森信集團
Samson group

Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

Contents

Corporate Information

Board of Directors

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

Non-executive Director
LAU Wang Yip, Eric

Independent Non-executive Directors
PANG Wing Kin, Patrick
TONG Yat Chong
NG Hung Sui, Kenneth

Company Secretary

LEE Yue Kong, Albert

Principal Bankers

Bank of Tokyo-Mitsubishi UFJ
BNP Paribas Hong Kong Branch
China Construction Bank Corporation
CITIC Ka Wah Bank Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

3/F, Seapower Industrial Centre
177 Hoi Bun Road
Kwun Tong
Kowloon, Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
6 Front Street
Hamilton
Bermuda

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712–16
17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended 31 March 2008 HK$'000	2007 HK$'000
Revenue	3,834,380	3,146,763
Operating profit	145,790	112,320
Finance costs	53,587	51,338
Profit before taxation	93,482	59,071
Profit attributable to equity holders	71,564	50,867

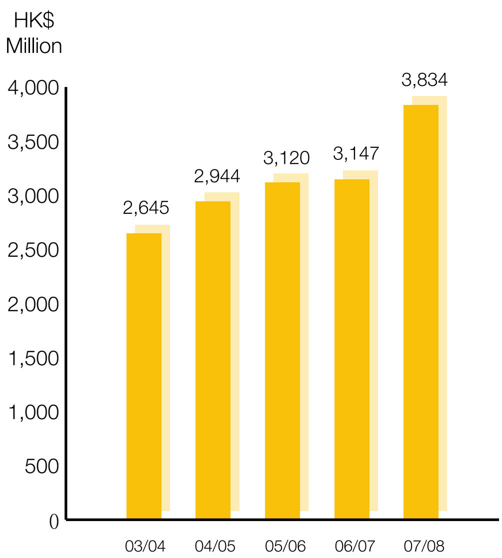
CONSOLIDATED BALANCE SHEET

	As at 31 March 2008 HK$'000	2007 HK$'000
Non-current assets		
Property, plant and equipment	226,230	118,411
Prepaid premium for land leases	64,146	48,785
Non-current deposits	110,700	—
Investment properties	117,000	51,679
Intangible asset	36,932	32,414
Interest in associated companies	69,670	57,976
Deferred tax assets	5,023	4,055
Finance lease receivables	45	1,518
	629,746	314,838
Current assets		
Inventories	523,044	352,225
Accounts receivable, deposits and prepayments	1,378,073	1,122,076
Financial assets at fair value through profit or loss	17,817	34,446
Taxation recoverable	1,615	—
Restricted bank deposits	60,235	14,095
Bank balances and cash	281,068	337,529
	2,261,852	1,860,371
Current liabilities		
Accounts payable and accrued charges	1,014,536	649,967
Trust receipt loans	442,823	389,509
Taxation payable	11,150	2,348
Financial liabilities at fair value through profit or loss	4,715	406
Borrowings	367,685	262,953
	1,840,909	1,305,183
Net current assets	420,943	555,188
Total assets less current liabilities	1,050,689	870,026
Financed by:		
Share capital	42,926	42,926
Reserves	760,301	646,334
Proposed final dividend	10,731	10,731
	771,032	657,065
Shareholders' funds	813,958	699,991
Minority interests	9,031	6,872
Total equity	822,989	706,863
Non-current liabilities		
Borrowings	213,294	157,159
Deferred tax liabilities	14,406	6,004
	227,700	163,163
	1,050,689	870,026

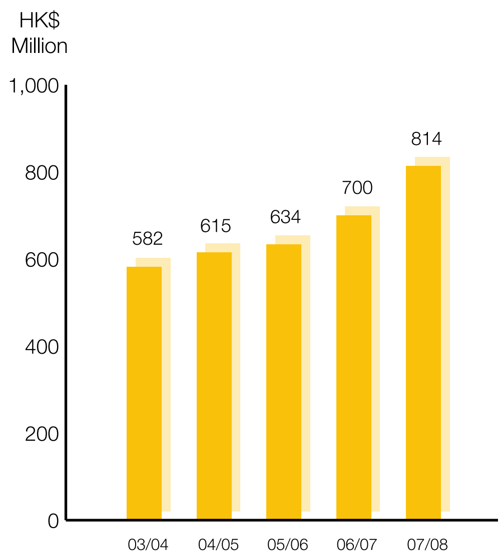
SHARE STATISTICS

	2008	2007
Earnings per share — basic	HK16.7 CENTS	HK11.9 CENTS
Dividends per share	HK5.0 CENTS	HK4.0 CENTS
Net asset value per share	HK192 CENTS	HK163 CENTS

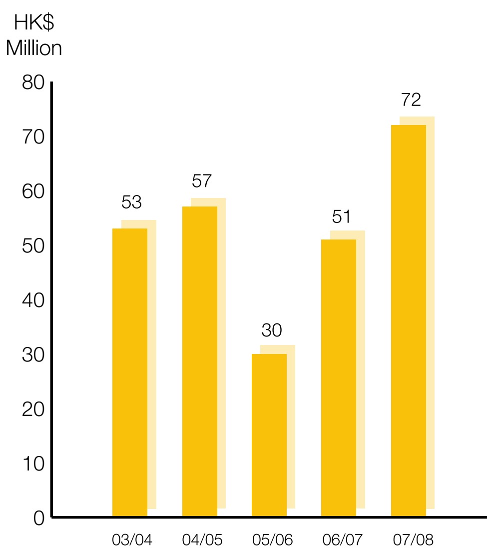
REVENUE



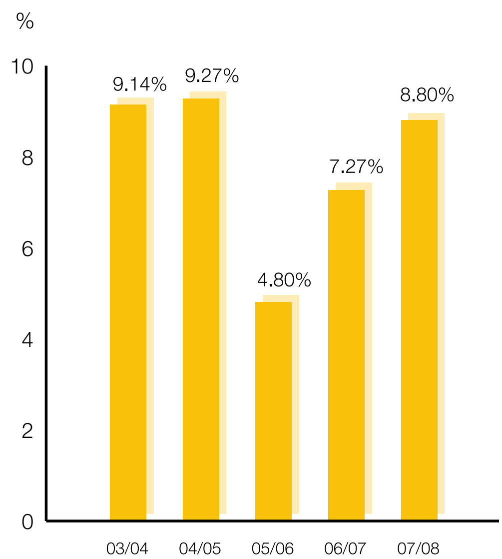
SHAREHOLDERS' FUNDS



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



RETURN ON SHAREHOLDERS' FUNDS



Chairman's Statement

The Economy

During the financial year under review, the economy of the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China (the "PRC") and the PRC maintained growth momentum. The GDP of Hong Kong surged 9.5% in calendar year 2007 and 9.6% year-over-year in the first quarter of calendar year 2008.

As for the PRC, an 11.4% GDP growth was reported for calendar year 2007, the fastest since 1994 and more than 10% for the fifth consecutive year, and a 10.6% year-over-year growth was recorded in the first quarter of calendar year 2008.

The Printing and Publishing Industries

As the global economy grew steadily, demand for paper products of the printing and publishing industries has also been on the rise. According to the Hong Kong Census and Statistics Department, the total value of printed matters exported from the city in the 12 months ended 31 March 2008 was HK$19,346 million, an increase of 8.6% when compared to HK$17,809 million last year. Total import value was HK$11,896 million for the 12 months ended 31 March 2008, a growth of 13.1% as compared to HK$10,517 million last year. China remained as the leading exporter of paper products, valuing at a total of HK$3,083 million or 32.3% of the total imports, to Hong Kong in calendar year 2007.

The paper industry in the PRC also grew rapidly supported by the strong mainland economy. According to the China Paper Association, the market consumed 72.9 million metric tons of paper in calendar year 2007, representing a 10.5% growth against the previous year, and total output of paper products increased by 13.1% to 73.5 million metric tons. According to the figures of the country's Customs Bureau, it had export of pulp and paper products up by 27.8% to 6.3 million metric tons and import of the products up by 9.5% to 35.2 million metric tons in calendar year 2007.

Operations Review

During the year, Samson Group (the "Group") achieved remarkable results, with significant growth in turnover and net profit and improved margins. Turnover increased by approximately 21.9% to HK$3,834 million as compared with last year. The Group made significant efforts in lowering operation costs, including relocating its warehouse to a lower rent area. It also maintained a prudent credit policy and significantly shortened the collection period. As a result, gross profit increased by 28.3% to HK$365 million, with gross profit margin improved to 9.5% (2007: 9.1%). Operating profit increased by 29.8% to HK$146 million. Profit attributable to shareholders rose sharply, by 40.7%, to HK$71.6 million, of which approximately HK$11.0 million was from revaluation gain of investment properties. Net profit margin improved from 1.6% last year to 1.9%. Earnings per share was HK16.7 cents (2007: HK11.9 cents).

The Board resolved to pay a final dividend of HK2.5 cents per share for the year. Together with the interim dividend of HK2.5 cents per share already paid, total dividend for the financial year amounted to HK5.0 cents (2007: HK4.0 cents).

Apart from strengthening its position as one of the largest paper trading companies in the region, the Group made strategic moves to build a vertically integrated operation during the year. These milestone moves included entering into an agreement to acquire Kingsrich Group Limited on 13 July 2007 and another agreement to acquire assets of a paper mill in Zaozhuang City, Shandong in the PRC on 20 February 2008. The two agreements have presented the Group with solid support to enter the business of packaging boards manufacturing.

By business segment, paper products, consumable aeronautic parts and services, logistics services and marine services accounted for 93.6%, 2.5%, 1.4% and 2.5% of the Group's total turnover respectively.

Paper Trading Business

Heeding the slowdown of the US economy and rising paper costs, the Group focused on selling higher quality products to quality customers. Paper product sales increased by a 19.5% to approximately HK$3,589 million, with profit up 18.6% to HK$50.1 million. In volume terms, sales of paper products increased by 6.7% to 584,218 metric tons. By implementing stringent credit risk control, the Group was able to markedly shorten the collection period by 14 days.

At the Group's dedicated effort to broaden its sales network in the PRC and increasing market demand bred by the booming mainland economy, the PRC market continued to be a main growth driver of the segment. During the year under review, the Group sold approximately 14.6% more paper products to customers in the market, with the support of new offices in Xiamen, Shenyang, Nanning and Nanjing opened during the year. With prices of paper products rocketing, particularly in the second half of the financial year and the Group focusing on selling higher value products, turnover from paper product sales in the PRC market increased significantly, by 30.2%, to HK$1,911 million, making up 53.3% of the Group's total turnover from paper products.

Hong Kong, the Group's second key market, accounted for 39.8% of its total paper product sales. It achieved a turnover of HK$1,430 million, a 12.6% growth against last year. The Group consolidated its business in other Asian countries, such as Malaysia, earlier leading to a drop of 6.7% in paper sales in those countries to HK$248 million, accounting for 6.9% of the turnover from paper business. For the Group's paper manufacturing arm Singapore-listed United Pulp & Paper Company Limited, it achieved a profit of S$2.1 million (HK$11.7 million) (2007: loss of S$0.5 million (HK$2.8 million)), mainly because it switched from fuel oil to natural gas which has brought significant savings in operational costs.

Sales contribution by product was maintained at a stable level. Book printing papers and packaging boards accounted for 53.0% and 35.3% of the Group's total turnover respectively.

Paper Manufacturing Business

In view of the synergy and the importance of vertical integration, the Group signed an agreement in July 2007 to acquire 99% interest in a Sino-foreign equity joint venture. The joint venture will specialise in the manufacture and sale of kraftliner board and corrugated medium in Nantong, Jiangsu, the PRC with a production capacity of 250,000 metric tons of paper products per annum. Another important agreement was signed in February 2008 to acquire the entire assets of Shandong Huazhong Paper Co., Ltd. and Shandong Huacai Paper Co., Ltd. in Zaozhuang City, Shandong, the PRC. The paper mill has two duplex board production lines with a total output capacity of 170,000 metric tons that had begun operation in May and June 2008 respectively. Another production line of 200,000 metric tons of kraftliner board and corrugated medium is being constructed and expected to begin operation within the coming financial year. By then, the mill will be able to produce 370,000 metric tons of packaging paper annually.

Consumable Aeronautic Parts and Services Business

The consumable aeronautic parts business, which has been operating for a few years, continued to grow in healthy strides, reporting an increase in revenue of 64.4% to HK$94.5 million, with profit up 150.3% against last year to HK$7.2 million.

Logistics Services Business

The Group has been consolidating its logistics services business and shifting its focus onto providing internal services to its paper business. Correspondingly, turnover from logistics services decreased by 5.7% to HK$54.2 million and a loss of HK$5.1 million was recorded (2007: loss of HK$2.6 million), before including the HK$5.9 million fair value gain of the warehouse (2007: HK$4.9 million). The management is confident that at the Group's effort to streamline the business, the segment will break even in the coming financial year.

Marine Services Business

Hypex Holdings Limited, the wholly-owned subsidiary of the Group acquired in December 2006, provides corrosion prevention services to the marine, oil and gas industries in Singapore. The corrosion prevention services comprise blasting (hydro and grit) and painting work. Turnover from operation increased by about 29.9% to HK$96.9 million, with the share of profit after tax of HK$11.9 million attributable to the Group (2007: HK$7.0 million) mainly due to the diversification in the product mix. The share of revenue and profit contribution to the Group in the last year represented the four months' result of the operation as the acquisition was completed in December 2006.

Prospects

By the end of the financial year, the prices of book printing papers and packaging boards increased by 5% and 20% respectively compared with the levels at September 2007. In the second half of 2008, with demand for book printing paper and material costs expected to rise, the price of book printing paper may also rise, while the average price of packaging board, which surged during the year under review, is expected to remain stable.

However, market research shows that the increase in consumer spending, industrial output and export sales in the PRC will continue to push up demand not only for book printing papers, but also container board products in the country in the long run. The China Paper Association forecasted the consumption of paper board in the PRC to sustain an average annual growth rate of 7.5% between 2005 and 2010. In the "11th Five-year Plan", the Chinese Government also stated the need to close down small-scale paper mills which cannot meet the more stringent environmental standards. Under the policy directives issued in late 2007, smaller and incompetent players with capacity totalling about 6.5 million metric tons will be ousted from the market by 2010. The industry consolidation will provide a good opportunity for the Group to enter paper manufacturing business. The Group also believes that by building a vertically integrated operation, it will be assured of stable supply of raw materials and be able to widen the profit margin.

The Group acquired an established paper mill in Shangdong, the PRC, in February 2008 to strategically tap the strong demand for paper in the industrial zones along the Yangtze River and in the Beijing-Tianjin region. This acquisition, together with the investment of the other paper mill project in Nantong, Jiangsu, will give the Group a stable supply of paper products for growing sales, allowing it to diversify its product portfolio and assume a bigger market share, and ultimately helping to boost its financial results in coming years.

The Group currently trades and markets paper products of over 100 brands, the bulk of which are book printing papers and packaging boards, to more than 1,000 customers. Kraftliner boards, duplex boards and corrugated medium only accounted for 16.9% of its paper product sales. With the support of an extensive sales network covering 12 cities in the PRC, as well as Hong Kong, Singapore, Malaysia and other Asian countries, the Group is confident of expanding its packaging board business in the next few years.

In the coming year, the Group will also set up more sales offices in emerging cities such as Hangzhou and Qingdao in the PRC and allocate more resources to develop its business network and explore more business opportunities in the country. With sales contribution from the PRC reaching more than half of the total sales of paper products since the end of the financial year 2008 and the paper manufacturing business in the PRC expected to begin contributing to the Group's consolidated results in the coming financial year, the Group sees the anticipated appreciation of the Renminbi working to its benefit.

Prospects (continued)

Looking forward, the Group will keep striving for healthy growth of its paper trading business while expanding upstream into manufacturing. To facilitate balanced growth of the two core businesses, the Group has secured a 3.5-year HK$420 million term and revolving credit facility with eight international and local banks on 27 June 2008. The facility was over-subscribed and increased from the initial amount of HK$400 million to HK$420 million. The over-subscription clearly showed that the banking community has strong confidence in the Group's business and its professional management team. With the additional financial resources, the Group is confident of accelerating business growth and realising its goal of becoming a leading player in the paper industry in the PRC.

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

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 16 July 2008

Sales by Geographical Area

During the year, turnover increased by approximately 21.9% to HK$3,834 million as compared with last year.

At the Group's dedicated effort to broaden its sales network in the PRC and increasing market demand bred by the booming mainland economy, the PRC paper market continued to be a main growth driver of the segment. During the year under review, the Group sold approximately 14.6% more paper products to customers in the market, with the support of new offices in Xiamen, Shenyang, Nanning and Nanjing opened during the year. With prices of paper products rocketing, particularly in the second half of the financial year and the Group focusing on selling higher value products, turnover from paper product sales in the PRC market increased significantly, by 30.2%, to HK$1,911 million, making up 53.3% of the Group's total turnover from paper products. Sales of paper products in Hong Kong contributed 39.8% while those in Malaysia and other Asian countries contributed the remaining 6.9% to the Group's turnover from paper business.

In recent years, the Group has diversified into the distribution business of consumable aeronautic parts and provision of related services, logistics services and marine services business. These business segments together contributed approximately HK$245.5 million, 6.4% (2007: HK$143.3 million, 4.6%) of the Group's total revenue.

	2008 HK$'000	2007 HK$'000
Sales to Hong Kong customers	1,474,228	1,323,616
Sales to the PRC customers	1,920,678	1,471,467
Singapore	191,339	85,865
Others	248,135	265,815
	3,834,380	3,146,763

Hong Kong Paper and Board Import/Re-export Statistics (January to December)

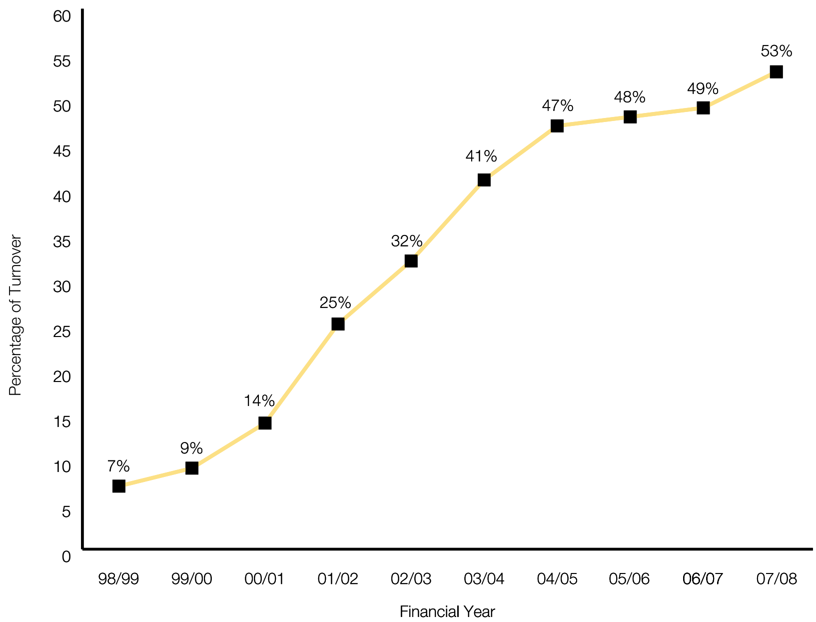
(In'000 Metric Tonnes)	2007	2006	+/-
Import	1,262	1,344	-6.1%
Re-export	473	543	-12.9%
Local Consumption	789	801	-1.5%

Import Statistics of Paper and Board to the PRC (January to December)

(In'000 Metric Tonnes)	2007	2006	+/-
Newsprint	20	10	+100%
Woodfree	450	450	—
Coated Paper	560	610	-8.2%
Corrugated Board	1,130	1,240	-8.9%
Duplex Board	700	730	-4.1%
Corrugating Medium	530	710	-25.4%
Others	620	660	-6.1%
	4,010	4,410	-9.1%

Sales by Geographical Area (continued)

Analysis of the PRC's Contribution to the Group's Turnover of Paper Products



Major Product Analysis

As one of the largest paper product traders in Hong Kong, the Group currently maintains a stock of over 100 paper brands. The Group's two main product categories, book printing papers and packaging boards, accounted for 53.0% and 35.3% of the Group's turnover of paper products respectively. Sales of book printing papers and packaging boards for the financial year rose by 22.5% and 19.3% respectively compared with the previous financial year.

Working Capital and Inventory Management

The Group has continued to maintain prudent working capital management. In view of the implementation of the macroeconomic control policy by the Central Government to correct imbalances in the PRC economy and that customers were caught in the middle of fierce price competition and high operating costs, the Group has adopted tight credit policies to cover the credit risk exposure. Impaired receivable provision before write back of the previous year's impaired receivable of HK$0.8 million was at a level of 0.4% of sales as compared to 0.6% for the previous year.

As the Group is further penetrating the PRC and overseas markets, more stocks are kept at respective sales locations. As a result, during the year under review, the average stock turnover day stood at 46 days compared with 43 days in the previous year.

Foreign Exchange Risk

The Group's transaction currencies are principally denominated in Renminbi, United States dollar and Hong Kong dollar. The Group hedges its position with foreign exchange contracts and options when considered necessary. The Group has continued to obtain Renminbi loans which provide a natural hedge against currency risks. As at 31 March 2008, bank borrowings in Renminbi amounted to HK$100 million (2007: HK$25 million). The majority of the Group's borrowings bear interest costs which are based on floating interest rates. As at 31 March 2008, the Group had outstanding interest rate swap contracts amounting to HK$50 million (2007: HK$50 million) in total.

Liquidity and Financial Resources

The Group normally meets short-term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2008, short-term deposits plus bank balances and bank borrowings amounted to HK$341 million (including restricted bank deposits of HK$60 million) and HK$1,006 million respectively.

As at 31 March 2008, the Group's current ratio (current assets divided by current liabilities) stood at 1.23 times (2007: 1.43 times). The gearing ratio, measured on the basis of the Group's long term loans over the Group's shareholders' funds, was 26.0% (2007: 22.5%).

With bank balances and other current assets of HK$2,262 million as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital for its present requirement.

Contingent Liabilities and Charge of Assets

As at 31 March 2008, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amounts of facilities utilised by the subsidiaries as at 31 March 2008 amounted to HK$1,006 million (2007: HK$798 million).

Certain prepaid premium for land leases, buildings and investment properties in Hong Kong of the Company's subsidiaries, with a total carrying value of HK$163 million as at 31 March 2008 (2007: HK$136 million) were pledged to banks as securities for bank loans of HK$87.6 million (2007: HK$30.3 million) and trust receipt loans of HK$227 million (2007: HK$170 million) granted to the Group.

Employees and Remuneration Policies

As at 31 March 2008, the Group employed 999 staff members, 218 of whom were based in Hong Kong, 324 in the PRC and 457 in other Asian 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, medical insurance and the use of a share option scheme to reward high-calibre staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

Corporate Governance Practices

The Company has always recognised the importance of transparency in governance and accountability to shareholders. It is the belief of the Board that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions (the "Code Provisions") of the "Code on Corporate Governance Practices" (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code. Throughout the year of 2008, the Company has met the Code Provisions set out in the Code except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's bye-laws.

Board of Directors

The Board currently comprises five executive and four non-executive Directors of whom three are independent as defined by the Stock Exchange. (The biographies of the Directors, together with information about the relationship among them, are set out on page 20). Independent non-executive Directors are one-third of the Board. Under the Company's bye-laws, every Director is subject to retirement by rotation at least once every three year. One-third of the Directors, who have served the longest on the Board, must retire from office at each Annual General Meeting and their re-election is subject to a vote of shareholders.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and financial performance. Day-to-day management of the Group's businesses is delegated to the executive Director or officer in charge of each division. The functions and authority that are so delegated are reviewed periodically to ensure that they remain appropriate.

Matters that reserved for the Board are those affecting the Group's overall strategic policies, finances and shareholders including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments. All Board members have access to the advice and services of the Company Secretary. All Directors have separate and independent access to the Management for enquiries and to obtain information when required. Independent professional advice can be sought at the Group's expense upon reasonable requests. The Directors are covered by appropriate insurance on Directors' liabilities from risk exposures arising from the management of the Company.

Board of Directors (continued)

The Board meets regularly to review the financial and operating performance of the Group and approve future strategies. Details of the number of Board meetings held in the year and attendance of each Board member at those meetings and meetings of the Audit Committee and the Remuneration Committee are set out below:

	Attendance/Number of Meetings		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Mr. SHAM Kit Ying (Chairman)	4/4		
Mr. LEE Seng Jin (Deputy Chairman and Chief Executive Officer) (note 1)	4/4		1/1
Mr. CHOW Wing Yuen	4/4		
Ms. SHAM Yee Lan, Peggy	4/4		
Mr. LEE Yue Kong, Albert	4/4		
Independent Non-executive Directors			
Mr. PANG Wing Kin, Patrick (note 2)	4/4	3/3	
Mr. TONG Yat Chong	4/4	3/3	1/1
Mr. NG Hung Sui, Kenneth	4/4		1/1
Non-executive Director			
Mr. LAU Wang Yip, Eric	4/4	3/3	

Note 1: Chairman of Remuneration Committee
Note 2: Chairman of Audit Committee

To implement the strategies and plans adopted by the Board effectively, an executive committee of selected executive Directors and senior managers meet monthly to review the performance of the businesses of the Group and make financial and operational decisions.

Chairman and Chief Executive Officer

The Group has appointed a Chairman, Mr. Sham Kit Ying and a Chief Executive Officer, Mr. Lee Seng Jin. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The Chief Executive Officer is a Board member and has executive responsibilities over the business direction and operational decisions of the Group.

Non-executive Directors

There are currently four non-executive Directors of whom three are independent. As a deviation from the Code, the term of office for non-executive Directors is not fixed but subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Company's bye-laws. At every Annual General Meeting, one-third of the Directors for the time being, who have served the longest on the Board, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Code.

Remuneration of Directors

The Remuneration Committee, established in August 2005, has clear terms of reference and is accountable to the Board. The principle role of the Remuneration Committee is to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises three members including the Deputy Chairman and two independent non-executive Directors. The current Committee members are:

Mr. Lee Seng Jin (Chairman)
Mr. Tong Yat Chong
Mr. Ng Hung Sui, Kenneth

The Remuneration Committee met once in the year with the attendance rate of 100%.

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salaries and bonuses of the executive Directors and certain key executives. No executive Director has taken part in any discussion about his/her own remuneration.

The Directors' emoluments paid or payable to the Directors during the year are set out on an individual and named basis, in note 13 to the accounts of this Annual Report.

Nomination of Directors

The Company has not established a nomination committee. The Board as a whole is responsible for approving the appointment of its members and nominating them for election and re-election by the shareholders of the Company. New directors are sought mainly through referrals or internal promotion. In evaluating whether an appointee is suitable to act as a director of the Company, the Board will review the independence, professional knowledge, industry experience and personal skills of the appointee as well as personal ethics, integrity and time commitments of the appointee. During the year, there was no nomination of directors to fill board vacancies.

Audit Committee

The Company set up an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The Audit Committee comprises three non-executive Directors, two of them including the Chairman being independent. The current Committee members are:

Mr. Pang Wing Kin, Patrick (Chairman)
Mr. Lau Wang Yip,Eric
Mr. Tong Yat Chong

The Committee members possess diversified industry experience and the Chairman has professional qualifications and experience in financial matters. The Audit Committee met three times during the year, together with senior management and auditors, both internal and external, if considered necessary, to review the Company's internal controls and risk management process, financial reporting and compliance procedures, financial results and reports and to assess the external auditor for re-appointment. The Audit Committee reviews the interim and annual financial statements before submission to the Board for approval. The Group's unaudited interim results and audited annual results for 2008 had been reviewed by the Audit Committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

Audit Committee (continued)

The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the external auditor and the effectiveness of the audit process. The annual fees for audit and non-audit services are subject to close scrutiny by the Audit Committee. The Audit Committee has recommended to the Board that PricewaterhouseCoopers be re-appointed as the Group's external auditor at the coming Annual General Meeting.

Internal Control and Risk Management

The Board maintains a sound and effective system of internal controls in the Group and reviews its effectiveness through the Audit Committee. The system is set up to address key business risks of failure to meet corporate objectives. The purpose of such system is to manage and control risks properly, but not eliminate it. The Board decides the overall policies and strategies which are implemented by the executive management as well as the review of material controls including the financial, operational and compliance controls and risk management functions.

The Group carries out the businesses under an established control environment which is consistent with the principles stated in Internal Control and Risk Management — A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants. The internal control of the Group is designed to provide reasonable assurance regarding the achievements of effectiveness and efficiency of operation, reliability of financial reporting and compliance with applicable laws and regulations.

The Group's internal audit team under the supervision of Internal Audit Manager independently reviews the internal controls and evaluates their adequacy, effectiveness and compliance. The team comprises qualified personnel to maintain and monitor the system of controls on an ongoing basis. The Internal Audit Department reports the major findings and recommendations to the Audit Committee on a regular basis.

In the year 2007/2008, the internal audit reports of the Group were completed regularly and sent to the Audit Committee to review. According to the assessments made by the Board and the Group's Internal Audit team in 2007, the Audit Committee is satisfied that:

— The internal controls and accounting systems of the Group have been functioning effectively. They provide the reasonable assurance that the business risks are detected and monitored. The material assets are protected and the accounts are reliable. They help to ensure compliance with applicable laws and regulations.

— There is an ongoing basis of identifying and managing the risks existing in the Group.

Business Planning and Budgeting

The Group's budget meeting is held annually in the beginning of each year. It is a key control process in business planning. The budget meeting of the year 2008/2009 was held from 22 to 28 February 2008. The scope of the meeting included the following areas:

1. Sales/product strategy;

2. Market analysis and competitor profile;

3. Purchasing strategy; and

4. Customers analysis.

Business Planning and Budgeting (continued)

On the other hand, the half-yearly performance review for the year 2007/2008 (i.e. April to September 2007) was conducted in October 2007. The monthly performance reviews for the same year were carried out as well. It is important to monitor results and progress against the budget. Revenue and expenditures were compared with the budget and projections were revised when considered necessary.

Auditor's Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong. During the year, PricewaterhouseCoopers, Hong Kong provided the following audit and non-audit services to the Group:

Service		Fee charged HK$'000
(a)	Audit services (including interim review)	1,350
(b)	Tax compliance services	352
(c)	Other assurance services	283

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code throughout the year of 2008.

Financial Reporting

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, price-sensitive announcements, disclosures required under the Listing Rules, and other regulatory requirements. The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 24.

Communication with Shareholders

The Board and senior management recognise their responsibilities to look after the interests of the shareholders of the Company. The Company reports on its financial and operating performance to the shareholders through interim and annual reports. At the Annual General Meeting, shareholders can raise any questions relating to the performance and future directions of the Company to the Directors. Our corporate website which contains information, interim and annual reports, announcements and circulars issued by the Company as well as the recent development of the Group, enables the Company's shareholders to access information on the Group on a timely basis.

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31 March 2008.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are trading and marketing of paper products as set out in note 37 to the accounts. The Group also engages in trading of consumable aeronautic parts and provision of related services, provision of logistic services and marine services. The Group's customers are mainly based in Hong Kong. The Group also sells its paper products directly to customers based in the PRC.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the accounts.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 25.

The Directors have declared an interim dividend of HK2.5 cents per ordinary share, totalling HK$10,731,000, which was paid on 4 January 2008.

The Directors recommend the payment of a final dividend of HK2.5 cents per ordinary share, totalling HK$10,731,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 29 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK$1,544,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in note 28 to the accounts.

Distributable Reserves

Distributable reserves of the Company at 31 March 2008, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$264,066,000 (2007: HK$264,027,000).

Pre-emptive Rights

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

Five Year Financial Summary

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

	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000
Revenue	2,644,619	2,944,408	3,120,108	3,146,763	3,834,380
Profit attributable to equity holders	52,781	56,584	30,449	50,867	71,564
Total assets	1,810,687	1,974,969	2,029,301	2,175,209	2,891,598
Total liabilities	1,228,866	1,356,449	1,391,402	1,468,346	2,068,609
Total equity	581,821	618,520	637,899	706,863	822,989

Purchase, Sale or Redemption of Securities

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

Share Options

At the Special General Meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. At 31 March 2008, no option has been granted under the Option Scheme. Terms and conditions of the Option Scheme are set out below.

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

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

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

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

Share Options (continued)

(5) Time of exercise of option
An option may be exercised in accordance with the terms of the Option Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed a period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the Option Scheme.

(6) The eligible person shall pay HK$1.0 to the Company in consideration of the grant of an option upon acceptance of the grant of option.

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

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

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

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

(8) Remaining life of the Option Scheme
The Option Scheme will remain in force until 26 February 2014.

Directors

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

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

Non-executive Directors
Mr. PANG Wing Kin, Patrick (note)
Mr. LAU Wang Yip, Eric
Mr. TONG Yat Chong (note)
Mr. NG Hung Sui, Kenneth (note)

Note: Independent non-executive Director

Mr. LEE Seng Jin, Mr. PANG Wing Kin, Patrick and Mr. NG Hung Sui, Kenneth retire in accordance with clause 99 of the Company's bye-laws and, being eligible, offer themselves for re-election.

Directors' Service Contracts

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

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

Directors' Interests in Contracts

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

Biographical Details of Directors and Senior Management

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

Executive Directors

Mr. SHAM Kit Ying (alias SHAM Kit), aged 82, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 49 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 51, is the Deputy Chairman and Chief Executive Officer of the Group. Mr. Lee is responsible for the formulation of the Group's corporate strategies and development. He joined the Group in 1997. He is the husband of Ms. Sham Yee Lan, Peggy and a son-in-law of Mr. Sham Kit Ying.

Mr. CHOW Wing Yuen, aged 49, is the Chief Operating Officer of the Group. Mr. Chow joined the Group in 1978 and is responsible for the overall management of the Group's operation in Hong Kong and the PRC. Mr. Chow has over 30 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 42, is a Director of the Group. Ms. Sham joined the Group in 1989 and is responsible for the Group's overall credit administrative management. Ms. Sham is the wife of Mr. Lee Seng Jin and a daughter of Mr. Sham Kit Ying.

Mr. LEE Yue Kong, Albert, aged 52, is the Chief Financial Officer of the Group and the Company Secretary of the Company. Mr. Lee is responsible for the Group's financial and accounting management. He has over 25 years of experience in the finance, auditing and accounting fields. Prior to joining the Group in June 1997, Mr. Lee was an independent non-executive Director of the Company. He is an associate member of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants.

Non-executive Directors

Mr. PANG Wing Kin, Patrick, aged 52, is a qualified accountant and has over 25 years of working experience in the auditing, finance and general management areas. Mr. Pang was appointed independent non-executive Director of the Company in 1995. He is a member of the CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Institute of Internal Auditors of the United Kingdom.

Mr. LAU Wang Yip, Eric, aged 41, is a solicitor practising in Hong Kong. He was appointed non-executive Director of the Company in 1997 and is currently a partner of a local law firm. Mr. Lau holds a Bachelor's degree in Laws and has been admitted as a solicitor in England and Wales. He has also been admitted as a legal practitioner in Tasmania, Australia.

Mr. TONG Yat Chong, aged 50, is a qualified accountant and has over 23 years of experience in finance, accounting and management. Mr. Tong was appointed independent non-executive Director of the Company in 2004. Mr. Tong holds a Master of Business Administration degree from the University of Wales. He is a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and a Certified Public Accountant in Hong Kong.

Mr. NG Hung Sui, Kenneth, aged 41, is a solicitor practicing in Hong Kong. He was appointed independent non-executive Director of the Company in 2005 and is currently a partner of a local law firm. Mr. NG holds a Bachelor's degree in Laws and has been admitted as a solicitor in Hong Kong. He was also admitted as a solicitor in England and Wales and as a legal practitioner in Tasmania, Australia.

Biographical Details of Directors and Senior Management (continued)

Senior Management

Mr. CHU Wai Kwong, aged 51, is a Sales Director, Southern China of Samson Paper (China) Company Limited. Mr. Chu joined the Group in 1976. Mr. Chu has over 22 years of sales experience in the paper distribution industry and is responsible for the purchases of packaging boards and overseeing the general operations in Southern China.

Mr. HOI Tin On, Joseph, aged 46, is the General Manager of High Flyer Logistics (Hong Kong) Limited. He joined the Group in 1990. He has over 22 years of working experience in the paper distribution industry.

Mr. CHAN Kwok Keung, aged 48, is a Sales Director, Northern China of Samson Paper (China) Company Limited. Mr. Chan joined the Group in 1990 and has over 21 years of working experience in the paper distribution industry and is responsible for the purchases of printing paper and overseeing the general operations in Northern China.

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

As at 31 March 2008, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(a) Long position in ordinary shares of HK$0.10 each in the Company (the "shares")

		Number of ordinary shares beneficially held					
	Capacity	Personal interest	Corporate interest	Family interest	Other interest	Total	Percentage
Mr. LEE Seng Jin	Beneficial owner and beneficiary of trust	60,344,000	–	16,712,556	219,620,000 (note)	296,676,556	69.11%
Ms. SHAM Yee Lan, Peggy	Beneficial owner and beneficiary of trust	572,556	16,140,000	60,344,000	219,620,000 (note)	296,676,556	69.11%
Mr. CHOW Wing Yuen	Beneficial owner	540,000	–	–	–	540,000	0.13%

Note:

Shares are held by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds all the units in the private unit trust. The objects of the family trust include Mr. Lee Seng Jin and Ms. Sham Yee Lan, Peggy.

Save as disclosed above, as at 31 March 2008, none of the Directors and chief executives had any interests or short positions in the shares, underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

(a) Long position in ordinary shares of HK$0.10 each in the Company (the "shares") (continued)

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

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

(b) Short positions in shares and underlying shares of the Company

None of the Directors and the chief executive of the Company or their associates had any short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

At 31 March 2008, the interests and short positions of the shareholders other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO are as follows:

Long position in ordinary shares of HK$0.10 each in the Company

Name of shareholder	Number of ordinary shares	Percentage
Quinselle Holdings Limited	219,620,000	51.16%
HSBC International Trustee Limited (note)	219,620,000	51.16%

Note:

Quinselle Holdings Limited holds the 219,620,000 shares in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds all the units in the private unit trust.

Save as disclosed above, the register which is required to be kept under Section 336 of the SFO shows that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 March 2008.

Management Contracts

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

Major Customers and Suppliers

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

Purchases

— the largest supplier	11%
— five largest suppliers combined	29%

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

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

Independence of Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors of the Company, an annual confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Compliance with the Continuing Disclosure Requirement under Chapter 13 of the Listing Rules

In accordance with the continuing disclosure requirements under Rule 13.21 of Chapter 13 of the Listing Rules (as amended on 31 March 2004), the Directors reported below details of the Group's loan agreements, which contains covenants requiring performance obligations of the controlling shareholder of the Company.

The Company has been granted a three and half-year revolving credit and term loan facility amounting to HK$300,000,000 in February 2006 which requires that (i) not less than 51% of the issued share capital of the Company is at all times directly or indirectly owned by Quinselle Holdings Limited as trustee for the Private Unit Trust and Mr. Lee Seng Jin and (ii) the majority units in the Private Unit Trust shall at all times be held by HSBC International Trustee Limited as trustee for the Private Family Trust.

The Company has been granted a three and half-year revolving credit and term loan facility amounting to HK$420,000,000 in June 2008 which requires that (i) Mr. Sham Kit Ying, Mr. Lee Seng Jin, Ms. Sham Yee Lan, Peggy and members of their respective immediate family shall in aggregate maintain not less than 100% of the direct or indirect legal and beneficial interest in Quinselle Holdings Limited; and maintain management control over Quinselle Holdings Limited; and (ii) Quinselle Holdings Limited shall maintain at least 51% of the direct or indirect legal and beneficial interest in the Company and remain the single largest shareholder of the Company.

Independent Auditor

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

On behalf of the Board

SHAM Kit Ying
Chairman

Hong Kong, 16 July 2008

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

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

We have audited the consolidated accounts of Samson Paper Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 75, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 July 2008

Consolidated Profit and Loss Account

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	5	3,834,380	3,146,763
Cost of sales		(3,468,942)	(2,861,845)
Gross profit		365,438	284,918
Other gains and income, net	5	26,116	24,096
Selling expenses		(122,623)	(100,168)
Administrative expenses		(110,202)	(83,668)
Other operating expenses		(12,939)	(12,858)
Operating profit	6	145,790	112,320
Finance costs	7	(53,587)	(51,338)
Share of results of associated companies		1,279	(1,911)
Profit before taxation		93,482	59,071
Taxation	8	(21,119)	(7,301)
Profit for the year		72,363	51,770
Attributable to:			
Equity holders of the Company		71,564	50,867
Minority interests		799	903
		72,363	51,770
Dividends	10	21,462	17,170
Earnings per share — basic	11	16.7 cents	11.9 cents
Dividends per share			
Interim		2.5 cents	1.5 cents
Proposed final		2.5 cents	2.5 cents
		5.0 cents	4.0 cents

The notes on pages 30 to 75 are an integral part of these consolidated accounts.

Consolidated Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	14	226,230	118,411
Prepaid premium for land leases	15	64,146	48,785
Non-current deposits	22	110,700	—
Investment properties	16	117,000	51,679
Intangible asset	17	36,932	32,414
Interest in associated companies	19	69,670	57,976
Deferred tax assets	30	5,023	4,055
Finance lease receivables	21	45	1,518
		629,746	314,838
Current assets			
Inventories	20	523,044	352,225
Accounts receivable, deposits and prepayments	21	1,378,073	1,122,076
Financial assets at fair value through profit or loss	23	17,817	34,446
Taxation recoverable		1,615	—
Restricted bank deposits	24	60,235	14,095
Bank balances and cash	25	281,068	337,529
		2,261,852	1,860,371
Current liabilities			
Accounts payable and accrued charges	26	1,014,536	649,967
Trust receipt loans	27	442,823	389,509
Taxation payable		11,150	2,348
Financial liabilities at fair value through profit or loss	23	4,715	406
Borrowings	27	367,685	262,953
		1,840,909	1,305,183
Net current assets		420,943	555,188
Total assets less current liabilities		1,050,689	870,026
Financed by:			
Share capital	28	42,926	42,926
Reserves	29	760,301	646,334
Proposed final dividend	29	10,731	10,731
		771,032	657,065
Shareholders' funds		813,958	699,991
Minority interests		9,031	6,872
Total equity		822,989	706,863
Non-current liabilities			
Borrowings	27	213,294	157,159
Deferred tax liabilities	30	14,406	6,004
		227,700	163,163
		1,050,689	870,026

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

The notes on pages 30 to 75 are an integral part of these consolidated accounts.

Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Interest in subsidiaries	18	249,897	249,897
Current assets			
Amounts due from subsidiaries	18	142,578	143,087
Dividend receivable from a subsidiary		10,731	10,731
Tax recoverable		16	—
Bank balances and cash	25	69	12
		153,394	153,830
Current Liabilities			
Accrued charges		6	452
Taxation payable		—	29
		6	481
Net current assets		153,388	153,349
Total assets less current liabilities		403,285	403,246
Financed by:			
Share capital	28	42,926	42,926
Reserves	29	349,628	349,589
Proposed final dividend	29	10,731	10,731
		360,359	360,320
Shareholders' funds		403,285	403,246

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

The notes on pages 30 to 75 are an integral part of these consolidated accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2006	42,926	157,670	433,373	633,969	3,930	637,899
2005–2006 final dividend paid	—	—	(4,292)	(4,292)	—	(4,292)
Profit for the year	—	—	50,867	50,867	903	51,770
Capital injection by a minority shareholder	—	—	—	—	2,000	2,000
Surplus on properties revaluation, net of deferred tax	—	12,120	—	12,120	—	12,120
Currency translation difference	—	14,561	—	14,561	39	14,600
Share of reserve of an associated company	—	(795)	—	(795)	—	(795)
2006–2007 interim dividend paid	—	—	(6,439)	(6,439)	—	(6,439)
Reserves	42,926	183,556	462,778	689,260	6,872	696,132
Proposed 2006–2007 final dividend	—	—	10,731	10,731	—	10,731
At 31 March 2007	42,926	183,556	473,509	699,991	6,872	706,863
At 1 April 2007 as per above	42,926	183,556	473,509	699,991	6,872	706,863
2006–2007 final dividend paid	—	—	(10,731)	(10,731)	—	(10,731)
Profit for the year	—	—	71,564	71,564	799	72,363
Capital injection by minority shareholders	—	—	—	—	1,187	1,187
Surplus on properties revaluation, net of deferred tax	—	12,479	—	12,479	—	12,479
Currency translation difference	—	51,314	—	51,314	173	51,487
Share of reserve of an associated company	—	72	—	72	—	72
2007–2008 interim dividend paid	—	—	(10,731)	(10,731)	—	(10,731)
Reserves	42,926	247,421	512,880	803,227	9,031	812,258
Proposed 2007–2008 final dividend	—	—	10,731	10,731	—	10,731
At 31 March 2008	42,926	247,421	523,611	813,958	9,031	822,989

The notes on pages 30 to 75 are an integral part of these consolidated accounts.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Cash inflow generated from operations	31(a)	106,110	208,883
Interest paid		(53,587)	(51,338)
Hong Kong profits tax (paid)/refunded		(3,048)	974
Overseas taxation paid		(8,497)	(3,002)
Net cash inflow from operating activities		40,978	155,517
Investing activities			
Payments for non-current deposits		(110,700)	—
Payment for subscription of rights issue of an associated company		(6,624)	—
Proceeds from sales of rights issue of an associated company		8,388	—
Purchase of property, plant and equipment		(125,310)	(10,597)
Purchase of prepaid premium for land leases		(36,610)	—
Proceeds from disposal of property, plant and equipment		2,338	2,477
Acquisition of a subsidiary	31(c)	—	(45,998)
Capital outlay for finance lease receivables		—	(3,059)
Capital element received from finance lease receivables		2,765	2,890
Interest element received from finance lease receivables		345	597
Purchase of investments in financial assets		—	(6,206)
Proceeds from sale of investments in financial assets		8,022	299
Interest received		9,753	11,754
Dividends received from investments in financial assets		1,389	931
Net cash outflow from investing activities		(246,244)	(46,912)
Financing activities			
Bank loans raised	31(b)	273,027	532,595
Repayment of bank loans	31(b)	(117,642)	(578,457)
Repayment of finance lease liabilities		(5,298)	(4,850)
(Increase)/decrease in restricted bank deposits		(46,140)	19,228
Increase/(decrease) in trust receipt loans		53,314	(47,695)
Dividends paid to shareholders		(21,462)	(10,731)
Capital contribution from minority shareholders of subsidiaries		1,187	2,000
Net cash inflow/(outflow) from financing activities		136,986	(87,910)
Effect of changes in exchange rates on cash and cash equivalents		12,786	8,069
Net (decrease)/increase in cash and cash equivalents		(55,494)	28,764
Cash and cash equivalents at the beginning of the year		336,562	307,798
Cash and cash equivalents at the end of the year	25	281,068	336,562

The notes on pages 30 to 75 are an integral part of these consolidated accounts.

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are trading and marketing of paper products. The Group also engages in trading of consumable aeronautic parts and provision of related services, provision of logistics services and marine services. Detailed analysis of these business segments are set out in note 5 to the accounts.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is 3/F, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated accounts are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated accounts have been approved for issue by the Board of Directors on 16 July 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of buildings, investment properties, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in note 4 to the accounts.

In 2007, the Group adopted certain new or revised standards and amendments of HKFRS which were issued and became effective during the year ended 31 March 2008, and among which the following have disclosure impacts in the consolidated accounts.

HKFRS 7 and amendment to HKAS 1	Financial instruments: disclosures and presentation of financial statements: capital disclosures
HK(IFRIC)-Int 10	Interim financial reporting and impairment

HKFRS 7 and amendment to HKAS 1 introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill and investment in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The adoption of these accounting standards or amendments does not result in substantial changes to the Group's accounting policies and has no significant effect on the results reported for the year ended 31 March 2008.

The following standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 April 2007 but are not relevant to or have no significant financial impact to the Group's operation:

HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29, financial reporting in hyper-inflationary economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Re-assessment of embedded derivatives
HK(IFRIC)-Int 11	HKFRS 2 — Group and treasury share transactions

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended 31 March 2008 and have not been early adopted:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Amendment)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 2 (Amendment)	Share-based payment — vesting conditions and cancellations
HKFRS 3 (Revised)	Business combinations
HKFRS 8	Operating segments
HK(IFRIC)-Int 12	Service concession arrangements
HK(IFRIC)-Int 13	Customer loyalty programmes
HK(IFRIC)-Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

The Group is in the process of assessing the impact to the Group's accounting policies on the adoption of the above standards, amendments and interpretations in the period of initial applications, but is currently expected that the adoption would not have significant financial impact to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

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

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account (note 2.9).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated accounts, to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (note 2.3). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of acquired net assets of the subsidiary.

(c) *Associated companies*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 2.9).

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) *Associated companies (continued)*

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet become available for use are not subject to amortisation, but are tested at least annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.4 Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

Regular purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all other financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Other financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are included in the profit and loss account in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit and loss account. Subsequent recoveries of amounts previously written off are credited in the profit and loss account.

2.6 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.7 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation difference on non-monetary financial assets, such as equities classified as available for sale, are included in the fair value reserve in equity.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign currency translation (continued)

(c) *Group companies (continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed or sold, such exchange differences that were recorded in equity are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.8 Property, plant and equipment

Buildings comprise mainly warehouses and offices. Buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Valuation of buildings inside and outside Hong Kong are valued by external independent valuers and the directors respectively. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are expensed in the profit and loss account.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives. The principal annual rates are as follows:

Buildings	2.5% to 5.9%
Furniture and fixtures	10% to 25%
Machinery and equipment	10% to 20%
Office and computer equipment	10% to 20%
Motor vehicles and vessels	20%
Leasehold improvements	20% or over the unexpired lease period, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.3).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account. When revalued assets are sold, the amounts included in assets revaluation reserve are transferred to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investment in associates. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Company allocates goodwill to each business segment in each country in which it operates (note 2.3).

2.10 Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment properties.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leasehold land and land use rights

The upfront prepayments made for leasehold land and land use rights are accounted for as operating lease. They are expensed in the profit and loss account on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the profit and loss account.

2.12 Operating leases (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.15 Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Retirement benefit obligations*

The Group operates a number of defined contribution schemes for all its employees in Hong Kong. A defined contribution scheme is a pension scheme that the Group pays fixed contribution into a separate entity. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown, net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Service income is recognised when services are rendered.

Operating lease rental income is recognised on a straight-line basis over the lease period.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.19 Finance lease (as lessor)

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

2.20 Finance lease (as lessee)

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.21 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's equity holders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest-rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management policies approved by the Board of Directors are carried out by a central treasury department ("Group Treasury"). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Currency risk

The Group operates in various Asian countries and the Group's transaction currencies are principally denominated in Renminbi, United States dollar and Hong Kong dollar. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group enters into forward exchange contracts and options to reduce foreign exchange risk.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 March 2008, if Hong Kong dollar had weakened/strengthened by 5% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK$933,000 (2007: -HK$1,063,000) higher/lower, mainly as a result of offsetting the foreign exchange gains/losses on translation of Renminbi-denominated trade and other receivables with the foreign exchange losses/gains on translation of Renminbi-denominated trade and other payables and borrowings. Profit or loss was less sensitive to movements in Hong Kong dollar/Renminbi exchange rates in 2008 than 2007 because of the increased amount of Renminbi-denominated borrowings which acted as a natural hedge against Renminbi-denominated trade and other receivables.

Management considers that the Group is not exposed to significant foreign exchange risk arising from other foreign currencies, such as Euro, United States dollar, Singapore dollar, Japanese Yen, Korean Won and Malaysian Ringgit.

(ii) Cash flow interest-rate risk

As the Group has no significant interest-bearing assets, except for bank deposits. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from bank borrowings. At 31 March 2008, borrowings were primarily at floating rates.

At 31 March 2008, if interest rates on Hong Kong dollar-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$5,549,000 (2007: HK$4,922,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and accounts receivables, and other financial assets (including derivative financial instruments) at fair value through profit or loss.

The Group's bank deposits and derivative financial instruments are entered into with reputable financial institutions. Counterparties' credit risks are carefully reviewed and in general, the Group only deals with reputable financial institutions. The amount of counterparties' lending exposure to the Group is also an important consideration as a means to control credit risk.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. There was no individual customer with balance representing more than 1.6% of the Group's total trade receivables from third parties, thus there was no concentration of credit risk with respect to trade and bills receivable as there were a large number of customers.

The carrying amounts of bank deposits, trade and other receivables and other financial assets at fair value through profit or loss included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

(c) Liquidity risk

The Group has been prudent in liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The management aims to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facilities and cash and cash equivalents (note 25)) on the basis of expected cash flow.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Later than 5 years HK$'000
Group				
At 31 March 2008				
Bank borrowings	365,788	167,143	45,183	—
Trust receipt loans	445,037	—	—	—
Derivative financial instruments	4,715	—	—	—
Trade and other payables	1,014,536	—	—	—
Finance lease liabilities	7,978	5,800	6,031	—
At 31 March 2007				
Bank borrowings	264,056	100,947	49,328	—
Trust receipt loans	392,950	—	—	—
Derivative financial instruments	406	—	—	—
Trade and other payables	649,967	—	—	—
Finance lease liabilities	5,876	3,749	3,517	178

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000
Group		
At 31 March 2008		
Forward foreign exchange contracts — not qualified for cash flow hedges:		
— outflow	210,677	101,360
— inflow	210,532	97,604
Interest rate swap contracts — not qualified for cash flow hedges:		
— outflow	50,000	—
— inflow	50,371	—
At 31 March 2007		
Forward foreign exchange contracts — not qualified for cash flow hedges:		
— outflow	259,647	38,985
— inflow	261,456	41,387
Interest rate swap contracts — not qualified for cash flow hedges:		
— outflow	—	50,000
— inflow	—	50,199

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 March 2008 and 2007 are as follows:

	2008 HK'000	2007 HK'000
Total borrowings (note 27)	1,023,802	809,621
Less: Cash and cash equivalents (note 25)	(281,068)	(337,529)
Net debt	742,734	472,092
Total equity	822,989	706,863
Total capital	1,565,723	1,178,955
Gearing ratio	47.4%	40.0%

The increase in the gearing ratio for 2008 resulted primarily from the increase in bank borrowings to finance the expansion of the Group.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Estimated provision for trade and other receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impaired receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment expenses in the period in which such estimate has been changed.

(c) Estimated write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

(d) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 17).

(e) Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(f) Fair value of investment properties

The fair value of each investment property individually is determined at each balance sheet date by independent professional valuers by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income/net income, after allowing for outgoings, and in appropriate cases provisions for reversionary income from potential. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current bases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

5 REVENUE, OTHER GAINS AND INCOME AND SEGMENT INFORMATION

Revenue recognised is as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
Revenue		
Sale of goods	3,651,991	3,060,893
Provision of services	182,389	85,870
	3,834,380	3,146,763
Other gains and income, net		
Interest income	10,098	12,351
Gain on sale of rights issue of an associated company	3,596	—
Dividends income — listed investments	1,389	931
Fair value gains on investment properties	10,986	4,922
Rental income	3,058	1,650
Gains on disposal of property, plant and equipment	315	—
Net (losses)/gains on investments in financial assets	(4,976)	642
Others	1,650	3,600
	26,116	24,096

(a) Primary reporting format — business segments

At 31 March 2008, the Group was organised on a worldwide basis into four main business segments:

(1) Trading and marketing of paper products;

(2) Provision of logistics services;

(3) Trading and marketing of aeronautic parts and provision of services; and

(4) Provision of marine services to marine, oil and gas industries.

The segment results for the year ended 31 March 2008 are as follows:

	Paper HK$'000	Logistics services HK$'000	Aeronautic parts and services HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Total segment revenue	3,588,831	98,182	94,463	96,876	—	3,878,352
Inter-segment revenue	—	(43,972)	—	—	—	(43,972)
Revenue	3,588,831	54,210	94,463	96,876	—	3,834,380
Segment results	122,657	1,051	9,024	15,723	(2,665)	145,790
Finance costs (note 7)						(53,587)
Share of profits of associated companies	1,279	—	—	—	—	1,279
Profit before taxation						93,482
Taxation (note 8)						(21,119)
Profit for the year						72,363

5 REVENUE, OTHER GAINS AND INCOME AND SEGMENT INFORMATION (continued)

(a) Primary reporting format — business segments (continued)

The segment results for the year ended 31 March 2007 are as follows:

	Paper HK$'000	Logistics services HK$'000	Aeronautic parts and services HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Total segment revenue	3,003,432	69,574	57,461	28,405	—	3,158,872
Inter-segment revenue	—	(12,109)	—	—	—	(12,109)
Revenue	3,003,432	57,465	57,461	28,405	—	3,146,763
Segment results	97,861	2,403	3,658	9,669	(1,271)	112,320
Finance costs (note 7)						(51,338)
Share of losses of associated companies	(1,911)	—	—	—	—	(1,911)
Profit before taxation						59,071
Taxation (note 8)						(7,301)
Profit for the year						51,770

Segment assets consisted primarily of non-current assets and current assets except for deferred tax assets and taxation recoverable.

Segment liabilities comprised accounts payable and accrued charges and other financial liabilities at fair value through profit or loss.

Capital expenditure comprised additions to property, plant and equipment (note 14), prepaid premium for land leases (note 15) and intangible asset (note 17), including additions resulting from acquisitions through business combinations (notes 14, 17 and 31(c)).

The segment assets and segment liabilities at 31 March 2008 and capital expenditure for the year then ended are as follows:

	Paper HK$'000	Logistics services HK$'000	Aeronautic parts and services HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Assets	2,500,974	87,368	48,865	127,373	57,348	2,821,928
Associated companies	69,670	—	—	—	—	69,670
Segment assets	2,570,644	87,368	48,865	127,373	57,348	2,891,598
Segment liabilities	1,399,346	8,115	19,226	33,706	608,216	2,068,609
Capital expenditure (notes 14 and 15)	143,925	4,761	841	20,354	—	169,881

5 REVENUE, OTHER GAINS AND INCOME AND SEGMENT INFORMATION (continued)

(a) Primary reporting format — business segments (continued)

The segment assets and segment liabilities at 31 March 2007 and capital expenditure for the year then ended are as follows:

	Paper HK$'000	Logistics services HK$'000	Aeronautic parts and services HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Assets	1,876,548	77,478	38,900	76,800	47,507	2,117,233
Associated companies	57,976	—	—	—	—	57,976
Segment assets	1,934,524	77,478	38,900	76,800	47,507	2,175,209
Segment liabilities	979,679	9,103	13,992	35,074	430,498	1,468,346
Capital expenditure (notes 14 and 17)	10,657	6,314	24	74,615	—	91,610

Other segment items included in the consolidated profit and loss account are as follows:

	Year ended 31 March 2008					
	Paper HK$'000	Logistics services HK$'000	Aeronautic parts and services HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Depreciation of property, plant and equipment (note 14)	5,613	2,795	647	7,412	101	16,568
Amortisation of prepaid premium for land leases (note 15)	1,506	—	—	—	62	1,568

	Year ended 31 March 2007					
	Paper HK$'000	Logistics services HK$'000	Aeronautic parts and services HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Depreciation of property, plant and equipment (note 14)	4,329	1,332	460	1,587	101	7,809
Amortisation of prepaid premium for land leases (note 15)	1,260	304	—	—	62	1,626

5 REVENUE, OTHER GAINS AND INCOME AND SEGMENT INFORMATION (continued)

(b) Secondary reporting format — geographical segments

The Group's four business segments operate in three main geographical areas, even though they are managed on a worldwide basis.

	Group					
	Revenue		Segment assets		Capital expenditure	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong	1,474,228	1,323,616	1,282,129	1,157,490	8,061	7,068
The PRC*	1,920,678	1,471,467	1,279,673	766,275	140,410	9,872
Singapore	191,339	85,865	176,238	113,090	21,195	74,639
Others	248,135	265,815	96,210	90,847	215	31
	3,834,380	3,146,763	2,834,250	2,127,702	169,881	91,610
Unallocated	—	—	57,348	47,507	—	—
	3,834,380	3,146,763	2,891,598	2,175,209	169,881	91,610

* The PRC, for the presentation purpose in these accounts, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan.

6 OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	Group	
	2008 HK$'000	2007 HK$'000
Charging		
Cost of inventories sold	3,323,242	2,812,443
Depreciation of property, plant and equipment	16,568	7,809
Amortisation of prepaid premium for land leases	1,568	1,626
Losses on disposal of property, plant and equipment	—	255
Operating lease rentals in respect of land and buildings	6,766	8,286
Transportation costs	101,146	92,829
Provision for impairment on inventories	886	1,648
Provision for impairment on receivables	16,276	19,611
Employee benefits expenses (note 12)	139,771	87,028
Auditor's remuneration	1,942	1,151
Unrealised losses on derivative financial instruments	7,940	—
Outgoings related to investment properties	1,177	497
Crediting		
Net exchange gains	5,119	2,767
Unrealised gains on derivative financial instruments	—	3,315
Provision for impairment on receivables written back	781	6,162

7 FINANCE COSTS

	Group	
	2008 HK$'000	2007 HK$'000
Interest on bank borrowings wholly repayable within 5 years	41,090	37,333
Interest on trade credit facilities	12,497	14,005
	53,587	51,338

8 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2008 HK$'000	2007 HK$'000
Hong Kong profits tax		
Current	6,763	3,132
Over provision in previous years	(850)	(70)
	5,913	3,062
Overseas taxation	12,819	3,002
Deferred taxation relating to origination and reversal of temporary differences (note 30)	2,387	1,237
	21,119	7,301

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

	2008 HK$'000	2007 HK$'000
Profit before taxation	93,482	59,071
Less: Share of results of associated companies	(1,279)	1,911
	92,203	60,982
Calculated at a taxation rate of 17.5% (2007: 17.5%)	16,135	10,671
Effect of different taxation rates in other countries	1,723	426
Income not subject to taxation	(6,454)	(4,512)
Expenses not deductible for taxation purposes	10,123	786
Over provision in previous years	(850)	(70)
Others	442	—
	21,119	7,301

9 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of HK$21,501,000 (2007: HK$17,256,000) (note 29).

10 DIVIDENDS

	Group	
	2008 HK$'000	2007 HK$'000
Interim — HK$0.025 (2007: HK$0.015) per share	10,731	6,439
Proposed final — HK$0.025 (2007: HK$0.025) per share	10,731	10,731
	21,462	17,170

At a meeting held on 16 July 2008, the Directors proposed a final dividend of HK2.5 cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2009.

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Group	
	2008 HK$'000	2007 HK$'000
Profit attributable to equity holders of the Company	71,564	50,867
Weighted average number of ordinary shares in issue	429,258	429,258
Basic earnings per share (HK cent per share)	16.7 cents	11.9 cents

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

12 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Group	
	2008 HK$'000	2007 HK$'000
Wages, salaries and bonuses	134,051	83,560
Contributions to pension schemes	5,720	3,468
	139,771	87,028

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 March 2008 is set out below:

	2008					2007
	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000	Total HK$'000
Executive directors						
Sham Kit Ying	—	5,039	1,000	—	6,039	5,539
Lee Seng Jin	—	3,600	3,600	125	7,325	5,540
Sham Yee Lan, Peggy	—	960	800	49	1,809	1,676
Chow Wing Yuen	—	1,325	800	49	2,174	1,506
Lee Yue Kong, Albert	—	1,140	800	43	1,983	1,474
Non-executive directors						
Pang Wing Kin, Patrick	80	—	—	—	80	80
Lau Wang Yip, Eric	80	—	—	—	80	80
Tong Yat Chong	100	—	—	—	100	100
Ng Hung Sui, Kenneth	80	—	—	—	80	80

During the year, no directors agreed to waive future emoluments, and no amounts were paid to any of the directors as inducement to join the Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included five (2007: five) Directors whose emoluments are reflected in the analysis presented above.

14 PROPERTY, PLANT AND EQUIPMENT

	Group								
	Buildings Inside Hong Kong HK$'000	Buildings Outside Hong Kong HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2006									
Cost or valuation	55,669	11,469	6,567	31,533	20,578	10,913	15,796	–	152,525
Accumulated depreciation	(1,326)	(409)	(5,248)	(27,713)	(13,082)	(10,470)	(13,140)	–	(71,388)
Net book amount	54,343	11,060	1,319	3,820	7,496	443	2,656	–	81,137
Year ended 31 March 2007									
Opening net book amount	54,343	11,060	1,319	3,820	7,496	443	2,656	–	81,137
Net exchange difference	–	300	42	1,238	291	37	103	–	2,011
Acquired through purchase of a subsidiary	–	–	2	37,491	4,522	–	180	–	42,195
Additions	–	6,281	737	623	7,978	380	1,002	–	17,001
Revaluation surplus (note 29)	12,291	–	–	–	–	–	–	–	12,291
Disposals	–	(671)	–	(1,109)	(940)	–	(12)	–	(2,732)
Transfer to investment properties (note 16)	(25,683)	–	–	–	–	–	–	–	(25,683)
Depreciation	(207)	(512)	(458)	(2,209)	(3,184)	(150)	(1,089)	–	(7,809)
Closing net book amount	40,744	16,458	1,642	39,854	16,163	710	2,840	–	118,411
Year ended 31 March 2007									
Cost or valuation	41,714	17,385	7,181	69,696	32,129	11,326	17,143	–	196,574
Accumulated depreciation	(970)	(927)	(5,539)	(29,842)	(15,966)	(10,616)	(14,303)	–	(78,163)
Net book amount	40,744	16,458	1,642	39,854	16,163	710	2,840	–	118,411
Year ended 31 March 2008									
Opening net book amount	40,744	16,458	1,642	39,854	16,163	710	2,840	–	118,411
Net exchange difference	–	1,372	33	3,963	833	(158)	(110)	2,766	8,699
Additions	–	7,986	354	14,164	10,208	403	1,693	98,463	133,271
Revaluation surplus (note 29)	17,526	–	–	–	–	–	–	–	17,526
Transfer to investment properties (note 16)	(33,086)	–	–	–	–	–	–	–	(33,086)
Disposals	–	–	–	–	(2,008)	–	(15)	–	(2,023)
Depreciation	(786)	(1,240)	(488)	(7,164)	(5,344)	(164)	(1,382)	–	(16,568)
Closing net book amount	24,398	24,576	1,541	50,817	19,852	791	3,026	101,229	226,230
Year ended 31 March 2008									
Cost or valuation	25,971	26,849	7,556	88,781	39,570	11,606	18,500	101,229	320,062
Accumulated depreciation	(1,573)	(2,273)	(6,015)	(37,964)	(19,718)	(10,815)	(15,474)	–	(93,832)
Net book amount	24,398	24,576	1,541	50,817	19,852	791	3,026	101,229	226,230

Buildings situated in Hong Kong and major buildings situated outside Hong Kong were revalued at 31 March 2008 on the basis of open market value carried out by FPD Savills (Hong Kong) Limited, an independent firm of chartered surveyors. The remaining buildings situated outside Hong Kong were revalued at 31 March 2008 by the Directors.

14 PROPERTY, PLANT AND EQUIPMENT (continued)

If buildings were stated on the historical cost basis, the amounts would be as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Cost	33,858	46,388
Accumulated depreciation	(8,618)	(11,418)
Net book amount	25,240	34,970

The analysis of the cost or valuation at 31 March 2008 of the above assets is as follows:

	Group								
	Buildings Inside Hong Kong HK$'000	Buildings Outside Hong Kong HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction in progress HK'000	Total HK$'000
At cost	–	–	7,556	88,781	39,570	11,606	18,500	101,229	267,242
At valuation	25,971	26,849	–	–	–	–	–	–	52,820
	25,971	26,849	7,556	88,781	39,570	11,606	18,500	101,229	320,062

The analysis of the cost or valuation at 31 March 2007 of the above assets is as follows:

	Buildings Inside Hong Kong HK$'000	Buildings Outside Hong Kong HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction in progress HK'000	Total HK$'000
At cost	–	–	7,181	69,696	32,129	11,326	17,143	–	137,475
At valuation	41,714	17,385	–	–	–	–	–	–	59,099
	41,714	17,385	7,181	69,696	32,129	11,326	17,143	–	196,574

At 31 March 2008, construction in progress represented costs incurred for the buildings, machinery and equipment in Nantong, Jiangsu Province, the PRC for the construction of a paper mill.

At 31 March 2008, buildings situated in Hong Kong with carrying value amounted to approximately HK$24,398,000 (2007: HK$40,744,000) were pledged as securities for bank borrowings made available to the Group (note 34).

As 31 March 2008, the aggregate net book amount of machinery and equipment held by the Group under finance leases was HK$14,559,000 (2007: HK$11,651,000). The net book amount of motor vehicles held by the Group under finance leases was HK$6,170,000 (2007: HK$4,903,000).

15 PREPAID PREMIUM FOR LAND LEASES

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	Group	
	2008 HK$'000	2007 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	21,324	43,390
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	42,822	5,395
	64,146	48,785
At 1 April	48,785	71,415
Additions	36,610	—
Exchange differences	1,568	70
Transfer to investment properties (note 16)	(21,249)	(21,074)
Amortisation	(1,568)	(1,626)
At 31 March	64,146	48,785

At 31 March 2008, prepaid premium for land leases situated in Hong Kong with carrying value amounted to approximately HK$21,324,000 (2007: HK$43,390,000) were pledged as securities for bank borrowings made available to the Group (note 34).

16 INVESTMENT PROPERTIES

	Group	
	2008 HK$'000	2007 HK$'000
At 1 April	51,679	—
Transfer from property, plant and equipment (note 14)	33,086	25,683
Transfer from prepaid premium for land leases (note 15)	21,249	21,074
Fair value gain	10,986	4,922
At 31 March	117,000	51,679

The investment properties were revalued at 31 March 2008 by independent, professionally qualified valuers FPD Savills (Hong Kong) Limited. Valuations were based on current prices in an active market for the properties.

16 INVESTMENT PROPERTIES (continued)

The Group's interest in investment properties at its book values is analysed as follows:

	2008 HK$'000	2007 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	117,000	51,679

At 31 March 2008, the investment properties situated in Hong Kong with carrying value of HK$117,000,000 (2007: HK$51,679,000) were pledged as securities for bank borrowings made available to the Group (note 34).

17 INTANGIBLE ASSET

	Group HK$'000
Year ended 31 March 2007	
At 1 April 2006	—
Acquisitions of a subsidiary (note 31(c))	32,414
At 31 March 2007	32,414
At 31 March 2007	
Cost and net book amount	32,414
Year ended 31 March 2008	
Opening net book amount	32,414
Exchange differences	4,518
Closing net book amount	36,932
At 31 March 2008	
Cost and net book amount	36,932

The Group completed its annual impairment test for goodwill allocated to the Group's cash generating units ("CGU") by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are as follows:

Gross margin	34%
Growth rate	20% in the first year
Discount rate	10%
Long term growth rate	5%

Goodwill is associated with the marine services in Singapore.

The Directors are of the opinion that there was no impairment of goodwill at 31 March 2008.

18 INTEREST IN SUBSIDIARIES

	Company	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost (note (a))	249,897	249,897
Amounts due from subsidiaries (note (b))	142,578	143,087

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 March 2008 are set out in note 37 to the accounts.

(b) Amounts due were unsecured, interest free and repayable on demand.

19 INTEREST IN ASSOCIATED COMPANIES

	Group	
	2008 HK$'000	2007 HK$'000
Share of net assets	66,662	54,086
Goodwill	3,008	3,890
	69,670	57,976

19 INTEREST IN ASSOCIATED COMPANIES (continued)

Details of the Group's principal associates are as follows:

Name	Particulars of issued shares held	Country of incorporation	Total assets HK$'000	Total liabilities HK$'000	Revenue HK$'000	Profit/(loss) HK$'000	Interest held %	Principal activity
2008								
United Pulp & Paper Company Limited (note (a)) (Listed in Singapore)	34,456,000 shares of S$0.25 each	Singapore	777,880	288,847	487,663	11,703	14.67	Manufacture and sale of paper and paper products
2007								
United Pulp & Paper Company Limited (note (a)) (Listed in Singapore)	22,192,000 shares of S$0.25 each	Singapore	693,646	331,140	420,396	(2,532)	18.97	Manufacture and sale of paper and paper products

Notes:

(a) United Pulp & Paper Company Limited has a financial accounting year end of 31 December which is not coterminous with the Group.

(b) United Pulp & Paper Company Limited is regarded as an associated company of the Group because the Group has board representation on the board of directors and a managerial personnel from the Group is involved in the operation of a major subsidiary of the associated company.

(c) United Pulp & Paper Company Limited is listed on the Singapore Exchange. The market value as at 31 March 2008 was approximately HK$54,413,000 (2007: HK$46,824,000).

20 INVENTORIES

	Group	
	2008 HK$'000	2007 HK$'000
Merchandise	521,139	352,225
Raw materials	1,905	—
	523,044	352,225

The cost of inventories recognised as expense and included in cost of sales amounted to HK$3,323,242,000 (2007: HK$2,812,443,000).

At 31 March 2008, inventories of the Group were stated at cost less provision for impairment on inventories. The inventories for the Group were stated after a provision for impairment on inventories of approximately HK$14,352,000 (2007: HK$13,209,000).

21 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2008 HK$'000	2007 HK$'000
Trade receivables, net of provision	1,169,897	962,301
Other receivable, deposits and prepayments	206,563	156,870
Finance lease receivables	1,658	4,423
	1,378,118	1,123,594
Finance lease receivables — non-current portion	(45)	(1,518)
	1,378,073	1,122,076

The carrying values of the Group's trade and other receivables approximated their fair values.

The Group normally grants credit to customers ranging from 30 to 90 days.

The ageing analysis of trade receivables is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Current to 60 days	855,745	693,075
61 to 90 days	164,803	134,820
Over 90 days	149,349	134,406
	1,169,897	962,301

There was no concentration of credit risk with respect to trade receivables as the Group had a large number of customers, which were widely dispersed within Hong Kong, the PRC and other countries.

Trade receivables that are less than 90 days past due are not considered impaired. As of 31 March 2008, trade receivables of HK$44,035,000 (2007: HK$46,531,000) were past due over 90 days but not impaired. These related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
91–120 days	13,866	8,767
Over 120 days	30,169	37,764
	44,035	46,531

21 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (continued)

As of 31 March 2008, trade receivables of HK$89,515,000 (2007: HK$72,484,000) were considered impaired. The individually impaired receivables mainly related to customers which are in unexpected difficult economic situations.

The movement of the provision for impairment of trade receivables is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
At 1 April	72,484	58,213
Exchange adjustment	1,536	822
Net provision	15,495	13,449
At 31 March	89,515	72,484

The carrying amounts of the Group's trade and other receivables were mainly denominated in Hong Kong dollar and Renminbi.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Finance lease receivables

	Group	
	2008 HK$'000	2007 HK$'000
Non-current		
Finance leases — gross receivables	48	1,583
Unearned finance income	(3)	(65)
	45	1,518
Current		
Finance leases — gross receivables	1,679	3,246
Unearned finance income	(66)	(341)
	1,613	2,905

21 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (continued)

	Group	
	2008 HK$'000	2007 HK$'000
Gross receivables from finance leases:		
Not later than 1 year	1,679	3,246
Later than 1 year and not later than 5 years	48	1,583
	1,727	4,829
Unearned future finance income on finance leases	(69)	(406)
Net investment in finance leases	1,658	4,423
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	1,613	2,905
Later than 1 year and not later than 5 years	45	1,518
	1,658	4,423

22 NON-CURRENT DEPOSITS

The balance mainly represents payments to vendors for the purchase of paper manufacturing assets. Following a public auction held by the auctioneer in Shandong province, the PRC on 10 January 2008, the Group entered into an Assets Transfer Contract (the "Contract") with the receivers of Shandong Huacai Paper Co. Ltd. ("Huacai") and Shandong Huazhong Paper Co. Ltd. ("Huazhong") to acquire production assets of both Huacai and Huazhong at a consideration of RMB385 million (approximately HK$414.9 million) on 20 February 2008. As at 31 March 2008, a security deposit of RMB100 million (approximately HK$107 million) was paid to the auctioneer pursuant to the Contract. The remaining consideration shall be settled upon the transfer of titles of all production assets.

23 FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008 HK$'000	2007 HK$'000
Financial assets/(liabilities) at fair value through profit or loss		
Listed securities, at fair value:		
Listed shares outside Hong Kong	13,853	15,370
Bonds listed outside Hong Kong	—	7,940
	13,853	23,310
Unlisted securities, at fair value:		
Unlisted shares outside Hong Kong	2,779	6,320
	16,632	29,630
Derivative financial assets	1,185	4,816
	17,817	34,446
Derivative financial liabilities	(4,715)	(406)
	13,102	34,040

23 FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The fair values of listed equity securities were based on their current bid prices in an active market. Derivative financial instruments represented foreign exchange contracts entered into by the Group.

The notional principal amounts of the outstanding foreign exchange contracts at 31 March 2008 were HK$312,037,000 (2007: HK$298,632,000).

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2008 were HK$50,000,000 (2007: HK$50,000,000).

24 RESTRICTED BANK DEPOSITS

	Group	
	2008 HK$'000	2007 HK$'000
Pledged as securities for banking facilities	60,235	14,095

Restricted bank deposits earned interest at a fixed rate of 3.78% per annum (2007: 2.07% per annum).

The restricted bank deposits were denominated in Renminbi.

25 BANK BALANCES AND CASH

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Cash at bank and in hand	249,201	257,012	69	12
Short-term bank deposits	31,867	80,517	—	—
	281,068	337,529	69	12

25 BANK BALANCES AND CASH (continued)

The effective interest rate on short-term bank deposits was 2.63% per annum (2007: 5.16% per annum). These deposits had an average maturity of 14 days (2007: 14 days).

Cash and cash equivalents include the following for the purpose of the consolidated cash flow statement:

	Group	
	2008 HK$'000	2007 HK$'000
Bank balances and cash	281,068	337,529
Bank overdrafts (note 27)	—	(967)
	281,068	336,562

26 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	Group	
	2008 HK$'000	2007 HK$'000
Trade and bills payables	903,381	543,748
Accrued expenses and other payables	94,153	93,809
Loan from a minority shareholder	1,563	1,563
Amounts due to associated companies	15,439	10,847
	1,014,536	649,967

The carrying values of the gross accounts payable and accrued charges approximated their fair values.

The amounts due to a minority shareholder and associated companies were unsecured, interest free and repayable on demand.

26 ACCOUNTS PAYABLE AND ACCRUED CHARGES (continued)

The ageing analysis of trade and bills payables is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Current to 60 days	766,492	444,611
61 to 90 days	48,915	12,578
Over 90 days	87,974	86,559
	903,381	543,748

27 BORROWINGS

	Group	
	2008 HK$'000	2007 HK$'000
Non-current		
Bank loans — unsecured	131,515	131,212
Bank loans — secured (note 34)	71,055	19,063
Finance lease liabilities	10,724	6,884
	213,294	157,159
Current		
Trust receipt loans — unsecured	215,659	219,527
Trust receipt loans — secured (note 34)	227,164	169,982
	442,823	389,509
Bank loans — unsecured	339,007	245,022
Bank loans — secured (note 34)	21,375	11,250
Bank overdrafts (note 25)	—	967
Finance lease liabilities	7,303	5,714
	367,685	262,953
	810,508	652,462
Total borrowings	1,023,802	809,621

27 BORROWINGS (continued)

At 31 March 2008, the Group's bank loans and overdrafts and trust receipt loans were repayable as follows:

	Group			
	Bank loans and overdrafts		Trust receipt loans	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Within one year	360,382	257,239	442,823	389,509
In the second year	159,945	100,947	—	—
In the third to fifth years inclusive	42,625	49,328	—	—
	562,952	407,514	442,823	389,509

The effective interest rate at the balance sheet date on bank loans, bank overdrafts and trust receipt loans was 3.0% per annum (2007: 5.3% per annum).

The carrying amounts of bank loans, bank overdrafts and trust receipt loans approximated their fair values.

The Group had undrawn borrowing facilities of HK$230,742,000 (2007: HK$410,692,000). All of the Group's facilities were at floating rates.

The carrying amounts of bank loans, bank overdrafts and trust receipt loans are denominated in the following currencies:

	Group	
	2008 HK$'000	2007 HK$'000
Hong Kong dollar	888,535	770,731
Renminbi	100,343	25,325
Singapore dollar	16,897	967
	1,005,775	797,023

27 BORROWINGS (continued)

Finance lease liabilities

	Group	
	2008 HK$'000	2007 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	7,978	5,876
Later than 1 year and not later than 5 years	11,831	7,266
Later than 5 years	—	178
	19,809	13,320
Future finance charges on finance leases	(1,782)	(722)
Present value of finance lease liabilities	18,027	12,598

	2008 HK$'000	2007 HK$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	7,303	5,714
Later than 1 year and no later than 5 years	10,724	6,714
Later than 5 years	—	170
	18,027	12,598

At the balance sheet date, the carrying amounts of finance lease liabilities approximated their fair value.

The effective interest rates at the balance sheet date ranged from 3.3% to 7.2% per annum (2007: 2.2% to 7.2% per annum).

28 SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	2008	2007	2008 HK$'000	2007 HK$'000
Authorised:				
At the beginning and the end of year	800,000,000	800,000,000	80,000	80,000
Issued and fully paid:				
At the beginning and the end of year	429,258,039	429,258,039	42,926	42,926

The shareholders of the Company adopted a share option scheme to comply with the requirements of Chapter 17 of the Listing Rules. At 31 March 2008 and 2007, no share option was granted or outstanding.

29 RESERVES

Group

	Share premium HK$'000	Assets revaluation reserve HK$'000	Capital reserve (note a) HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2006	96,293	26,408	33,311	1,658	433,373	591,043
2005–2006 final dividend paid	—	—	—	—	(4,292)	(4,292)
Profit for the year	—	—	—	—	50,867	50,867
Surplus on properties revaluation (note 14)	—	12,291	—	—	—	12,291
Revaluation — deferred tax (note 30)	—	(171)	—	—	—	(171)
Currency translation difference	—	—	—	14,561	—	14,561
Share of reserve of an associated company	—	—	—	(795)	—	(795)
2006–2007 interim dividend paid	—	—	—	—	(6,439)	(6,439)
Reserves	96,293	38,528	33,311	15,424	462,778	646,334
Proposed 2006–2007 final dividend	—	—	—	—	10,731	10,731
At 31 March 2007	96,293	38,528	33,311	15,424	473,509	657,065
At 1 April 2007, as per above	96,293	38,528	33,311	15,424	473,509	657,065
2006–2007 final dividend paid	—	—	—	—	(10,731)	(10,731)
Profit for the year	—	—	—	—	71,564	71,564
Surplus on properties revaluation (note 14)	—	17,526	—	—	—	17,526
Revaluation — deferred tax (note 30)	—	(5,047)	—	—	—	(5,047)
Currency translation difference	—	—	—	51,314	—	51,314
Share of reserve of an associated company	—	—	—	72	—	72
2007–2008 interim dividend paid	—	—	—	—	(10,731)	(10,731)
Reserves	96,293	51,007	33,311	66,810	512,880	760,301
Proposed 2007–2008 final dividend	—	—	—	—	10,731	10,731
At 31 March 2008	96,293	51,007	33,311	66,810	523,611	771,032

29 RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus (note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2006	96,293	249,697	7,805	353,795
2005–2006 final dividend paid	—	—	(4,292)	(4,292)
2006–2007 interim dividend paid	—	—	(6,439)	(6,439)
Profit for the year (note 9)	—	—	17,256	17,256
Reserves	96,293	249,697	3,599	349,589
Proposed 2006–2007 final dividend	—	—	10,731	10,731
At 31 March 2007	96,293	249,697	14,330	360,320
At 1 April 2007 as per above	96,293	249,697	14,330	360,320
2006–2007 final dividend paid	—	—	(10,731)	(10,731)
2007–2008 interim dividend paid	—	—	(10,731)	(10,731)
Profit for the year (note 9)	—	—	21,501	21,501
Reserves	96,293	249,697	3,638	349,628
Proposed 2007–2008 final dividend	—	—	10,731	10,731
At 31 March 2008	96,293	249,697	14,369	360,359

Notes:

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

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

30 DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2007: 17.5%).

The movement on the net deferred tax liabilities account is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
At 1 April	1,949	369
Charged to profit and loss account (note 8)	2,387	1,237
Charged directly to equity (note 29)	5,047	171
Acquisition of a subsidiary (note 31(c))	—	172
At 31 March	9,383	1,949

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has no material unrecognised tax losses as at 31 March 2008 and 2007.

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

Deferred tax assets

	Group	
	Tax losses	
	2008 HK$'000	2007 HK$'000
At 1 April	4,055	2,524
Credited to profit and loss account	968	1,531
At 31 March	5,023	4,055

30 DEFERRED TAXATION (continued)

Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Fair value gains		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
At 1 April	5,036	2,893	968	—	6,004	2,893
Charged directly to equity (note 29)	—	—	5,047	171	5,047	171
Acquisition of a subsidiary (note 31(c))	—	172	—	—	—	172
Charged to profit and loss account	1,432	1,971	1,923	797	3,355	2,768
At 31 March	6,468	5,036	7,938	968	14,406	6,004

The amounts shown in the balance sheet include the following:

	Group	
	2008 HK$'000	2007 HK$'000
Deferred tax assets to be recovered after more than 12 months	5,023	4,055
Deferred tax liabilities to be settled after more than 12 months	(14,406)	(6,004)
	(9,383)	(1,949)

31 CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2008 HK$'000	2007 HK$'000
Operating profit	145,790	112,320
Depreciation of property, plant and equipment	16,568	7,809
Amortisation of prepaid premium for land leases	1,568	1,626
Fair value gains on investment properties	(10,986)	(4,922)
(Gains)/losses on disposal of property, plant and equipment	(315)	255
Gain on sales of rights issue of an associated company	(3,596)	—
Net losses/(gains) on investments in financial assets	4,976	(642)
Unrealised losses/(gains) on derivative financial instruments	7,940	(3,315)
Dividend income	(1,389)	(931)
Interest income	(10,098)	(12,351)
Operating profit before working capital changes	150,458	99,849
Increase in inventories	(170,819)	(13,424)
(Increase)/decrease in accounts receivable, deposits and prepayments	(257,289)	12,513
Increase in accounts payable and accrued charges	364,897	100,791
Effect of change in exchange rate	18,863	9,154
Net cash inflow generated from operations	106,110	208,883

(b) Analysis of changes in financing during the year

	Group	
	Bank loans	
	2008 HK$'000	2007 HK$'000
At 1 April	406,547	442,877
Acquisition of a subsidiary (note 31(c))	—	4,828
Bank loans raised	273,027	532,595
Repayment of bank loans	(117,642)	(578,457)
Effect of change in exchange rate	1,020	4,704
At 31 March	562,952	406,547

31 CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Business combinations — Group

On 1 December 2006, the Group acquired 100% of the issued share capital of Hypex Holdings Limited, which is an investment holding company for a group of subsidiaries which provide marine services to shipyards in Singapore. The acquired business contributed revenues of HK$28,405,000 and net profit of HK$6,975,000 to the Group for the period from 1 December 2006 to 31 March 2007. If the acquisition had occurred on 1 April 2006, revenue and profit for the year to the Group would have been HK$74,600,000 and HK$7,727,000 respectively.

There was no acquisition during the year ended 31 March 2008.

Details of net assets acquired and goodwill during the year ended 31 March 2007 are as follows:

	Fair value 2007 HK$'000
Property, plant and equipment (note 14)	42,195
Inventories	1,377
Accounts receivable, deposit and prepayments	27,507
Cash and cash equivalents	207
Accounts payable and accrued charges	(41,451)
Borrowings (note 31(b))	(4,828)
Bank overdraft	(984)
Finance lease liabilities	(11,044)
Deferred tax liabilities (note 30)	(172)
Fair value of net assets acquired	12,807
Goodwill	32,414
Total consideration	45,221

Analysis of consideration:

	HK$'000
Consideration	50,000
Loan to a subsidiary	(4,779)
Cash paid	45,221

Analysis of the net cash outflow in respect of the acquisition of the subsidiary:

Cash paid for consideration	45,221
Cash and cash equivalents acquired	(207)
Bank overdrafts	984
	45,998

At the date of acquisition, the fair values of net assets acquired were close to their carrying amount.

32 BANK GUARANTEES

At 31 March 2008, the Company continued to provide corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2008 amounted to HK$1,006,000,000 (2007: HK$797,023,000).

33 COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Property, plant and equipment		
Contracted but not provided for	492,438	1,500
Intangible assets		
Contracted but not provided for	1,150	3,832
	493,588	5,332

(b) As at 31 March 2008, a wholly-owned subsidiary of the Company had commitment in respect of the injection of capital into subsidiaries in the PRC amounted to approximately HK$156,696,000 (2007: HK$90,754,000).

(c) Operating lease commitments

At 31 March 2008, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Not later than one year	34,147	7,382
Later than one year and not later than five years	24,907	5,717
	59,054	13,099

(d) Operating lease receivable

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Not later than one year	11,557	—
Later than one year and no later than five years	13,862	—
	25,419	—

34 CHARGE OF ASSETS

At 31 March 2008, trust receipt loans of HK$227,164,000 (2007: HK$169,982,000) and bank loans of HK$87,563,000 (2007: HK$30,313,000) were secured by legal charges on the Group's properties in Hong Kong with net book amount of approximately HK$162,722,000 (2007: approximately HK$135,813,000) (notes 14, 15 and 16).

35 RELATED PARTY TRANSACTIONS

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

	Group	
	2008 HK$'000	2007 HK$'000
(a) Sale to and purchase from related parties		
(i) Purchase from associated companies	51,223	78,728
(ii) Rental income from an associated company	159	266

All the above transactions were carried out on the basis of the price lists in force with non-related parties.

	Group	
	2008 HK$'000	2007 HK$'000
(b) Year-ended balances arising from sales/purchases of goods		
Payables to associated companies	15,439	12,626
Receivables from associated companies	660	8,975

Amounts due were unsecured, interest free and repayable on demand.

(c) Key management compensation

Details of key management compensation are set out in note 13 to the accounts.

36 ULTIMATE HOLDING COMPANY

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

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation	Particulars of issued and fully paid up share capital/registered capital	Percentage holding	Nature of business
			2008 & 2007	
Shares held directly:				
* Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK$1 each	100	Investment holding
Shares held indirectly:				
Boardton Consultants Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Property investment
Burotech Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	100	Printing and sales of computer forms and trading of commercial paper products
* Foshan NanHai JiaLing Paper Company Limited**	The People's Republic of China	Registered capital HK$81,380,000	100	Processing and trading of paper products in the PRC
Foundation Paper Company Limited	Hong Kong	10,000 ordinary shares of HK$100 each	100	Export trading of paper products to the PRC
Global Century Investments Limited	British Virgin Islands	1 ordinary share of US$1	100	Property holding
High Flyer Logistics (Hong Kong) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100	Logistics services
* Shenzhen High Flyer International Transportation Co. Ltd.**	The People's Republic of China	Registered capital RMB10,000,000	80.4	Container transport services
* Hypex Holdings Limited**	Singapore	2 ordinary shares of US$1 each	100	Marine services to shipyards
* Prosperous Consolidation & Warehouse (HK) Co Ltd	Hong Kong	10,000 ordinary shares of HK$1 each	75	Consolidation and warehouse services
* Prosperous Transportation (HK) Co Ltd.	Hong Kong	2,000,000 ordinary shares of HK$1 each	75	Transportation services

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation	Particulars of issued and fully paid up share capital/registered capital	Percentage holding	Nature of business
			2008 & 2007	
Samson Paper Company Limited	Hong Kong	100 ordinary shares of HK$10 each	100	Trading of paper products
		2,850,000 non-voting shares of HK$10 each	100	
* Samson Paper (Beijing) Company Limited**	The People's Republic of China	Registered capital HK$16,380,000	100	Trading of paper products
* Samson Paper (China) Company Limited	Hong Kong	1,000 ordinary shares of HK$10 each	100	Investment holding
* Samson Paper (M) Sdn. Bhd. **	Malaysia	2,250,000 ordinary shares of RM1 each	74.40 & 75.69	Manufacturing and trading of paper products
* Samson Paper (Shanghai) Company Limited**	The People's Republic of China	Registered capital RMB61,650,000	100	Trading of paper products
* Samson Paper (Shenzhen) Company Limited**	The People's Republic of China	Registered capital HK$17,000,000	100	Trading of paper products
Shun Hing Paper Company Limited	Hong Kong	7,600 ordinary shares of HK$100 each	100	Trading of paper products
		2,400 non-voting shares of HK$100 each	100	
United Aviation (Singapore) Pte. Ltd.**	Singapore	2 ordinary shares of US$1	100	Trading of aeronautical parts

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

** Foreign investment enterprises.

All subsidiaries operate in Hong Kong except otherwise stated.

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

38 SUBSEQUENT EVENT

On 27 June 2008, a subsidiary of the Group obtained a total of HK$420 million term and revolving credit facilities from a club deal arranged by eight banks with Hang Seng Bank Limited acting as the coordinator. The purpose of the facilities is to refinance the previous syndicated loan of HK$300 million and also provide additional funds for the working capital needs of the Group.

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