**
Current liabilities	
Accounts and other payables	**14,646**
Taxation payable	**16**
Borrowings	**410,375**
Lease liabilities	**2,576**
	427,613
Net current liabilities	**(346,204)**
Total assets less current liabilities	**(287,204)**
Non-current liabilities	
Lease liabilities	**2,399**
Deferred tax liabilities	**18,631**
	21,030
NET LIABILITIES	**(308,234)**

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.1%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitment disclosed as at 31 March 2019	50,824
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(9,277)
— leases of low-value assets	(121)
	41,426
Less: total future interest expenses	(1,330)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019	40,096
Add: finance lease liabilities recognised as at 31 March 2019	3,278
Lease liabilities recognised as at 1 April 2019	43,374
Of which are:	
Current lease liabilities	22,209
Non-current lease liabilities	21,165
	43,374

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 had been applied since the commencement date of the leases using the relevant increment borrowing rate at the date of initial application of HKFRS 16.

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption of HKFRS 16			
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	*Note*	**Carrying amount as at 31 March 2019** *HK$'000*	**Re-classification** *HK$'000*	**Recognition of leases** *HK$'000* *(Note (c))*	**Carrying amount as at 1 April 2019** *HK$'000*
Assets					
Right-of-use assets		—	310,125	40,096	350,221
Land use rights	(i)	113,553	(113,553)	—	—
Property, plant and equipment	(i)(ii)	2,056,466	(96,446)	—	1,960,020
Liabilities					
Finance lease payables	(iii)	3,278	(3,278)	—	—
Lease liabilities		—	3,278	40,096	43,374
Deferred tax liabilities		96,591	20,850	—	117,441
Equities					
Asset revaluation reserve		355,189	70,994	—	426,183
Non-controlling interest		226,440	8,282	—	234,722

Note:

(i) Upfront payments for leasehold lands in Hong Kong and the PRC own used properties were classified as land use rights as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of land use rights amounting to HK$Nil and HK$113,553,000 respectively were classified to right-of-use assets.

With effect from 1 April 2019, leasehold land and land use rights previously presented as separate items on the consolidated statement of financial position are reclassified to right-of use assets. Before the adoption of HKFRS 16, the Group adopted revaluation model for the leasehold land, while land use rights were stated at cost less accumulated depreciation. Upon adoption of HKFRS 16, the leasehold land and land use rights are considered as same class of right-of-use assets. Revaluation model has been elected to be adopted to this class of right-of-use assets. As a result, a revaluation gain, net of tax, of HK$79,276,000 was recorded as opening adjustment on 1 April 2019 for the retrospective application of revaluation model for the land use rights.

(ii) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 April 2019 amounting to HK$7,156,000 as right-of-use assets.

(iii) The Group reclassified the obligation under finance leases of HK$1,518,000 and HK$1,760,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

(c) Impact of the financial results and cash flows of the Group

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases under HKAS 17 as at 31 March 2019, the Group recognised right-of-use assets amounting to HK$40,096,000 of office buildings and warehouses. Lease liabilities of HK$40,096,000 were recognised with related right-of-use assets of HK$40,096,000 as at 31 March 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease charges. During the year, the Group recognised HK$22,212,000 of depreciation and HK$1,086,000 of finance costs from these leases.

(d) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, Investment Properties, to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors of the Company. The executive directors review the Group's financial information mainly from business nature and geographical perspectives. From a perspective on business nature, the Group has four reportable segments, namely paper trading, paper manufacturing, PID, and Others segments. From a geographical perspective, management mainly assesses the performance of operations in Hong Kong and the People's Republic of China ("PRC").

The Group has four operating segments as follows:

Paper trading	—	sale of paper and board, office supplies and consumable, supplies for paper manufacturing and fast moving consumer goods ("FMCG")
Paper manufacturing	—	manufacturing and selling of paper products in Shandong, the PRC
PID	—	developing properties for sale and leasing of investment properties
Others	—	including trading and marketing of aeronautic parts and provision of related services and the provision of marine services to marine, oil and gas industries

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated administrative expenses, finance costs and income tax expense. Segment assets do not include current and deferred tax assets and corporate assets. Segment liabilities do not include current and deferred tax liabilities and corporate liabilities. Segment non-current assets do not include financial assets at FVTOCI, financial assets at FVTPL and deferred tax assets.

Information about operating segment profit or loss, assets and liabilities:

	Paper trading *HK$'000*	**Paper manufacturing** *HK$'000*	**PID** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2020					
Revenue from external customers	**4,271,964**	**1,360,157**	**46,059**	**58,737**	**5,736,917**
Intersegment revenue	**325,612**	**87,085**	**4,311**	**4,990**	**421,998**
Segment (losses)/profits	**(436,270)**	**45,092**	**5,817**	**(42,609)**	**(427,970)**
Interest income	**3,171**	**—**	**383**	**1,122**	**4,676**
Depreciation of property, plant and equipment	**8,926**	**70,332**	**3,447**	**1,527**	**84,232**
Depreciation of right-of-use assets	**7,898**	**5,056**	**10,336**	**13,560**	**36,850**
Amortisation of intangible assets	**593**	**153**	**308**	**—**	**1,054**
Impairment losses of financial assets, net	**543,507**	**—**	**—**	**28**	**543,535**
Impairment losses of property, plant and equipment	**25,801**	**—**	**—**	**—**	**25,801**
Fair value losses on investment properties	**—**	**—**	**15,900**	**—**	**15,900**
Capital expenditure	**3,367**	**156,177**	**4,157**	**5,121**	**168,822**
As at 31 March 2020					
Segment assets	**2,135,644**	**2,459,414**	**1,108,482**	**138,840**	**5,842,380**
Segment liabilities	**3,261,756**	**380,059**	**66,224**	**73,993**	**3,782,032**

	Paper trading *HK$'000*	Paper manufacturing *HK$'000*	PID *HK$'000*	Others *HK$'000*	Total *HK$'000*
Year ended 31 March 2019					
Revenue from external customers	4,302,799	1,527,427	22,552	55,043	5,907,821
Intersegment revenue	269,202	37,700	27,476	5,284	339,662
Segment profits/(losses)	109,351	59,412	55,055	(6,810)	217,008
Interest income	4,602	401	1,438	17	6,458
Depreciation of property, plant and equipment	15,089	53,609	833	3,593	73,124
Depreciation of land use rights	173	4,014	70	—	4,257
Amortisation of intangible assets	1,106	75	—	—	1,181
Reversal for impairment losses of financial assets, net	1,463	—	—	—	1,463
Fair value gains on investment properties	—	—	31,716	—	31,716
Capital expenditure	13,797	145,493	12,229	6,534	178,053
As at 31 March 2019					
Segment assets	2,402,364	2,984,087	1,015,292	105,233	6,506,976
Segment liabilities	2,226,401	139,747	43,333	27,710	2,437,191

Reconciliations of segment revenue and profit or loss:

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**6,158,915**	6,247,483
Elimination of intersegment revenue	**(421,998)**	(339,662)
Consolidated revenue	**5,736,917**	5,907,821
Profit or loss		
Total (loss)/profit of reportable segments	**(427,970)**	217,008
Unallocated amounts:		
— Administrative expenses	**(4,729)**	(6,015)
— Finance costs	**(81,017)**	(71,174)
Consolidated (loss)/profit before tax	**(513,716)**	139,819

Reconciliations of segment assets and liabilities:

	2020	2019
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**5,842,380**	6,506,976
Unallocated	**16,245**	15,868
Consolidated total assets	**5,858,625**	6,522,844
Liabilities		
Total liabilities of reportable segments	**3,782,032**	2,437,191
Unallocated	**576,952**	1,899,330
Consolidated total liabilities	**4,358,984**	4,336,521

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**659,592**	683,088	**850,845**	838,890
The PRC *(note)*	**4,733,170**	4,765,239	**1,994,248**	2,073,150
Singapore	**56,155**	49,862	**56,915**	50,733
Korea	**205,471**	298,628	**282**	54
Malaysia	**81,139**	108,054	**11,797**	12,793
Others	**1,390**	2,950	**22**	36
Consolidated total	**5,736,917**	5,907,821	**2,914,109**	2,975,656

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

4. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2020	2019
	HK$'000	*HK$'000*
Amortisation of intangible assets (included in administrative expenses)	**1,054**	1,181
Amortisation of land use rights	**—**	4,257
Depreciation on property, plant and equipment	**84,232**	73,124
Depreciation on right-of-use assets	**36,850**	—
Gain on disposal of property, plant and equipment	**(379)**	(540)
Fair value losses/(gains) on investment properties	**15,900**	(31,716)
Cost of inventories sold *(note)*	**5,129,630**	5,246,083
Allowance for inventories (included in other operating income, net)	**3,872**	2,445
Impairment losses/(reversal for impairment losses) of financial assets, net	**543,535**	(1,463)
Impairment losses of property, plant and equipment	**25,801**	—
Auditor's remuneration	**5,168**	3,400
Operating lease rentals in respect of land and buildings		
— Minimum lease payment	**26,832**	60,760
— Contingent rent	**—**	323

Notes: Cost of inventories sold includes depreciation of approximately HK$59,764,000 (2019: HK$51,963,000) which are included in the amounts disclosed separately.

5. INCOME TAX EXPENSE

	2020 *HK$'000*	2019 *HK$'000*
Current tax — Hong Kong		
Provision for the year	**7,539**	10,557
Under-provision in prior years	**3,180**	—
	10,719	10,557
Current tax — the PRC		
Provision for the year	**25,249**	26,876
Over-provision in prior years	**—**	(13,739)
	25,249	13,137
Deferred tax	**(6,732)**	(3,552)
	29,236	20,142

Under the two-tiered Profits Tax regime, the first HK$2,000,000 of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

The Group's PRC subsidiaries are subject to the PRC corporate income tax rate of 25% except as follows. UPPSD, a PRC subsidiary of the Group, was entitled to the preferential tax rate of 15% from years 2016 to 2018, being accredited as a High and New Technology Enterprise according to the PRC Corporate Income Tax Law and its relevant regulations. As UPPSD has renewed the qualification of High and New Technology Enterprise and approved on 28 November 2019 with an effective period of three years starting from 2019, and therefore the tax rate used to recognise deferred tax assets and liabilities as at 31 March 2020 was 15% (2019: 15%).

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	2020	2019
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	**(551,094)**	109,206

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**1,141,076**	1,141,076
Effect of dilutive potential ordinary shares arising from conversion of preference shares issued by the Company	**—**	132,065
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**1,141,076**	1,273,141

The computation of diluted loss per share for the year ended 31 March 2020 did not assume the conversion of the Company's convertible preference shares since its exercise has anti-dilutive effect that would result in a decrease in loss per share for the year ended 31 March 2020.

7. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Interim of HK0.40 cents (2019: HK0.40 cents) per ordinary share	**4,564**	4,564
Interim of HK0.40 cents (2019: HK0.40 cents) per preference share	**528**	528
Final of HK$Nil (2019: HK2.00 cents) per ordinary share	**—**	22,822
Final of HK$Nil (2019: HK2.00 cents) per preference share	**—**	2,641
	5,092	30,555

At a meeting held on 18 June 2019, the directors proposed a final dividend of HK2.00 cents per share. This proposed dividend was not reflected as a dividend payable in the consolidated financial statements for the year ended 31 March 2019, but was reflected as an appropriation of retained earnings for the year ended 31 March 2020.

8. ACCOUNTS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Accounts receivable	**961,320**	1,052,986
Bills receivable	**40,240**	284,256
Allowance for impairment losses	**(75,180)**	(90,941)
	926,380	1,246,301
Other receivables	**709,520**	482,333
Deposits	**12,689**	8,914
Prepayments	**47,818**	385,462
	1,696,407	2,123,010
Analysed as:		
Current assets	**1,675,549**	2,101,742
Non-current assets	**20,858**	21,268
	1,696,407	2,123,010

The credit terms of account receivables generally range from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of accounts and bills receivable, based on the invoice date, and net of allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Current to 60 days	**636,794**	1,079,290
61 to 90 days	**127,554**	107,656
Over 90 days	**162,032**	59,355
	926,380	1,246,301

9. ACCOUNTS AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Accounts payable	**439,775**	680,482
Bills payable	**433,517**	485,871
	873,292	1,166,353
VAT tax payables	**46,368**	55,362
Accruals and other payables	**273,529**	139,266
	1,193,189	1,360,981
Analysed as:		
Current liabilities	**1,192,171**	909,415
Non-current liabilities	**1,018**	451,566
	1,193,189	1,360,981

The ageing analysis of account payables, based on invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Current to 60 days	**717,893**	519,148
61 to 90 days	**155,399**	102,928
Over 90 days	**—**	544,277
	873,292	1,166,353

AUDIT OPINION

RSM Hong Kong, the independent auditor of the Company, has issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 March 2020. An extract of the independent auditor's report is set out below.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Material uncertainties related to going concern basis

As disclosed in note 2* to the consolidated financial statements, as at 31 March 2020, the Group's current liabilities exceeded its current assets by HK$1,297,604,000. Current portion of the Group's borrowings and lease liabilities amounted to approximately HK$2,904,142,000 and HK$17,060,000 respectively while its cash and cash equivalents amounted to approximately HK$205,828,000. Included in the Group's borrowings as at 31 March 2020 was a principal amount of HK$2,916,230,000 due to various banks under loan facilities to which the Company was a guarantor. The Group had failed to comply with the financial covenant of these loan facilities in respect of the Group's current ratio as stipulated in the loan agreements. This non-compliance constituted an event of default under the loan agreements, such that the banks may exercise their rights to serve notice to terminate and forthwith demand all principal amounts and interests immediately due and payable. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

As further explained in note 2* to the consolidated financial statements, the JPLs and the Directors of the Company have been taking measures to improve the liquidity and solvency position of the Group as well as to develop and implement the Proposed Restructuring.

* Being note 1 in this announcement

As at the date of approval of these consolidated financial statements, the implementation of these measures is still in progress. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the Directors of the Company including the successful completion of the Proposed Restructuring of the Group. Significant uncertainties exist as to whether the measures taken by the Directors of the Company can be achieved as the Proposed Restructuring of the Group is subject to the satisfaction of a number of conditions as described in detail in the Company's announcement dated 22 November 2021. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying value of assets to their recoverable amounts, to provide for any further liabilities that might arise and to classify non-current assets and liabilities as current assets and liabilities respectively.

Insufficient accounting records of certain subsidiaries of the Group in paper trading segment

As explained in the section entitled "Basis of consolidation" in note 2* to the consolidated financial statements, the joint and several liquidators (the "SMHK Liquidators") were appointed to Samson Paper Company Limited ("SMHK"), an indirect wholly-owned subsidiary of the Company, pursuant to written resolutions of the sole shareholder of SMHK dated 14 August 2020. The SMHK Liquidators are empowered to, inter alia, preserve the assets of SMHK and take control of and exercise all rights which SMHK may have in relation to entities in which SMHK holds an interest. SMHK and its subsidiaries (the "De-consolidated Group A") were deconsolidated from the consolidated financial statements of the Group with effect from 15 August 2020.

The joint and several liquidators (the "SMC Liquidators") were appointed to Samson Paper (China) Company Limited ("SMC"), an indirect wholly-owned subsidiary of the Company, pursuant to the written resolutions of the sole shareholder of SMC dated 30 June 2021. The SMC Liquidators are empowered to, inter alia, preserve the assets of SMC and take control of and exercise all rights which SMC may have in relation to entities in which SMC holds an interest. SMC and its subsidiaries (the "De-consolidated Group B") were deconsolidated from the consolidated financial statements of the Group with effect from 1 July 2021.

The SMHK Liquidators, the SMC Liquidators and the Directors of the Company advised that since the appointment of the liquidators, the liquidators/Company have retained the basic business records of the De-consolidated Group A and the De-consolidated Group B, including but not limited management accounts, ledgers and sub-ledgers account, vouchers, bank statements, agreements and documentation (collectively referred to as the "Basic Records"), that were left behind by the former management and accounting departments of the De-consolidated Group A and the De-consolidated Group B as far as possible. The Basic Records were not found to be of

* Being note 1 in this announcement

a sufficient level for our audit purposes. More specific business records and the supporting explanations of the De-consolidated Group A's and the De-consolidated Group B's accounting records were needed, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation on the accounting entries made (collectively, the "Specific Records").

The SMHK Liquidators, the SMC Liquidators and the Directors of the Company consider that it was impracticable to provide the Specific Records given that (i) the former management and the majority of the accounting staff responsible for keeping the books and records of the De-consolidated Group A and De-consolidated Group B have departed from the Group; (ii) the SMHK Liquidators, the SMC Liquidators and the Directors of the Company could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting department and were unable to determine whether these Specific Records were complete in the first place; and (iii) the SMHK Liquidators, the SMC Liquidators and the Directors of the Company had no other access to such Specific Records despite they have taken all reasonable steps and have used their best endeavor to locate such Specific Records. Other than the De-consolidated Group A and the De-consolidated Group B, we were unable to obtain sufficient appropriate audit evidence for certain subsidiaries of the Group in the paper trading segment that were disposed of or deregistered subsequent to the reporting date as the books and records were either not available to us or not of a sufficient level for audit purposes as explained note 2* in the section entitled "Paper trading segment". As a result, we were unable to carry out audit procedures to satisfy ourselves as to whether the income and expenses for the year ended 31 March 2020 and the assets and liabilities as at 31 March 2020 as detailed in note 2* in the section entitled "Paper trading segment" and the segment information and other related disclosure notes in relation to the Group's paper trading segment, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2020.

Unavailability of accounting records of certain subsidiaries of the Group in property development and investment segment

As explained in the section entitled "Basis of consolidation" in note 2* to the consolidated financial statements, the joint and several liquidators (the "Seng Jin Liquidators") were appointed to Seng Jin Group Limited ("SJ Limited"), an indirect

* Being note 1 in this announcement

wholly-owned subsidiary of the Company, pursuant to written resolutions of the sole shareholder of SJ Limited dated 16 September 2021. The Seng Jin Liquidators are empowered to, inter alia, preserve the assets of SJ Limited and take control of and exercise all rights which SJ Limited may have in relation to entities in which SJ Limited holds an interest. The SJ Limited and its subsidiaries (the "De-consolidated Group C") will be deconsolidated from the consolidated financial statements of the Group with effect from 17 September 2021.

Due to the non-cooperation of the local management and staff of the De-consolidated Group C, neither the Company nor the Auditor were able to access the sufficient books and records of the De-consolidated Group C for purpose of the audit, despite the fact that the Directors of the Company and the Seng Jin Liquidators have taken all reasonable steps and have used their best endeavours to resolve the matter. Other than the De-consolidated Group C, we were unable to obtain sufficient audit evidence for certain subsidiaries in the property development and investment segment that were in liquidation under the De-consolidated Group A due to the insufficient accounting records of these subsidiaries. As a result, we were unable to carry out audit procedures to satisfy ourselves as to whether the income and expenses for the year ended 31 March 2020 and the assets and liabilities as at 31 March 2020 as detailed in note 2* in the section entitled "Property development and investment segment", and the segment information and other related disclosure notes in relation to the Group's property development and investment segment, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2020.

Unavailability of accounting records of certain subsidiaries of the Group in others segment

As explained in the section entitled "Basis of consolidation" in note 2* to the consolidated financial statements, the Group has disposed Hypex International Pte Ltd. and its subsidiaries ("Hypex International") subsequent to the reporting date. The books and records of Hypex International available to the Group at the material time and which were retained by the Group, were not found to be of a sufficient level for audit purposes, despite the fact that the Directors of the Company have taken all reasonable steps and have used their best endeavours to resolve the matter. Other than Hypex International, we were unable to obtain sufficient audit evidence for certain subsidiaries in others segment that were under the De-consolidated Group A and the De-consolidated Group B, disposed of or deregistered as the books and records were not at a sufficient level for audit purposes as explained in note 2* in the section entitled "Others segment".

* Being note 1 in this announcement

As a result, we were unable to carry out audit procedures to satisfy ourselves as to whether the income and expenses for the year ended 31 March 2020 and the assets and liabilities as at 31 March 2020 as detailed in note 2* in the section entitled "Others segment", and the segment information and other related disclosure noted in relation to the Group's others segment, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 March 2020.

Unreconciled differences in balances between group companies

Reconciliations between intra-group balances and transactions reflected unreconciled differences between group entities of HK$581,611,000 as at 31 March 2020, of which HK$66,686,000 relates to the year ended 31 March 2020. These differences have been recorded as consolidation adjustments by the former management of the Group to additions to property, plant and equipment and other receivables of HK$25,801,000 and HK$300,134,000 respectively and reduction of other payables of HK$255,676,000 in the consolidated statement of financial position as at 31 March 2020. The reduction of other payables was subsequently adjusted to other receivables by the former management. The Directors of the Company consider that such adjustments were not supported by sufficient documents and explanations and reviewed the unreconciled differences which had arose over a number of years. The Directors of the Company identified net payments to a number of parties outside the Group but such payments could not be supported by sufficient explanations. The Directors of the Company have been taking steps to recover the monies paid but consider the amounts to be irrecoverable. Accordingly, the property, plant and equipment of approximately HK$25,801,000 and other receivables of approximately HK$555,810,000 has been fully impaired during the year. We were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves about the nature, business rationale and commercial substance of the payments and whether the aforesaid balance of property, plant and equipment and other receivables before impairment were properly stated as at 31 March 2020 and whether the related impairment losses were properly recorded for the year ended 31 March 2020.

Opening balances and the comparative information

As described in the preceding paragraphs, due to the absence of sufficient supporting documents and more detailed explanations in relation to the accounting records in connection to the opening balances and comparative information made available to the Directors of the Company from the former management of the Group in respect of certain subsidiaries of the paper trading, property development and investment segment and others segment of the Group, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 March 2019 and the transactions and notes to financial statements of the Group and Company for the year then ended. Any adjustments that might have been found necessary to the Group's consolidated statement of financial position as at 31 March 2019 and 1 April 2019 would have a consequential effect on the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2020.

MAJOR VARIANCE BETWEEN AUDITED RESULTS AND UNAUDITED RESULTS

As at the date of the announcement of the Unaudited Results, more time was required by the Company for the finalisation of the management accounts, collection of further information and completion of certain procedures for financial reporting and auditing, and hence the Unaudited Results have not yet been agreed with the auditor of the Company.

Listed out below are the variances between Audited Results and Unaudited Results:

	Audited Results *HK$'000*	Unaudited Results *HK$'000*	Variance *HK$'000*	*Note*
RESULTS				
Revenue	5,736,917	5,736,917	—	
Cost of sales	(5,218,080)	(5,187,308)	(30,772)	1
Gross profit	518,837	549,609		
Fair value loss on investment properties	(15,900)	(15,900)	—	
Other expenses, net	(1,045,889)	(483,959)	(561,930)	2
(Loss)/profit for the year	(542,952)	49,750		
ASSETS AND LIABILITIES				
Total assets	5,858,625	7,165,358	(1,306,733)	3
Total liabilities	4,358,984	5,069,288	(710,304)	4
Total equity	1,499,641	2,096,070		

Notes:

1 The difference mainly arose from the reversal of the recognition of rebate receivable remained outstanding from supplier A and supplier B.

2 The difference mainly arose from the allowances for impairment losses of the unreconcilied intercompany balances of approximately HK$581,611,000, which is set out in the section headed "Unreconcilied intercompany balances" under "THE AUDIT ISSUES, ESTABLISHMENT OF AN INDEPENDENT BOARD COMMITTEE ("IBC") AND APPOINTMENT OF AN INDEPENDENT INVESTIGATOR".

3 The difference mainly arose from the aggregate effect of:

(i) the reversal of the recognition of rebate receivable remained outstanding from supplier A and supplier B;

(ii) the allowances for impairment losses of the unreconcilied intercompany balances of approximately HK$581,611,000 as mentioned above;

(iii) the reclassification of the prepayments of purchase of paper products made by the Group to supplier A and supplier B of approximately HK$258,474,000 and approximately HK$443,557,000 to the repayments to supplier A and supplier B, respectively, which is set out in the section headed "Purchase prepayments" under "THE AUDIT ISSUES, ESTABLISHMENT OF AN INDEPENDENT BOARD COMMITTEE ("IBC") AND APPOINTMENT OF AN INDEPENDENT INVESTIGATOR".

4 The difference mainly arose from the reclassification of the prepayments of purchase of paper products made by the Group to supplier A and supplier B of approximately HK$258,474,000 and approximately HK$443,557,000 to the repayments to supplier A and supplier B, respectively, as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND EVENTS AFTER REPORTING PERIOD

Suspension of trading of shares of the Company and appointment of Joint Provisional Liquidators (for restructuring purposes only) (the "JPLs")

As additional time was required by the then auditors of the Company (the "Former Auditors") to finalize their audit procedures in respect of the annual results for the year ended 31 March 2020 (the "2020 Annual Results"), the Company was unable to announce its audited 2020 Annual Results by the deadline prescribed by Listing Rules. The trading of the Company's shares on the Stock Exchange was suspended with effect from 2 July 2020 (the "Suspension"). Subsequently, by way of a letter dated 16 July 2020 (the "Former Auditor Letter") to the Board, the Former Auditors set out details of outstanding audit issues concerning the 2020 Annual Results which were published by the Company on 17 September 2020 through an announcement on the Stock Exchange.

As a direct result of the above stated developments, certain creditors of the Group accelerated the repayment obligations of certain indebtedness of the Group and ceased providing facilities to the Group, leading to a detrimental effect on the Group's cash flow and series of events of default by the Group on its indebtedness. To facilitate a restructuring of the Company's indebtedness, the Company filed with the Supreme Court of Bermuda (the "Bermuda Court") on 18 July 2020 (Hong Kong time) a petition for the winding up of the Company and an application for the appointment of joint and several provisional liquidators on a "light touch" basis for restructuring purposes.

On 24 July 2020, Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen, both of Deloitte Touche Tohmatsu, and Ms. Rachelle Ann Frisby of Deloitte Ltd. were appointed by the Bermuda Court as the joint provisional liquidators (the "JPLs") of the Company for the purpose of, inter alia, formulating, proposing and implementing a restructuring plan of the indebtedness of the Company. The Board continues to manage the day-to-day affairs of the Company in all aspects, subject to the oversight and monitoring of the JPLs.

Listing status of the Company

By way of letters dated 21 July 2020, 26 November 2020 and 11 June 2021, the Stock Exchange imposed the following resumption guidance (the "Resumption Guidance") for the Company:

1. Address all audit issues raised by the Former Auditors (the "Audit Issues");

2. Conduct an appropriate independent investigation into the Audit Issues, announce the findings and take appropriate remedial actions;

3. Publish all outstanding financial results required under the Listing Rules and address any audit modifications;

4. Have the winding-up petition (or winding-up order, if made) against the Company withdrawn or dismissed;

5. Announce all material information for the Company's shareholders and investors to appraise the Company's position;

6. Demonstrate its compliance with Rule 13.24 of the Listing Rules;

7. Conduct an independent internal control review and demonstrate adequate internal control systems being put in place to meet the obligations under the Listing Rules; and

8. Re-comply with Rules 3.05, 3.10(1), 3.21 and 3.25 of the Listing Rules.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 1 January 2022 (the "Delisting Deadline"). If the Company fails to remedy the issue(s) causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 1 January 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

Liquidation and winding down of paper trading business

Upon their appointment, the JPLs, together with the Board, carried out a review of the different business segments of the Group. Among all segments, as the principal bank borrower of the Group, the paper trading business was most severely and immediately impacted by the withdrawal of banking facilities and acceleration of repayment obligations by certain creditors of the Group, in particular, it was unable to make new purchases for maintaining normal trading operations. The Board and the JPLs decided to wind down or dispose the paper trading business in view of its substantial working capital requirement and the Group's then liquidity position and its vulnerability against business interruption.

Meanwhile, some creditors had issued proceedings in the Hong Kong Court against Samson Paper Company Limited ("SMHK"), which is a major operating subsidiary of the paper trading business in Hong Kong and also a principal bank borrower of the Group, with most of these borrowings being guaranteed by the Company. Operations of SMHK was severely disrupted and some employees had left SMHK in light of the uncertainty then surrounding the Group's operation.

With a view to protecting interests of all unsecured creditors of SMHK and to maintain the prospect of an holistic approach to the restructuring of the Company's indebtedness, SMHK was put into voluntary liquidation on 14 August 2020 because it could not, by reason of its liabilities, continue in business. Financial results and position of SMHK and its subsidiaries (the "De-consolidated Group A") were deconsolidated from those of the Group on 15 August 2020. Upon the commencement of its liquidation, SMHK laid off all employees (over 80 employees) with immediate effect but re-employed a small number of sales personnel on a short-term basis to facilitate the collection of accounts receivables. As one of the longest established subsidiaries of the Group, SMHK served as headquarter office of the Group in Hong Kong and some of its employees provided managerial and accounting services to other subsidiaries of the Company.

Upon the vacant possession and disposal of SMHK's premises which served as the Group's headquarter office, with very limited manpower at that time, the liquidators of SMHK and the management of the Group could only use their best endeavor to arrange for preservation and relocation of books and records of the Group then available in their then form.

Similarly, the paper trading business in the PRC, which was conducted through 19 subsidiaries/branches of the Company in 19 major cities of the PRC with 510 staff, had been wound down since September 2020. Most staff were made redundant and approximately 54 staff (out of 510 staff) were re-employed on a short-term basis to assist with the collection of accounts receivables. Following the cessation of operations of the PRC paper trading business, the remaining staff gradually left the Group before June 2021. On 30 June 2021, Samson Paper (China) Company Limited ("SMC"), an indirect wholly-owned subsidiary of the Company and the holding company of PRC subsidiaries engaging in the paper trading business, was put into creditors' voluntary liquidation. Financial results and position of SMC and its subsidiaries (the "De-consolidated Group B") were deconsolidated from those of the Group with effect from 1 July 2021.

Deconsolidation of Property Development and Investment ("PID") segment

The Company was also engaged in the PID segment including (i) the development of Nantong Business Park through SJ (China) Company Limited ("SJ (China)") and Jordan Property (Nantong) Co Ltd ("Jordan Nantong") which are wholly-owned subsidiaries of Seng Jin Group Limited ("SJ Limited"); and (ii) investment in warehouses and offices in the PRC and Hong Kong for rental income through Jordan Property Investment (XM) Company Limited (a subsidiary of SJ Limited) and SMHK, which have been deconsolidated from the Group upon the appointment of liquidators to SJ Limited and SMHK.

Following the financial turmoil experienced by the Group in July 2020, SJ (China) has had limited access to working capital from the Group and defaulted payments to its creditors. Creditors have since taken action to freeze land and buildings owned by SJ (China) in Nantong Business Park, causing suspension in construction and certain phases of the development to be suspended from sale. There was increasing pressure from the local government on SJ (China) to resume construction. The distressed local workforce appealed to the Group to resolve the indebtedness of SJ (China) and maintain job stability.

As the Group intends to focus on the Paper Manufacturing business, coupled with defaults and inherent constraints on working capital of Nantong Business Park, it was resolved to put SJ Limited, an indirect wholly-owned subsidiary of the company and the holding company of SJ (China) and Jordan Nantong, into insolvent liquidation on 16 September 2021. Financial results and position of SJ Limited and its subsidiaries (the "De-consolidated Group C") were deconsolidated from those of the Group on 17 September 2021.

Disposal of other auxiliary businesses

The Group was also engaged in Fast Moving Consumer Goods business (the "FMCG business") and other businesses including trading of consumable aeronautic parts and the provision of related services, and provision of logistic services and marine services (the "Other Businesses").

Following the Suspension and the defaults of the Group, there was limited working capital available to fund the overheads of FMCG business and Other Businesses. In the circumstances, the Group disposed of its marine vessels repair business in Singapore (conducted through Hypex International Pte. Ltd. and its subsidiaries (the "De-Consolidated Group D")) in September 2020 and the FMCG business in January 2021.

Resignation of directors and senior management

Shortly after the Suspension, the non-executive directors and independent non-executive directors of the Company resigned. Subsequently, the executive directors of the Company resigned from the Company and other positions within the Group (including directorship of certain subsidiaries) during the period from February 2021 to May 2021. The Board are now comprised of two executive directors, Mr. Choi Wai Hong, Clifford ("Mr. Choi") and Mr. Lau Wai Leung, Alfred ("Mr. Lau") and an independent non-executive director, Mr. Leung Vincent Gar-gene ("Mr. Leung"), who were first appointed as independent non-executive directors of the Company after the Suspension (with Mr. Choi and Mr. Lau being re-designated as executive directors in May 2021).

The chief financial officer of the Company (who was also an executive director and the company secretary of the Company) resigned from the Company and other positions within the Group (including directorship of certain subsidiaries) in February 2021. The Company appointed Mr. Yu Ngai, who joined the Group as the deputy chief financial officer in July 2020, as the chief financial officer.

The departure of directors and senior management, together with the large-scale of redundancy/resignation of staff, resulted in severe under-staffing of the accounting function of the Group and undermined the Group's effort in updating the accounting information of the Group and obtaining explanation or information in relation to historical transactions from management and accounting personnel at the relevant time. In preparing the financial information of the Group, the current management of the Group could only rely on the books and records available to them, which might not be up-to-date and complete, without explanations of management and accounting personnel at the relevant time.

Proposed Restructuring of the Group

On 30 July 2021, the Company, the JPLs, Xiamen C&D Paper & Pulp Co., Ltd.* ("Xiamen C&D Paper"), Zhejiang Xinshengda Holding Group Co., Ltd.* ("Zhejiang Xinshengda"), NCD Investment Holding Limited (the "Investor") (a company incorporated in the British Virgin Islands owned by Xiamen C&D Paper as to 55% and Zhejiang Xinshengda as to 45%) and Shandong Bairun Pulp & Paper Co. Ltd.* ("Shandong Bairun") (background of which is set out in the paragraphs under the section headed "UPPSD Bankruptcy Reorganisation" below) entered into a restructuring agreement (as amended by a supplemental restructuring agreement dated 22 November 2021) (the "Restructuring Agreement") in relation to the restructuring of the Group (the "Proposed Restructuring") involving, inter alia, (i) the Capital Reorganisation; (ii) the Subscription; (iii) the Group Reorganisation; (iv) the Placement; (v) the ListCo Scheme; (vi) the UPPSD Bankruptcy Reorganisation; and (vii) the Resumption.

Details of the Restructuring Agreement has been announced in an announcement dated 22 November 2021.

Subscription

The Company shall issue and allot, and the Investors shall subscribe for the 990,220,583 New Shares (i.e. ordinary shares of the Company upon completion of the Capital Reorganisation) (the "Subscription Shares"), representing 70% of the enlarged ordinary share capital of the Company upon the completion of the Capital Reorganisation and the issue and allotment of the Subscription Shares, Creditors' Shares (as defined below) and Placement Shares (as defined below) and assuming all issued preference shares of the Company have been converted into ordinary shares of the Company, at the subscription price of HK$0.121056 per share (the "Subscription Price") for a total consideration of

HK$119,872,142 (the "Subscription Proceeds"). The Subscription Proceeds shall be used for settling the costs and expenses for implementing the Proposed Restructuring and discharging debts of the Company under the ListCo Scheme.

Group Reorganisation

Pursuant to the Restructuring Agreement, the Group Reorganisation shall involve:

a. the incorporation of Greater Paper Development Limited ("SPV1"), a company incorporated in Hong Kong with limited liability, owned as to 100% by the Company;

b. the incorporation of Greater Paper (Shenzhen) Paper Limited ("SPV2"), a company incorporated in the PRC with limited liability and owned as to 100% by SPV1;

c. SPV2 becoming the sole registered shareholder of UPPSD through the UPPSD Bankruptcy Reorganisation;

d. upon the completion of all the transactions under the Restructuring Agreement (the "Closing"), to effectuate the transfer of the subsidiaries of the Group other than SPV1, SPV2 and UPPSD (the "Excluded Subsidiaries") to the SchemeCo (as defined below) for the Scheme Creditors (as defined below) pursuant to the terms of the ListCo Scheme by transferring the entire equity interests of Samson Paper (BVI) Ltd. (being the holding company of the Excluded Subsidiaries and a directly wholly-owned subsidiary of the Company) held by the Company to the SchemeCo at a nominal consideration of HK$1.0. The Group upon the completion of the Proposed Restructuring (the "Retained Group") shall comprise of the Company, SPV1, SPV2 and UPPSD and will be principally engaged in manufacturing of paper product;

e. provision of a loan not less than RMB80,000,000 by Shandong Bairun to SPV2 which will be used in the daily business operations of UPPSD (which forms part of the loan of not less than RMB250,000,000 to be provided by Shandong Bairun to SPV2 under the UPPSD Bankruptcy Reorganisation, the remaining RMB170,000,000 of which will be used for the first instalment payment under the UPPSD Bankruptcy Reorganisation plan);

f. the completion of the implementation of the UPPSD Bankruptcy Reorganisation plan; and

g. the above-mentioned loan would be secured by charge over the shares of SPV1, SPV2 and UPPSD and the appropriate assets of UPPSD created in favour of the Investor or Shandong Bairun (as the case may be) by way of a first priority fixed charge, which shall be discharged upon the completion of the Group Reorganisation.

Placement

Pursuant to the Restructuring Agreement, the Company shall enter into a placing agreement with the Investor and a placing agent (the "Placing Agent for Placement"), pursuant to which the Placing Agent for Placement undertakes to place, on fully underwritten basis, 56,584,032 placement shares (the "Placement Shares") to no less than six placees at HK$0.121056 per Placement Share (the "Placement").

The gross proceeds from the Placement will be approximately HK$6,849,837, and shall be used for discharging debts of the Company under the ListCo Scheme.

ListCo Scheme

The Company shall restructure its indebtedness by ListCo Scheme under the Hong Kong Laws involving:

a. upon the ListCo Scheme become effective, the scheme administrators shall incorporate a special purpose vehicle (the "SchemeCo") to hold and realise assets of the SchemeCo for distribution to the creditors of the Company with unsecured claims admitted by the scheme administrators in accordance with the terms of the ListCo Scheme (the "Scheme Creditors") and settle the costs and expenses arising from the implementation of the ListCo Scheme in accordance with the terms of the ListCo Scheme;

b. all the claims against the Company shall be fully and finally discharged under ListCo Scheme by way of the SchemeCo accepting and assuming an equivalent liability in place of the Company in respect of the claims of the creditors of the Company. In return, the Scheme Creditors will be entitled to receive dividends from the realization of the assets of the SchemeCo pursuant to the ListCo Scheme in full and final settlement of their claims against the SchemeCo;

c. the assets of the SchemeCo to be realised for the benefit of the Scheme Creditors shall include:

   (i) the remaining balance of the gross Subscription Proceeds of approximately HK$119,872,142 after deducting the costs of implementing the Proposed Restructuring;

   (ii) 240,482,142 New Shares to be issued and allotted by the Company to the SchemeCo (the "Creditors' Shares") for the benefit of the Scheme Creditors, representing approximately 17% of the issued ordinary share capital of the Company after the completion of the Capital Reorganisation and as enlarged by the issue and allotment of the Subscription Shares, Placement Shares and Creditors' Shares and assuming all preference shares have been converted, subject to the right to dispose the Creditors' Shares as detailed in paragraph (viii) below;

(iii) gross proceeds from the Placement of approximately HK$6,849,837;

(iv) the shares and/other assets of the Excluded Subsidiaries;

(v) the inter-company account receivables due from the Excluded Subsidiaries to the Retained Group in the amount of approximately HK$300 million;

(vi) the cash, bank deposits and account receivables of the Company as at the effective date of the ListCo Scheme (apart from the account receivables due from the Retained Group);

(vii) all claims or litigations and all potential claims or litigation rights against third parties raised by the Retained Group (to the extent transferrable under the applicable law and approved by the relevant party);

(viii) a right to the SchemeCo exercisable by the scheme administrators in their absolute discretion (for the benefit of the Scheme Creditors other than the Scheme Creditors who elected to hold the Creditors' Shares in their own names or through CCASS) to dispose the Creditors' Shares on behalf of the relevant Scheme Creditors, either (i) in the open market at the market price; or (ii) instructing a placing agent (the "Placing Agent for Placing Out") at one or more times during the 12 months from the Closing to place such number of the Creditors' Shares to independent placees at price(s) procured by the Placing Agent for Placing Out on a best effort basis (the "Placing Price for Placing Out") and, given the guarantee by the Investor (the "Price Protection") to pay the shortfall between the Placing Price for Placing Out and the issue price of the Creditors' Shares (i.e. HK$0.121056 per share) should the Placing Price for Placing Out be lower than the issue price of the Creditors' Shares, to realise such Creditors' Shares at a price not less than the issue price of the Creditors' Shares, thereby offering a certain minimum realization from the Creditors' Shares in exchange for the relevant Scheme Creditors releasing their admitted claims against the Company.

On 30 September 2021, the Company held a meeting of the creditors of the Company (the "Scheme Meeting") pursuant to the order dated 1 September 2021 granted by the Hong Kong Court. The resolution to approve the ListCo Scheme was duly passed. Subsequently, the ListCo Scheme was sanctioned by the Hong Kong Court on 28 October 2021.

UPPSD Bankruptcy Reorganisation

Upon completion of the Proposed Restructuring, the Retained Group shall continue to be engaged in paper manufacturing business conducted through UPPSD.

As set out in the Company's announcement dated 22 November 2021, due to the then liquidity shortage of the Group and the eventual suspension of production of UPPSD in late September 2020, in order to provide and ring-fence working capital to resume UPPSD's operation so as to preserve its operational value, UPPSD, Xiamen C&D Paper and Shandong Herun Holding Group Co., Ltd.* ("Shandong Herun") (a PRC company wholly-owned by Mr. Li Shengfeng, the majority ultimate beneficial owner of Zhejiang Xinshengda) entered into the an agreement dated 24 October 2020 (the "Entrusted Operation Agreement"), pursuant to which, Xiamen C&D Paper and Shandong Herun formed their joint venture Shandong Bairun (owned by Xiamen C&D Paper as to 55% and owned by Shandong Herun as at 45%) in November 2020 to operate the paper manufacturing facility of UPPSD (the "Entrusted Assets") on an entrusted basis (the "Entrusted Operation").

The resumption of manufacturing operations of UPPSD was funded by Shandong Bairun on the bases that UPPSD was paid/reimbursed the costs of its staff and Shandong Bairun would pay all operating expenses (including raw material and maintenance costs). Shandong Bairun would not, however, bear liabilities (trade or otherwise) that arose prior to the commencement of the Entrusted Operation. Shandong Bairun would not be entitled to any increase in value of the Entrusted Assets and the operations of UPPSD. Also, Shandong Bairun would not bear any risk of deterioration in value of the Entrusted Assets and risks of seizure of the Entrusted Assets (e.g. Shandong Bairun could terminate the Entrusted Operation Agreement if major assets of UPPSD were under bankruptcy proceedings or enforcement action such that it became impractical for Xiamen C&D Paper, Shandong Herun and Shandong Bairun to continue production in accordance to the terms of the Entrusted Operation Agreement).

The Company/UPPSD also retained control over UPPSD/the Entrusted Assets, including but not limited to selling assets of and/or interests in UPPSD and rights to reject any proposed addition/upgrade to the Entrusted Assets.

In view of the above, the Company is of the view that there is no impact on the accounting treatment of UPPSD in the Company's consolidated financial statements after entering into the Entrusted Operation Agreement.

On 23 December 2020, UPPSD received the notice from the People's Court of Xuecheng District, Zaozhuang City, Shandong Province (the "Shandong Court"), informing that a creditor of UPPSD had filed a bankruptcy application against UPPSD (the "UPPSD Bankruptcy Application"). Despite the objection filed by UPPSD to the Shandong Court, UPPSD received a civil judgement issued by the Shandong Court, advising that the Bankruptcy Application was accepted and that a bankruptcy administrator (the "UPPSD Bankruptcy Administrator") was appointed on 30 December 2020. UPPSD Bankruptcy Administrator had taken custody of UPPSD assets and company seal in accordance to the relevant rules and regulations. Accordingly, the Company lost control over UPPSD and financial results and position of UPPSD were deconsolidated from the Group with effect from 31 December 2020 in accordance with the requirements of HKFRS 10 Consolidated Financial Statements.

Following the execution of the Term Sheet, UPPSD submitted an application to the Shandong Court and the UPPSD Bankruptcy Administrator to seek for a conversion of the bankruptcy proceedings of UPPSD into a bankruptcy reorganisation, which was approved by the Shandong Court with effect from 20 April 2021.

On 29 July 2021, the UPPSD Bankruptcy Administrator convened the second meeting of creditors of UPPSD for the purpose of considering and approving the UPPSD Bankruptcy Reorganisation plan as summarised below:

a. UPPSD shall become a wholly-owned subsidiary of the Company (through SPV1 and SPV2) through the UPPSD Bankruptcy Reorganisation;

b. settlement of four creditors' priority claims with an aggregate amount of RMB4,960,533.58 in one lump sum payment by cash in priority to other creditors with unsecured claims, with their unsecured claims totalling RMB1,084,101,760.80 settled in the method as provided in (d), (e) and (f) below;

c. settlement of two creditors' verified tax claims with an aggregate amount of RMB48,333,787.65 in one lump sum payment by cash;

d. settlement of each creditor's unsecured claims with principal amount of RMB200,000 (inclusive) or below in full by way of cash;

e. for each creditor's unsecured claims with principal amount exceeding RMB200,000, settlement will be completed within four (4) years in five (5) instalments of 20% every year. The first instalment payment shall be made to repay creditor's unsecured claim of principal amount below RMB200,000 (inclusive) and 20% of the principal amount in excess of RMB200,000. The four subsequent instalments of 20% of the principal amount in excess of RMB200,000 shall be paid on or before the first, second, third and fourth anniversary date of the first instalment payment. Remaining debts shall not bear any interest for the period of settlement in instalments;

f. the settlement of the inter-company debts due by UPPSD to the Excluded Subsidiaries in the total sum of RMB741,989,908.38 as recognised by the UPPSD Bankruptcy Administrator in one lump sum payment of RMB50,000,000;

g. upon the completion of UPPSD Bankruptcy Reorganisation, UPPSD shall forfeit its all accounts receivables, prepayments and other receivables due by the Group to UPPSD, which amounted to RMB156,943,268.36 based on the liquidation audit on UPPSD commissioned by the UPPSD Bankruptcy Administrator; and

h. termination of the Entrusted Operation Agreement.

The UPPSD Bankruptcy Reorganisation was approved by its creditors and the Shandong Court on 29 July 2021 and 31 July 2021 respectively and the UPPSD Bankruptcy Administrator was discharged with effect from 1 August 2021. The Entrusted Operation Agreement has also been terminated with effect from 1 August 2021 and UPPSD resumed its self-operation.

On 11 October 2021, following the first instalment payment by UPPSD in accordance to the UPPSD Bankruptcy Reorganisation plan, the Shandong Court handed down a judgment confirming that the UPPSD Bankruptcy Reorganisation has been successfully implemented and ordered the termination of the UPPSD's bankruptcy reorganisation proceedings.

THE AUDIT ISSUES, ESTABLISHMENT OF AN INDEPENDENT BOARD COMMITTEE ("IBC") AND APPOINTMENT OF AN INDEPENDENT INVESTIGATOR

In response to the Audit Issues as set out by the Former Auditors, an IBC comprising of the then independent non-executive directors was established on 17 July 2020, to look into and investigate the Audit Issues and to deal with any other matters that the Board may have from time to time.

On 10 August 2020, the IBC appointed an independent investigator ("Independent Investigator") to conduct an independent investigation in respect of the Audit Issues (the "Independent Investigation"). On 5 May 2021, the Independent Investigator issued a report of the Independent Investigation to the IBC (the "Independent Investigation Report").

The announcement of the Company dated 25 May 2021 outlines the key findings of the Independent Investigation and the observations made by the IBC.

The findings from the Former Auditors and the Independent Investigator and the management decisions in respect of the Audit Issues were as the following:

Transactions and balances with two suppliers

During the year ended 31 March 2020, the Group recorded purchase of paper products from supplier A of HK$450,944,000 (net of purchase rebate of HK$26,245,000) in Hong Kong and supplier B of HK$966,543,000 (net of purchase rebate of HK$22,347,000) in PRC. The Group also sold other paper products of HK$160,176,000 to supplier B in PRC. Both suppliers are connected persons at subsidiary level of the Company by virtue of their holding company's interest as a substantial shareholder in a subsidiary of the Company.

(1) Deferred payment agreements with two suppliers

The Group entered into alleged deferred payment agreements with the two suppliers dated 31 March 2020 pursuant to which the balances of HK$200,389,000 and HK$494,178,000, respectively, should be settled after 12 months from 31 March 2020 and 13 months until 30 April 2021, respectively, and bear interest at 4 or 5% per annum. Hence, former management of the Company classified accounts payable of HK$694,567,000 in aggregate as non-current liabilities as at 31 March 2020. The Former Auditor were advised by the former management that the above accounts payable, as well as the rebate receivables from supplier A and supplier B of approximately HK$26,245,000 and HK$5,034,000 respectively, as at 31 March 2020 and was remained outstanding.

Based on the findings of the Independent Investigator, the alleged deferred payment agreements were only approved by company chops of the two suppliers but without any authorized signatures of the two suppliers. The Independent Investigator has inquired supplier A and supplier B on the deferred payment agreement. The legal representative of supplier A stated that supplier A had never agreed with any companies within the Group for the deferral of settlement of any account payable balance due from the Group, and never endorsed, agreed or approved any documents provided by the Group's representative to supplier A for execution. The Independent Investigator has not received any responses from supplier B, despite repeated requests. Independent Investigator concluded, based on the findings, that the Group appears to have reclassified certain of the accounts payable to the two suppliers from current liabilities to non-current liabilities for the year ended 31 March 2020, in order to meet the bank covenants requirements on current ratio of 1.10.

After the consideration of the above, and the books and records available to the current management of the Group, there is lack of supporting basis to substantiate the deferred payment arrangements, so the Directors of the Company decided to reverse the accounting entries in respect of the deferred payment arrangements for the year ended 31 March 2020, resulted in decrease of the accounts and other payables under non-current liabilities of approximately HK$694,567,000 and increase of the accounts and other payables under current liabilities of approximately HK$694,567,000.

Furthermore, all subsidiaries related to the deferred payment agreements were under SMHK or SMC. Upon the commencement of the liquidation of SMHK and SMC on 14 August 2020 and 30 June 2021 respectively, all subsidiaries related to the deferred payment agreements were deconsolidated from the Group.

(2) Purchase prepayments

As at 31 March 2020, prepayments for purchase of paper products of HK$258,474,000 and HK$443,557,000 were made by the Group to supplier A and supplier B, respectively (the "Purchase Prepayments"). The Former Auditor noted that certain of these payments amounting to HK$570,558,000 were initially recorded as repayment of accounts payable to supplier A and supplier B but had been subsequently adjusted through manual journal entries to account for as prepayments. The Former Auditor were advised by the former management that HK$162,409,000 of these Purchase Prepayments were subsequently utilised in purchases up to May 2020.

Upon inquiring with supplier A, legal representative of supplier A replied to the Independent Investigator stating that supplier A had never requested, instructed, agreed, authorized or executed any purported arrangement or agreement with any companies in the Group, or any of the Group's directors, management, employees or agents, for any prepayment in respect of any transactions between supplier A and the Group. Regarding the prepayment made to supplier B, the Independent Investigator noted that there was a discrepancy of HK$27,000 between the purchase prepayment amount provided by the Group and the amount stated in the Former Auditor Letter. The Independent Investigator has not received any responses from supplier B.

After the consideration of the above, and the books and records available to the current management of the Group, there is lack of supporting basis to substantiate the prepayments to supplier A and supplier B, so the Directors of the Company decided to reverse the accounting entries in respect of the prepayments for the year ended 31 March 2020, resulted in decrease of the accounts and other payables of approximately HK$702,031,000 and decrease of the accounts and other receivables of approximately HK$702,031,000.

Furthermore, all subsidiaries related to the purchase prepayments were under the SMHK, SMC or SJ Limited. Upon the commencement of the liquidation of the SMHK, SMC and SJ Limited on 14 August 2020, 30 June 2021 and 16 September 2021 respectively, all subsidiaries related to the purchase prepayments were deconsolidated from the Group.

(3) Payment on behalf arrangement made for and on behalf of supplier A

The Former Auditor was advised by the former financial controller of Universal Pulp & Paper (Shangdong) Co. Ltd ("UPPSD") that there were certain payment on behalf arrangements made for and on behalf of supplier A amounting to HK$416,237,000 by Samson Shenzhen Company Limited ("SMSZ") and UPPSD, both being subsidiaries of the Company, to certain suppliers of supplier A, which were also suppliers of the Group in the PRC. The Former Auditor was also informed that such payment on behalf was to facilitate supplier A to make

Renminbi payments in the PRC and had no fixed term of repayment. These payment on behalf were approved by a former executive director of the Company and subsequently authorized and signed by UPPSD's former financial controller and SMSZ's former financial controller.

The Independent Investigator obtained a confirmation from legal representative of supplier A stating that supplier A had never requested, instructed, agreed or authorized any companies in the Group, or any of the Group's directors, management, employees or agents, for any payments to any entities other than supplier A (such as supplier A's own suppliers or creditors) on supplier A's behalf. The alleged payment instructions in respect of the payment on behalf of supplier A, which were chopped and signed by a representative of supplier A, were reviewed by the Independent Investigator. The Independent Investigator had requested legal representative of supplier A to explain the existence of such payment instructions, and the supplier A's legal representative stated that supplier A (including any of its directors, management, employees and agents authorized to act on its behalf) had never approved, signed and/or issued any of the purported payment instructions.

Based on the interviews conducted by the Independent Investigator, such payment on behalf of supplier A was an explanation suggested to address the Former Auditor's queries in relation to the Audit Issue of unreconciled intercompany balances. The issue of unreconciled intercompany balances is detailed in the next section.

(4) Unreconciled intercompany balances

The Former Auditor noted that, upon intercompany balances elimination on consolidation, certain unreconciled differences in balances between Group companies in the aggregate amount of HK$581,611,000 (the "Unreconciled Differences") were adjusted to account for as additions to property, plant and equipment and other receivables of HK$25,801,000 and HK$300,134,000, respectively, and reduction of other payables of HK$255,676,000. The reduction of other payables was subsequently adjusted as addition to other receivables. Through the enquiry with former management into the explanation of the Unreconciled Differences, former management explained to the Former Auditor that amongst the HK$581,611,000, there were certain payment on-behalf arrangements made for and on behalf of supplier A by two subsidiaries of the Company to certain of its suppliers which are also suppliers of the Group in the PRC, amounting to HK$416,237,000.

Based on the findings of the Independent Investigator, a sum of HK$514,925,000 of unreconciled intercompany balances was brought forward from the year ended 31 March 2019. The net addition to the unreconciled intercompany balances during the year ended 31 March 2020 was approximately HK$66,686,000, which was mainly caused by inconsistencies in accounting treatments between UPPSD and SMSZ.

The current Directors of the Company consider that the adjustments of the Unreconciled Differences to additions to property, plant and equipment and other receivables were not properly supported or justified with reasonable explanations and undertook a detailed review of the Unreconciled Differences which had been accumulated over a number of years. The Directors identified net payments was made by SMSZ to a number of parties outside the Group without sufficient reasonable explanations recorded. The Directors have been taking steps to recover the monies paid but consider the amounts to be irrecoverable. Accordingly, property, plant and equipment of approximately HK$25,801,000 and other receivables of approximately HK$555,810,000 has been fully impaired for the year ended 31 March 2020.

Furthermore, SMSZ was a wholly-owned subsidiary of SMHK and was deconsolidated from the Group upon the liquidation of SMHK.

(5) Compliance with bank covenants requirements and going concern assessment

The Former Auditor noted based upon the latest unaudited financial information for the year ended 31 March 2020, it was likely that a financial covenant ratio requirement of the Group may not be fulfilled and together with the outstanding audit issues as described above, it may further negatively affect the Group's compliance with these covenant requirements and trigger event of defaults and cross defaults under its bank borrowings.

Based on the findings of the Independent Investigator, with the limitation of the outstanding audit issue, the management was not in a position to confirm whether the current ratio (after audit adjustment) of the Group as at 31 March 2020 met the bank covenants requirements.

After the consideration of the above Audit Issues and taking into account of the rectifying accounting adjustments, the Group was not in the position to meet the bank covenants requirements for the year ended 31 March 2020. Accordingly, the bank borrowings under non-current liabilities of approximately HK$355,795,000 have reclassified to bank borrowings under current liabilities for the year ended 31 March 2020.

Furthermore, as set out in the announcements of the Company dated 30 September 2021 and 28 October 2021, the resolution to approve the ListCo Scheme was duly passed at the Scheme Meeting held on 30 September 2021 and the Hong Kong ListCo Scheme was sanctioned with modification by the Court on 28 October 2021. Therefore, all claims of the Scheme Creditors against the Company, including the above mentioned bank borrowings, upon the ListCo Scheme becoming effective, will be fully and finally discharged by virtue of the implementation of the ListCo Scheme.

PROSPECTS

The Group is undergoing the Proposed Restructuring, upon the completion of the Proposed Restructuring, the Group shall continue the paper manufacturing business via SPV1, SPV2 and UPPSD. All claims against the Company shall be discharged in full by virtue of the implementation of the ListCo Scheme. UPPSD has also returned to solvency upon the completion of the implementation of the UPPSD Bankruptcy Reorganisation in October 2021. The Directors are confident that upon the completion of the Proposed Restructuring, the Retained Group's business and financial position will be improved and the Retained Group will have sufficient level of operation to maintain its listing status.

FINANCIAL PERFORMANCE

Revenue

The revenue of the Group decreased from approximately HK$5,908 million to approximately HK$5,737 million due to the slightly drop in the revenue of the paper manufacturing business from approximately HK$1,527 million to HK$1,360 million.

Gross profit

Gross profit of the Group was decreased from approximately HK$560 million to approximately HK$519 million, and the gross profit percentage decreased from 9.5% to 9.0%.

Loss for the year

Loss for the year was approximately HK$543 million (2019: profit of approximately HK$120 million). The loss for the year is primarily due to the recognition of the net impairment losses of financial assets of approximately HK$544 million for the year ended 31 March 2020.

Liquidity and financial resources

As at 31 March 2020, the Group had a cash and bank balance (including restricted bank deposits) of approximately HK$299 million with a gearing ratio of 63.8%. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and lease liabilities) less cash, bank balances and restricted deposits. Total capital is calculated as total equity plus net debt.

The current ratio (current assets divided by current liabilities) was 0.69 times (2019: 1.11 times).

Contingent liabilities and charge of assets

As at 31 March 2020, the Group continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2020 amounted to approximately HK$2,916 million (2019: HK$2,744 million).

Certain land and buildings, and investment properties of the Group's subsidiaries, with a total carrying value of approximately HK$331 million as at 31 March 2020 (2019: HK$337 million) were pledged to banks as securities for bank loans of approximately HK$108 million (2019: HK$120 million) and trust receipt loans of approximately HK$182 million (2019: HK$124 million) granted to the Group.

Foreign exchange risk

The Group's transaction currencies are principally denominated in Renminbi and Hong Kong dollars. The Group will hedged its position with foreign exchange contracts and options when considered necessary.

Employees and remuneration policies

As at 31 March 2020, the Group employed 1,892 staff members, 231 of whom are based in Hong Kong and 1,344 are based in the PRC and 317 are based in other countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund and medical insurance. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for the year ended 31 March 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 March 2020, including the accounting principles and practices adopted by the Group, have been reviewed by the audit committee of the Company (the "Audit Committee") and audited by the auditor of the Company (the "Auditor"), RSM Hong Kong.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position as at 31 March 2020, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry, all current Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year under review and up to the date of this announcement.

COMPLIANCE WITH THE LISTING RULES AND THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year under review, in compliance with the Listing Rules and the code provisions (the "Code Provision(s)") under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except the following deviations:

Listing Rule 3.05

Listing Rule 3.05 stipulated that every listed issuer shall appoint two authorized representatives who shall act at all times as the listed issuer's principal channel of communication with the Stock Exchange. The Listing Rule 3.05 is not complied since 21 May 2021.

Listing Rule 3.10(1), 3.10A, 3.21 and 3.25

Listing Rule 3.10(1) stipulates that every board of directors of a listed issuer must include at least three independent non-executive directors. Listing Rule 3.10A stipulates that an issuer must appoint independent non-executive directors representing at least one-third of the board. Listing Rule 3.21 stipulates that, among others, the audit committee must comprise a minimum of three members, and the audit committee must be chaired by an independent non-executive director. Listing Rule 3.25 stipulates that an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

For the period from 12 July 2020 to 17 July 2020, due to the resignation of Mr. Pang Wing Kin, Patrick ("Mr. Pang"), Mr. Tong Yat Chong ("Mr. Tong") and Mr. Ng Hung Sui, Kenneth ("Mr. Ng") on 12 July 2020, the Listing Rule 3.10(1), 3.10A, 3.21 and 3.25 are not complied.

Subsequently, on 16 July 2020 and 17 July 2020, the Company appointed Mr. Choi, Mr. Lau and Mr. Leung as independent non-executive directors, the Company re-complied with the Listing Rule 3.10(1), 3.10A, 3.21 and 3.25.

Since the re-designation of Mr. Choi and Mr. Lau to executive directors on 21 May 2021, the Listing Rule 3.10(1), 3.21 and 3.25 are not complied.

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. For the period from 9 December 2019 to 19 May 2021, Mr. Lee Seng Jin ("Mr. Lee") (resigned with effect from 20 May 2021) was the chairman and chief executive officer of the Company.

Code Provision A.4.1

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Throughout the year under review and up to 12 July 2020, the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at each annual general meeting in accordance with the bye-laws of the Company ("Bye-Laws").

Code Provision A.5.1

Code Provision A.5.1 of the CG Code stipulates that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

For the period from 12 July 2020 to 17 July 2020, due to the resignation of Mr. Pang, Mr. Tong and Mr. Ng on 12 July 2020, the Code Provision A.5.1 is not complied.

Subsequently, on 16 July 2020 and 17 July 2020, the Company appointed Mr. Choi, Mr. Lau and Mr. Leung as independent non-executive directors, the Company re-complied with the Code Provision A.5.1.

Since the re-designation of Mr. Choi and Mr. Lau to executive directors on 21 May 2021, the Code Provision A.5.1 is not complied.

Code Provision C.2.1

Code Provision C.2.1 of the CG Code stipulates that the board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls. The current Directors make no representation as to whether the Company had complied with the code provision throughout the year ended 31 March 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report will be dispatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The Company will issue a separate announcement regarding the date of the upcoming AGM, and the dates of closure of register of members of the Company.

RESUMPTION GUIDANCE

The Stock Exchange has imposed the Resumption Guidance for the Company as detailed under the section headed "BASIS OF PREPARATION" in note 1 to the consolidated financial statements in this announcement.

The Company is taking appropriate steps to remedy the issues causing the Suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in the shares is allowed to resume. On 20 September 2021, the Company submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange. The Company is currently attending to the queries of the Stock Exchange with regards to the Resumption Proposal.

Please refer to the announcements of the Company dated 30 September 2020, 4 January 2021, 8 April 2021, 7 July 2021 and 5 October 2021 for details of the progress of the Resumption. The Company will keep its shareholders and public informed of the developments in this regard by making further announcements as and when appropriate.

As at the date of this announcement, the Company is working towards resumption and is taking appropriate steps to fulfil the resumption conditions. The Company will keep the shareholders of the Company and the public on, among others, the progress as and when appropriate.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9: 00 a.m. on 2 July 2020 and will remain suspended until further notice. The Company will keep its shareholders and the public informed of the latest development by making further announcement(s) as and when appropriate.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

By Order of the Board
SAMSON PAPER HOLDINGS LIMITED
(Provisional Liquidators Appointed)
(For Restructuring Purposes Only)
CHOI Wai Hong, Clifford
Executive Director

Hong Kong, 15 December 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. CHOI Wai Hong, Clifford and Mr. LAU Wai Leung, Alfred; and one independent non-executive Director, namely Mr. LEUNG Vincent Gar-gene.

* *for identification purpose only*