THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licenced securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this Prospectus and the accompanying Application Forms (as defined herein) to the purchaser or transferee or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this Prospectus, together with the Application Forms and the written consent of PricewaterhouseCoopers have been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (as defined herein). A copy of this Prospectus, has been or, will as soon as reasonably practicable be filed with the Registrar of Companies in Bermuda pursuant to the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong and the SFC (as defined herein) and the Registrar of Companies in Bermuda take no responsibility for the contents of any of those documents.

Subject to the granting of listing of, and permission to deal in, the Warrant (as defined herein) on the Stock Exchange (as defined herein), the Warrant will be accepted as eligible securities by HKSCC (as defined herein) for deposit, clearance and settlement in CCASS (as defined herein) with effect from the commencement date of dealings in the Warrant or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your licenced securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

森信
Samson group
集團

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

(incorporated in Bermuda with limited liability)

(Stock Code: 731)

**OPEN OFFER
WITH AN ASSURED ALLOTMENT OF
ONE OFFER CONVERTIBLE NON-VOTING PREFERENCE SHARE
FOR EVERY THREE EXISTING SHARES HELD ON THE RECORD DATE
AT HK$0.70 PER OFFER CONVERTIBLE NON-VOTING PREFERENCE SHARE
AND
BONUS ISSUE OF WARRANTS
IN THE PROPORTION OF ONE WARRANT FOR EVERY SIX SHARES
HELD ON THE WARRANT RECORD DATE**

**UNDERWRITER OF THE OPEN OFFER
QUINSELLE HOLDINGS LIMITED**

MANAGER OF THE OPEN OFFER

DBS

The latest time for application and payment for the Offer CP Shares (as defined herein) is 4:30 p.m. on Wednesday, 12 November 2008 (the "Final Application Time"). The procedure for application and payment is set out on pages 18 to 20 of this Prospectus.

The existing Shares (as defined herein) have been dealt with on an ex-entitlement basis for the Open Offer (as defined herein) since Thursday, 16 October 2008. Such dealings in the Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. A person dealing in Shares on an ex-entitlement basis for the Open Offer will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders contemplating any dealings in the Shares are recommended to consult with their own professional adviser if they are in any doubt.

The Underwriting Agreement (as defined herein) contains provisions entitling the Underwriter (as defined herein) by notice in writing to the Company served prior to 6:00 p.m. on the second Business Day following the latest time for acceptance of and payment for the Offer CP Shares to terminate the Underwriting Agreement on the occurrence of certain events including force majeure as set out in the section headed "Termination clause of the Underwriting Agreement" on pages 9 to 10 of this Prospectus.

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the Underwriter) in accordance with the terms thereof, the Open Offer will not proceed. Shareholders should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they are recommended to consult their professional adviser.

* *For identification purpose only*

27 October 2008

CONTENTS

Page

In this document, the following expressions have the following meanings unless the context otherwise requires:

"Act"	the Company Act 1981 of Bermuda as modified from time to time
"Announcement"	the announcement dated 24 September 2008 issued by the Company in relation to the Open Offer and the Bonus Warrant Issue
"Application Forms"	the First Application Forms and the Excess Application Forms
"associate(s)"	shall have the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Bonus Warrant Issue"	the conditional bonus issue of Warrants by the Company to the Shareholders other than Overseas Shareholders whose names appear on the register of member of the Company on the Warrant Record Date as described in this Prospectus
"Business Day"	a day on which licensed banks generally are open for business in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	Samson Paper Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Conditions"	the conditions of the Open Offer
"Continuing Notice"	the notice to be despatched to the holders of CP Shares on or before 19 November 2008 which is required to be served by the holders of CP Shares to the Company or the Registrar on or before the end of business on the Maturity Date so that the relevant CP Shares will not be mandatorily converted on the Maturity Date

"CP Shares"	the 143,086,013 convertible non-voting preference share(s) of HK$0.10 each in the capital of the Company having the special rights and restrictions as more particularly set out in the section headed "Terms of the CP Shares" in the Letter from the Board of this Prospectus in the authorised share capital of the Company created by the reclassification and re-designation of HK$14,308,601.30 of the authorised but unissued share capital of the Company
"Directors"	the directors of the Company
"Excess Application Form(s)"	excess application form(s) for use by the Qualifying Shareholders to apply for excess Offer CP Shares
"Final Application Time"	4:30 p.m. on 12 November 2008 or such other time or date as the Underwriter may agree in writing with the Company (subject, if required, to the approval of the Stock Exchange and taking into account any other timetable adjustments) as the latest time for acceptance and payment for Offer CP Shares except that such latest time will be postponed in case of bad weather. For arrangement in case of bad weather, please refer to page 8 of this Prospectus
"First Application Form(s)"	the form(s) of application for use by the Qualifying Shareholders to apply for their assured allotment of the Offer CP Shares
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Instrument"	the instrument dated 24 October 2008 and executed by the Company in relation to the Bonus Warrant Issue
"Last Trading Day"	23 September 2008, being the last trading day prior to the date of the Underwriting Agreement
"Latest Practicable Date"	24 October 2008, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Maturity Date"	31 March 2009, being the date when all outstanding CP Shares will be mandatorily converted into Ordinary Shares of the Company unless previously redeemed, purchased and cancelled, converted or that a Continuing Notice has been served and delivered to the Company
"Non-Qualifying Shareholder(s)"	the Overseas Shareholder(s) whom the Board, after making enquiry, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges in those places not to offer the Offer CP Shares
"Offer CP Share(s)"	the CP Shares proposed to be issued under the Open Offer
"Open Offer"	the proposed issue by the Company of the Offer CP Shares by way of open offer to Qualifying Shareholders on the basis of an assured allotment of one Offer CP Share for every three existing Shares held on the Record Date at the Subscription Price
"Ordinary Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company
"Overseas Shareholder(s)"	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date or the Warrant Record Date (as the case may be) and whose address(es) as shown in the register of members of the Company on that date is/are outside Hong Kong
"PRC"	the People's Republic of China, and for the purpose of this Prospectus, excluding Taiwan, Hong Kong and Macau Special Administrative Region
"Prospectus"	this prospectus issued by the Company in relation to the Open Offer and the Bonus Warrant Issue
"Prospectus Documents"	the Prospectus and the Application Forms
"Prospectus Posting Date"	27 October 2008, or such other date as the Underwriter may agree in writing with the Company as the date of despatch of the Prospectus Documents
"Qualifying Shareholder(s)"	the Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date

"Quinselle" or "Underwriter"	Quinselle Holdings Limited, a company incorporated in the British Virgin Islands, which is interested in approximately 51.16% of the existing issued share capital of the Company as at the Latest Practicable Date
"Record Date"	24 October 2008, being the record date for determining entitlements to participate in the Open Offer
"Registrar"	the branch registrar, transfer, conversion and paying agent of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"Settlement Date"	19 November 2008 (or such other time or date as the Underwriter and the Company may agree in writing)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	the special general meeting of the Company convened on 24 October 2008 at which resolutions were proposed to approve, *inter alia*, the increase of the authorized share capital, redesignation of unissued share capital, the amendments to the Bye-laws and the Bonus Warrant Issue
"Shareholder(s)"	holder(s) of Shares(s)
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company (whether Ordinary Shares or CP Shares)
"Share Option Scheme"	the share option scheme of the Company adopted on 26 February 2004
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Storm Warning"	a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal
"Subscription Price"	HK$0.70 per Offer CP Share
"Underwriting Agreement"	the underwriting agreement dated 24 September 2008 and entered into between the Company, the Underwriter and Mr. Lee Seng Jin in relation to the Open Offer

"Warrant(s)"	the warrants to be constituted by an instrument by way of deed poll to be executed by the Company and to be issued by the Company entitling the holders to subscribe for not less than 71,543,006 new Ordinary Shares and not more than 95,390,675 new Ordinary Shares at an initial subscription price of HK$0.80 per Ordinary Share (subject to adjustments)
"Warrant Record Date"	28 November 2008, being the record date for determining entitlements to participate in the Bonus Warrant Issue
"%"	per cent

The following information is derived from, and should be read in conjunction with and subject to, the full text of this Prospectus:

Number of Offer CP Shares to be issued	:	143,086,013 Offer CP Shares (based on the number of Shares in issue as at the Latest Practicable Date)
Amount to be raised	:	Approximately HK$100.16 million before expenses (based on 143,086,013 Offer CP Shares to be issued)
Subscription price and application date	:	HK$0.70 per Offer CP Share payable in full on application on or prior to 4:30 p.m. on Wednesday, 12 November 2008
Basis of allotment	:	One Offer CP Share for every three existing Ordinary Shares held on the Record Date
Status of the Offer CP Shares	:	When allotted, issued and fully-paid, the Offer CP Shares will rank equally in all respects with the existing Ordinary Shares then in issue and shall have the special rights and restrictions as more particularly set out in the section headed "Terms of the CP Shares" in the Letter from the Board of this Prospectus.
Undertakings from Quinselle	:	Quinselle agreed under the Underwriting Agreement to apply (or procure application) for the entire number of the Offer CP Shares in the assured allotments in which they are beneficially interested
Underwriter	:	Quinselle

The expected timetable for the Open Offer and the Bonus Warrant Issue is set out below:

	2008
Latest time for lodging transfers of Shares in order to qualify for the Open Offer	4:30 p.m. on Friday, 17 October
Book closure period (both days inclusive)	Monday , 20 October to Friday, 24 October
Record Date	Friday, 24 October
Prospectus Documents to be despatched on	Monday, 27 October
Latest time for acceptance of and payment for Offer CP Shares	4:30 p.m. on Wednesday, 12 November
Underwriting Agreement becomes unconditional	6:00 p.m. on Monday, 17 November
Announcement of results of the Open Offer and excess application	Wednesday, 19 November
Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer CP Shares expected to be despatched on or before	Wednesday, 19 November
Certificates for Offer CP Shares expected to be despatched on or before	Wednesday, 19 November
Last day of dealings in Shares (whether Ordinary Shares or CP Shares) on a cum-entitlements basis for the Bonus Warrant Issue	Friday, 21 November
First day of dealings in Shares on an ex-entitlements basis for the Bonus Warrant Issue	Monday, 24 November
Latest time for lodging transfers of Shares in order to qualify for the Bonus Warrant Issue	4:30 p.m. on Tuesday, 25 November
Book closure period (both days inclusive)	Wednesday, 26 November to Friday, 28 November

	2008
Warrant Record Date	Friday, 28 November
Certificates for the Warrants expected to be depatched on or before	Friday, 5 December
Dealings in Warrants to commence on	Tuesday, 9 December

All dates and times referred to in this Prospectus are to Hong Kong times. Dates or deadlines specified in this Prospectus for events in the timetable for (or otherwise in relation to) the Open Offer and the Bonus Warrant Issue are indicative only and may be extended or varied by the Company. Further announcement will be made in the event that there is any change to the expected timetable for the Open Offer and the Bonus Warrant Issue.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OPEN OFFER

The latest time for acceptance of and payment for the Open Offer will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 12 November 2008, being the latest date for acceptance and payment for the Open Offer. Instead the latest time of acceptance of and payment for the Open Offer will be extended to 5:00 p.m. on the same Business Day;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 12 November 2008, being the latest date for acceptance and payment for the Open Offer. Instead the latest time of acceptance of and payment for the Open Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Open Offer does not take place on 12 November 2008, the dates mentioned in the section headed "Expected timetable" in this Prospectus may be affected. A press announcement will be made by the Company in such event.

TERMINATION CLAUSE OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the Underwriting Agreement by notice in writing to the Company at any time prior to 6:00 p.m. on the second Business Day following the latest time for acceptance of and payment for the Offer CP Shares, if at any time prior to 6:00 p.m. on such day:

(a) there develops, occurs, exists or comes into force any event whereby in the reasonable opinion of the Underwriter, the success of the Open Offer or the business or financial condition and/or prospects of the Group would, might be or is likely to be adversely affected or which makes it inadvisable or inexpedient to proceed with the Open Offer, including:

(i) the introduction of any new law or regulation or any change in existing laws or regulations (or any prospective change in the judicial interpretation thereof) whether in Hong Kong or elsewhere; or

(ii) any change or deterioration (whether or not permanent) in local, national, regional or international, economic, financial, political or military, industrial, monetary conditions or any event beyond the control of the Company (including, without limitation, acts of government, strikes, wars, acts of violence, acts of terrorism, sabotage, raids, attacks, explosion, flooding, civil commotion, terrorist attack, acts of God or accident); or

(iii) any change or deterioration (whether or not permanent) in local, national, regional or international securities market conditions; or

(iv) without prejudice to sub-paragraphs (ii) and (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial or political circumstances or otherwise; or

(v) any local, national, regional or international outbreak or escalation of hostilities, insurrection or armed conflict (whether or not war is or has been declared or other state of emergency or calamity or crisis in Hong Kong or elsewhere); or

(vi) any suspension in the trading of Shares on the Stock Exchange for a continuous period of five Business Days (save and except for any temporary suspension of trading of Shares which is temporary or routine in nature, including the suspension of trading of Shares for a period not exceeding ten consecutive Business Days pending the publication of the Announcement or any other public announcement by the Company as may be required by the Stock Exchange and/or the SFC); or

(vii) a change or development involving a prospective change in taxation or exchange control in Hong Kong or elsewhere which will or may affect the Group or the present or prospective shareholders of the Company in their capacity as such; or

(viii) any change in the circumstances of the Company or any member of the Group (including, without limitation, the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up (other than for the purposes of a group reorganisation or reconstruction) or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group); or

(ix) there shall have occurred a general moratorium on commercial activities in Hong Kong or where the Group has operations or investment; or

(b) there comes to the notice of the Underwriter or the Underwriter shall have reasonable cause to believe that any of the undertakings or other obligations expressed to be assumed by or imposed on the Company under the Underwriting Agreement have not been complied with in any material respect; or

(c) there comes to the notice of the Underwriter or the Underwriter shall have reasonable cause to believe that any of the representations or warranties given by the Company under the Underwriting Agreement was untrue, incorrect, misleading or inaccurate in any material respect which adversely affect the success of the Open Offer

which in the reasonable opinion of the Underwriter:

(i) is or may or will be or is likely to be adverse to, or prejudicially affects, the business or financial or trading position or prospects of the Group taken as a whole; or

(ii) is or may or will be or is likely to adversely affect the success of the Open Offer and/or makes it impracticable, inexpedient or inadvisable for any part of the Underwriting Agreement and the Open Offer to be performed or implemented as envisaged; or

(iii) make or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with the Open Offer or the delivery of the Offer CP Shares on the terms and in the manner contemplated by the Prospectus Documents or the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed. Upon giving the notice of termination by the Underwriter to the Company, all obligations of the Underwriter under the Underwriting Agreement shall cease immediately and determine and be null and void and no party shall have any claim or liability against the other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement.

森信 Samson group 集團

SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 731)

Executive Directors:
Mr. Sham Kit Ying *(alias Sham Kit) (Chairman)*
Mr. Lee Seng Jin *(Deputy Chairman)*
Mr. Chow Wing Yuen
Ms. Sham Yee Lan, Peggy
Mr. Lee Yue Kong, Albert

Non-Executive Director:
Mr. Lau Wang Yip, Eric

Independent Non-Executive Directors:
Mr. Pang Wing Kin, Patrick
Mr. Tong Yat Chong
Mr. Ng Hung Sui, Kenneth

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head office and principal place of business in Hong Kong
3rd Floor
Seapower Industrial Centre
177 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

27 October 2008

To the Shareholders,

Dear Sir or Madam

**OPEN OFFER
WITH AN ASSURED ALLOTMENT OF
ONE OFFER CONVERTIBLE NON-VOTING PREFERENCE SHARE
FOR EVERY THREE EXISTING SHARES HELD ON THE RECORD DATE
AT HK$0.70 PER OFFER CONVERTIBLE NON-VOTING PREFERENCE SHARE
AND
BONUS ISSUE OF WARRANTS
IN THE PROPORTION OF ONE WARRANT FOR EVERY SIX SHARES
HELD ON THE WARRANT RECORD DATE**

INTRODUCTION

As announced in the Announcement, the Company proposed to raise not less than approximately HK$100.16 million, by issuing not less than 143,086,013 Offer CP Shares by way of Open Offer at a price of HK$0.70 per Offer CP Share with an assured allotment of one Offer CP Share for every three existing Shares held on the Record Date. The Board also

* *For identification purpose only*

proposed a conditional bonus issue of Warrants to Shareholders (other than Overseas Shareholders) whose names appear on the register of members of the Company on the Warrant Record Date on the basis of one Warrant for every six Shares (whether Ordinary Shares or CP Shares) in the Company then held by them on the Warrant Record Date.

At the SGM of the Company held on 24 October 2008, resolutions to approve, *inter alia*, the increase of authorised share capital, redesignation of unissued share capital, the amendments to the Bye-Laws and the issue of the bonus Warrants were duly passed by the Shareholders.

The purpose of this Prospectus is to provide you with further information regarding the Open Offer, the Bonus Warrant Issue, certain financial information and other information in respect of the Group.

TERMS OF THE OPEN OFFER

Issue Statistics

Basis of Open Offer	:	Assured allotment of one Offer CP Share for every three existing Shares held on the Record Date
Number of existing Shares in issue as at the Latest Practicable Date	:	429,258,039 Ordinary Shares
Authorised share capital as at the Latest Practicable Date	:	HK$160,000,000
Number of Offer CP Shares to be issued under the Open Offer	:	143,086,013 Offer CP Shares, representing approximately 33.3% of the issued share capital of the Company as at the Latest Practicable Date and approximately 25.0% of the issued share capital of the Company as enlarged by the issue of the Offer CP Shares (based on the number of Shares in issue as at the Latest Practicable Date)
Subscription Price for the Offer CP Shares	:	HK$0.70 per Offer CP Share
Underwriter	:	Quinselle

As at the Latest Practicable Date, no option has been granted under the Share Option Scheme and therefore the Company has no outstanding options, convertible securities or warrants which confer the right to subscribe for the Shares.

Qualifying Shareholders

The Company is sending the Prospectus Documents to Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must on the Record Date:

— be registered as a member of the Company; and

— not be a Non-Qualifying Shareholder.

Closure of Register of Members

The register of members of the Company was closed from Monday, 20 October 2008 to Friday, 24 October 2008 (both days inclusive) for determination of entitlements under the Open Offer. No transfer of Shares could be registered during that period.

TERMS OF THE CP SHARES

HK$14,308,601.30 of the authorised but unissued share capital of the Company has been reclassified and designated into 143,086,013 CP Shares of HK$0.10 each in the capital of the Company having certain special rights and restrictions.

The following is a summary of the special rights and restrictions to be attached to the CP Shares:

(1) Voting and General meetings

The holders of CP Shares will be entitled to receive notice of every general meeting of the Company but will not be entitled (i) to vote upon any resolution unless it is a resolution for winding-up the Company or reducing its share capital in any manner or a resolution modifying, varying or abrogating any of the special rights attached to the CP Shares or (ii) to attend or speak at any general meeting of the Company unless the business of the meeting includes the consideration of a resolution upon which the holders of CP Shares are entitled to vote.

(2) Conversion

(a) Unless previously redeemed, cancelled or converted, each holder of CP Shares will be entitled to convert in respect of the whole or any part of its CP Shares into fully paid Ordinary Shares on the basis of one Ordinary Share for every CP Share at any time after the date of issue of the CP Shares by filling in the conversion notice found at the back of each CP Share certificate and sending the relevant CP Share certificate to the Registrar who is also the conversion agent. No charges will be imposed on the holders of CP Shares for conversion of the CP Shares into Ordinary Shares. Ordinary Share and Ordinary Shares certificates to be issued pursuant to the conversion notice, subject to the Memorandum of Association and Bye-Laws of the Company, will be ready for collection at the principal office of the conversion agent on or after the tenth Business Day after due receipt of the conversion notice and relevant CP Shares certificates by the conversion agent.

(b) If the Continuing Notice is served before the end of business on the Maturity Date, the relevant CP Shares will not be subject to mandatory conversion.

(c) At the end of business on the Maturity Date, unless previously redeemed, purchased and cancelled, converted or that a Continuing Notice has been served and delivered to the Company, all CP Shares will be mandatorily converted into Ordinary Shares by the Company.

(d) The Dividend (as defined hereinafter) entitlement attaching to any CP Shares will cease to apply with effect from the date of conversion. Ordinary Shares arising on conversion shall rank pari passu in all respects with Ordinary Shares, including the rights to receive any dividends and other distributions declared.

(e) So long as the Company remains listed in Hong Kong, the holders of the CP Shares shall not exercise their right to convert the CP Shares into Ordinary Shares of the Company unless at least 25% of the Company's total issued share capital that is listed on the Stock Exchange is at all times held by the public.

(3) Dividend

The holders of CP Shares shall have the same right to dividend payment as to the holders of Ordinary Shares ("Dividend"). Apart from the Dividend, the CP Shares shall not confer on the holders thereof any right to participate in the profits of the Company until conversion into Ordinary Shares.

(4) Transferability

Save and except for any transfer of the CP Shares from any nominee companies which will be pre-approved, none of the CP Shares will be assignable or transferable without the prior written approval of the Board of the Company. Procedures for the transfer and splitting of the CP Shares and the conversion of the CP Shares are the same. Any costs incurred for the transfer and splitting of the CP Shares will be borne by the holders of CP Shares. The Company will not apply for a listing of any of the CP Shares on any stock exchange anywhere in the world.

(5) Capital

On a distribution of assets on a winding-up or other return of capital, the surplus assets of the Company remaining after payment of its liabilities will be applied in priority to any payment to the holders of the Ordinary Shares in paying to the holders of the CP Shares a sum equal to (i) the nominal capital paid up or credited as paid up on the CP Shares held by them respectively; and (ii) all arrears (if any) of the Dividend thereon as at (and calculated up to) the date of commencement of the winding up (in the case of a winding up) or the return of capital (in any other case), apart from the aforesaid, the CP Shares will not confer on the holders thereof any further right to participate in the assets of the Company.

(6) Other Provisions

(a) So long as any CP Shares are not yet redeemed, cancelled or converted, then save with such consent or sanction on the part of the holders of CP Shares as is required for a variation of the rights attached to such shares:

(i) If any offer or invitation by way of rights or otherwise or any capital distribution is made to the holders of the Ordinary Shares then (unless the conversion rate (on the basis of one Ordinary Share for every CP Share) falls to be adjusted in consequence of the proposed offer, invitation or capital distribution and the Directors shall have determined to do so) the Company will make or, so far as it is able, procure that there is made at the same time a like offer, invitation or capital distribution to each holder of CP Shares as if its conversion rights had been exercisable and exercised in full on the record date for such offer, invitation or capital distribution (as the case may be) on the basis of the conversion rate then applicable.

(ii) If an offer is made to the holders of Ordinary Shares (other than the offeror and/or any company controlled by the offeror and/or any persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company or if any person proposes a scheme with regard to such acquisition, and the Company becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror, the Company will give written notice to all holders of CP Shares of such vesting and each such holder shall be entitled within the period of 3 months from the date of such notice to convert the whole or any part of its CP Shares into fully-paid Ordinary Shares except that the restriction in the first sentence of sub-paragraph (b) below shall not apply.

(b) Any Dividend on the CP Shares remaining unclaimed after a period of 6 years from the date of declaration of such dividend will be forfeited and will revert to the Company.

(7) Adjustments

Save and except for the issue of the Warrants of the Company which is expected to be in December 2008, the number of Ordinary Shares arising on any subsequent conversion of CP Shares will be adjusted if, whilst any CP Shares remain outstanding, (i) the Company shall make any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve) other than capitalisation of profits or reserves in lieu of cash dividends or in connection with a redemption or conversion of CP Shares to the holders of Ordinary Shares; (ii) there shall be an alteration to the nominal value of Ordinary Shares as a result of a consolidation or sub-division; (iii) the Company shall make any capital distribution to holders of Ordinary Shares; (iv) the Company shall offer to holders of Ordinary Shares as a class of new Ordinary Shares by way of rights at a price which is less than the current market price per Ordinary Share (being the average closing prices published in the daily quotation sheet of the Stock Exchange for the five consecutive preceding Business Days) at the date of announcement of the terms of the offer; (v) the Company shall offer to holders of Ordinary Shares as a class, to the public generally or by way of placement any warrants or options (other than pursuant to the Share Option Scheme) to subscribe for Ordinary Shares.

(8) Redemption

Subject to the provisions of the Act, the Company shall be entitled, at any time after the fifth anniversary of the date of issue of the CP Shares by resolution of the directors of the Company to redeem all or any of the CP Shares. There shall be paid on each CP Share redeemed a sum equal to (i) the subscription price thereof and (ii) all arrears (if any) of the Dividend thereon. As from the Redemption Date such Dividend shall cease to apply.

Subscription price

The Subscription Price is HK$0.70 per Offer CP Share, payable in full when a Qualifying Shareholder applies for the Offer CP Shares.

The Subscription Price was determined with reference to the market environment and the prevailing Share prices at the time of signing of the Underwriting Agreement and represents:

(i) a premium of approximately 12.9% to the closing price of HK$0.62 per Share quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 9.4% to the theoretical ex-entitlement price of HK$0.64 per Share based on the closing price per Share on the Last Trading Day;

(iii) a premium of approximately 7.7% to the average closing price of HK$0.65 per Share for the last ten full trading days up to and including the Last Trading Day;

(iv) a premium of approximately 55.6% to the closing price of HK$0.45 per Share quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 63.2% of the audited consolidated net asset value per Share as at 31 March 2008 of approximately HK$1.90 (based on the audited consolidated net asset value of the Group over the number of issued shares as at 31 March 2008).

The theoretical ex-entitlement price is calculated by adding the market value of all outstanding Shares as at the Last Trading Day (based on the closing price on the Last Trading Day) with the total amount expected to be received from the Open Offer (on the basis that 143,086,013 Offer CP Shares will be issued), and then divided by the total number of outstanding Shares after the Open Offer.

Basis of assured allotment

One Offer CP Share for every three existing Shares held by a Qualifying Shareholder on the Record Date.

Fractions of Offer CP Shares

Fractions of assured allotments will not be issued and will be aggregated and made available for application by Qualifying Shareholders who wish to apply for Offer CP Shares in excess of their own assured allotments.

Status of the Offer CP Shares

The Offer CP Shares will not be listed on the Stock Exchange or any other stock market. However, the Company has applied to the Listing Committee of the Stock Exchange for the listing on the Stock Exchange of the Shares issuable upon the exercise of the conversion rights of the Offer CP Shares.

When allotted, issued and fully-paid, the Offer CP Shares will rank equally in all respects with the existing Shares then in issue and shall have the special rights and restrictions as more particularly set out in the section headed "Terms of the CP Shares" in this Letter from the Board.

Rights of Non-Qualifying Shareholders

As the Prospectus Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong and Bermuda, if as at the Record Date, a Shareholder's address as shown in the register of members of the Company was outside Hong Kong and was a Non-Qualifying Shareholder, such Shareholder would not be eligible to take part in the Open Offer. Accordingly the Offer CP Shares will not be offered to the Non-Qualifying Shareholders and no application for Offer CP Shares will be accepted from the Non-Qualifying Shareholders. The Company will send copies of this Prospectus to the Non-Qualifying Shareholders for their information only, but will not send the Application Forms to them.

Based on the register of members of the Company as at the Record Date, there was 1 Overseas Shareholder, and the address as shown in the register of members of the Company was in Australia. After making enquiries in accordance with Rule 13.36(2)(a) of the Listing Rules, as advised by the Australian legal adviser to the Company, the Company is of the opinion that the Open Offer can also be extended to such Overseas Shareholder. Accordingly, there are no Non-Qualifying Shareholders under the Open Offer.

PROCEDURE FOR APPLICATION

Application for Offer CP Shares

The First Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to apply for the number of Offer CP Shares on an assured basis as shown therein subject to payment in full on the Final Application Date. Qualifying Shareholders should note that they may apply for any number of Offer CP Shares assured only up to the number set out in the First Application Form.

If Qualifying Shareholders wish to apply for all the Offer CP Shares offered to them as specified in the First Application Form or wish to apply for any number less than their assured entitlement under the Open Offer, they must complete, sign and lodge the First Application Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Offer CP Shares they have applied with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30p.m. on Wednesday, 12 November 2008. All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on an account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Samson Paper Holdings Limited — Provisional Allotment Account" and crossed "Account Payee Only".

It should be noted that unless the duly completed and signed First Application Form, together with the appropriate remittance, have been lodged with the Registrar, Computershare Hong Kong Investor Services Limited, by not later than 4:30 p.m. on Wednesday, 12 November 2008, the assured entitlement under the Open Offer and all rights in relation thereto shall be deemed to have been declined and will be cancelled.

Application for excess Offer CP Shares

Qualifying Shareholders may apply, by way of excess application, for any Offer CP Shares in assured allotment of other Qualifying Shareholders but not applied for by them, any Offer CP Shares arising from the aggregation of fractional entitlements and any Offer CP Shares not offered to the Non-Qualifying Shareholders.

Application for excess Offer CP Shares should be made by completing the Excess Application Forms enclosed with this Prospectus (if despatched to a Qualifying Shareholder) for excess Offer CP Shares and lodging the same with a separate remittance for the full amount payable in respect of the excess Offer CP Shares being applied for in accordance with the instructions printed thereon, with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30p.m. on Wednesday, 12 November 2008. All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "Samson Paper Holdings Limited — Excess

Application Account" and crossed "Account Payee Only". The Registrar and transfer office will notify the Qualifying Shareholders of any allotment of the excess Offer CP Shares made to them.

It should be noted that unless the duly completed and signed Excess Application Form, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:30p.m. on Wednesday, 12 November 2008, the Excess Application Form is liable to be rejected.

All cheques or cashier orders will be presented for payment immediately following receipt and all interest earned on such application monies will be retained for the benefit of the Company. Any Application Form in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlements of the Qualifying Shareholders under the Open Offer will be deemed to have been declined and will be cancelled.

In the event that applications are received for the Offer CP Shares in excess of assured entitlements, the Directors will allocate the Offer CP Shares in excess of assured entitlements at their discretion, but on a fair and equitable basis, to Qualifying Shareholders who have applied for excess Offer CP Shares on a pro-rata basis to the excess Offer CP Shares applied by them.

Both Application Forms are for the use by the person(s) named therein only and are not transferable.

No receipt will be issued in respect of any application monies received.

Any Offer CP Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriter or subscribers procured by the Underwriter.

The Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee as a single shareholder accordingly to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Offer CP Shares will not be extended to beneficial owner individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Share Certificates

Subject to the fulfilment or waiver of the Conditions, certificates in registered form for fully-paid Offer CP Shares are expected to be posted to successful applicants at their own risk on or before Wednesday, 19 November 2008. Refund cheques in respect of wholly or partially unsuccessful applications for Offer CP Shares in excess of assured allotments are also expected to be posted on or before Wednesday, 19 November 2008 by ordinary post to the applicants at their own risk.

Application for listing

The CP Shares will not be listed on the Stock Exchange or any other stock exchange. However, the Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares issuable upon exercise of the conversion rights of the CP Shares.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional upon happening of each of the following events:

(i) the passing of a resolution by the Shareholders to approve the increase of the authorised share capital of the Company and the amendments to the Bye-laws of the Company in order to entrench the terms of the CP Shares at the special general meeting of the Company held on 24 October 2008;

(ii) the signing by or on behalf of two Directors on or before the Prospectus Posting Date of the Prospectus Documents certified in accordance with Section 342C of the Companies Ordinance;

(iii) the filing and registration on or prior to the Prospectus Posting Date of one such signed copy of each of the Prospectus Documents (and all other documents required to be attached thereto) with the Registrar of Companies in Hong Kong, and otherwise complying with the requirements of the Companies Ordinance;

(iv) the posting of the Prospectus Documents to the Qualifying Shareholders and of this Prospectus marked "For information only" to the Non-Qualifying Shareholders (if any), in each case on the Prospectus Posting Date;

(v) compliance by the Company with all its obligations under Clause 3 of the Underwriting Agreement relating to the offer of the Offer CP Shares under the Open Offer;

(vi) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares issuable upon the exercise of the conversion of the CP Shares either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the dates specified in such approval and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on 19 November 2008;

(vii) all necessary consents and approvals being obtained from the Shareholders and the regulatory authorities (if any) as the case may be required in connection with the Open Offer not later than the Final Application Time; and

(viii) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof.

In the event that the Conditions have not been satisfied and/or waived in whole or in part by the Underwriter on or before the Prospectus Posting Date or in the event that condition (vi) has not been satisfied and/or waived in whole or in part by the Underwriter on or before 4:00 p.m. on the 19 November 2008, all liabilities of the parties shall cease and determine and the obligations of the parties shall forthwith cease and none of the parties shall have any claim against the other save that all reasonable costs, fees and other out of pocket expenses (excluding sub underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the underwriting of the Shares will, to the extent agreed by the Company, be borne by the Company, and the Open Offer will not proceed.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement:

Date	:	24 September 2008
Underwriter	:	Quinselle
Number of Offer CP Shares underwritten	:	All Offer CP Shares other than the Quinselle Portion (as defined below)

All the Offer CP Shares other than the Quinselle Portion will be fully underwritten by Quinselle. Quinselle is a company whose ordinary course of business does not include underwriting of securities.

As at the Latest Practicable Date, Quinselle was interested in aggregate in 219,620,000 Shares, representing approximately 51.16% of the issued share capital of the Company. Quinselle agreed under the Underwriting Agreement to apply or procure application for the entire number of the Offer CP shares in the assured allotments in which Quinselle is beneficially interested, being 73,206,666 Offer CP Shares (the "Quinselle Portion").

Quinselle and Mr. Lee Seng Jin, its controlling shareholder, also undertook under the Underwriting Agreement that they would exercise their right to convert the CP Shares into Ordinary Shares of the Company under the terms of the CP Shares allotted to them in such a way so that at least 25% of the Company's total issued share capital that are listed on any stock exchange will at all times be held by the public.

Quinselle shall not be entitled to receive any commission in connection with its obligations under the Underwriting Agreement.

It is expected that the subscribers procured by the Underwriter will be third parties independent of the Group and not connected persons (as defined in the Listing Rules) of the Group, and it is expected that no subscribers procured by the Underwriter will become substantial Shareholders (as defined in the Listing Rules) as a result of the Open Offer.

Termination Clause of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by notice in writing to the Company at any time prior to 6:00 p.m. on the second Business Day following the latest time for acceptance of and payment for the Offer CP Shares, if at any time prior to 6:00 p.m. on such day:

(a) there develops, occurs, exists or comes into force any event whereby in the reasonable opinion of the Underwriter, the success of the Open Offer or the business or financial condition and/or prospects of the Group would, might be or is likely to be adversely affected or which makes it inadvisable or inexpedient to proceed with the Open Offer, including:

(i) the introduction of any new law or regulation or any change in existing laws or regulations (or any prospective change in the judicial interpretation thereof) whether in Hong Kong or elsewhere; or

(ii) any change or deterioration (whether or not permanent) in local, national, regional or international, economic, financial, political or military, industrial, monetary conditions or any event beyond the control of the Company (including, without limitation, acts of government, strikes, wars, acts of violence, acts of terrorism, sabotage, raids, attacks, explosion, flooding, civil commotion, terrorist attack, acts of God or accident); or

(iii) any change or deterioration (whether or not permanent) in local, national, regional or international securities market conditions; or

(iv) without prejudice to sub-paragraphs (ii) and (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial or political circumstances or otherwise; or

(v) any local, national, regional or international outbreak or escalation of hostilities, insurrection or armed conflict (whether or not war is or has been declared or other state of emergency or calamity or crisis in Hong Kong or elsewhere); or

(vi) any suspension in the trading of Shares on the Stock Exchange for a continuous period of five Business Days (save and except for any temporary suspension of trading of Shares which is temporary or routine in nature, including the suspension of trading of Shares for a period not exceeding ten consecutive Business Days pending the publication of the Announcement or any other public announcement by the Company as may be required by the Stock Exchange and/or the SFC); or

(vii) a change or development involving a prospective change in taxation or exchange control in Hong Kong or elsewhere which will or may affect the Group or the present or prospective shareholders of the Company in their capacity as such; or

(viii) any change in the circumstances of the Company or any member of the Group (including, without limitation, the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up (other than for the purposes of a group reorganisation or reconstruction) or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group); or

(ix) there shall have occurred a general moratorium on commercial activities in Hong Kong or where the Group has operations or investment; or

(b) there comes to the notice of the Underwriter or the Underwriter shall have reasonable cause to believe that any of the undertakings or other obligations expressed to be assumed by or imposed on the Company under the Underwriting Agreement have not been complied with in any material respect; or

(c) there comes to the notice of the Underwriter or the Underwriter shall have reasonable cause to believe that any of the representations or warranties given by the Company under the Underwriting Agreement was untrue, incorrect, misleading or inaccurate in any material respect which adversely affect the success of the Open Offer which in the reasonable opinion of the Underwriter:

(i) is or may or will be or is likely to be adverse to, or prejudicially affects, the business or financial or trading position or prospects of the Group taken as a whole; or

(ii) is or may or will be or is likely to adversely affect the success of the Open Offer and/or makes it impracticable, inexpedient or inadvisable for any part of the Underwriting Agreement and the Open Offer to be performed or implemented as envisaged; or

(iii) make or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with the Open Offer or the delivery of the Offer CP Shares on the terms and in the manner contemplated by the Prospectus Documents or the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed. Upon giving by the Underwriter of the notice of termination to the Company, all obligations of the Underwriter under the Underwriting Agreement shall cease immediately and determine and be null and void and no party shall have any claim or liability against the other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement.

SHAREHOLDING STRUCTURE

Assuming that (a) the Open Offer is completed; (b) Quinselle's assured allotments under the Open Offer are applied for in full; and (c) there is no change in the shareholding structure of the Company from the date of the Underwriting Agreement to immediately before completion of the Open Offer, set out below is the shareholding structure of the Company as at the date of the Underwriting Agreement and immediately after completion of the Open Offer:

Beneficial owners of Shares	**As at the date of the Underwriting Agreement**		**Immediately after full conversion of the Offer CP Shares and assuming that all Offer CP Shares are taken up by Qualifying Shareholders**		**Immediately after full conversion of the Offer CP Shares and assuming that only assured allotments of Quinselle are applied for**	
	Ordinary Shares	*approx. %*	*Ordinary Shares*	*approx. %*	*Ordinary Shares*	*approx. %*
Mr. Lee Seng Jin *(Note)*	60,344,000 (Personal interest)	14.06	80,458,667 (Personal interest)	14.06	60,344,000 (Personal interest)	10.55
	16,712,556 (Family interest)	3.89	22,283,408 (Family interest)	3.89	16,712,556 (Family interest)	2.92
	219,620,000 (Other interest)	51.16	292,826,666 (Other interest)	51.16	362,706,013 (other interest)	63.37
	296,676,556	69.11	395,568,741	69.11	439,762,569	76.84
Public	132,581,483	30.89	176,775,311	30.89	132,581,483	23.16
Total	429,258,039	100	572,344,052	100	572,344,052	100

Note: Mr. Lee Seng Jin is, as at the date of the Underwriting Agreement, personally interested in 60,344,000 Shares. Ms. Sham Yee Lan, Peggy, the spouse of Mr. Lee Seng Jin, is as at the date of the Underwriting Agreement personally interested in 572,556 Shares and interested in 16,140,000 Shares through Gold Century Worldwide Limited, a company owned by Ms. Sham Yee Lan, Peggy as to 50%. Mr. Lee Seng Jin is therefore taken to be interested in 16,712,556 Shares held by Ms. Sham Yee Lan, Peggy. The 219,620,000 Shares as at the date of the Underwriting Agreement is held by Quinselle which is 100% owned by Mr. Lee Seng Jin. Mr. Lee Seng Jin is therefore taken to be interested in 219,620,000 Shares held by Quinselle as well.

Mr. Lee Seng Jin and Quinselle undertook that they will exercise their right to convert the CP Shares into Ordinary Shares of the Company under the terms of the CP Shares allotted to them in such a way so that at least 25% of the Company's total issued share capital that are listed on any stock exchange will at all times be held by the public.

WARNING OF THE RISKS OF DEALING IN SHARES

Shareholders should note that trading of Shares on an ex-entitlement basis for the Open Offer has commenced on Thursday, 16 October 2008 and that any dealings in the Shares from now up to the date on which all the Conditions are fulfilled or waived will bear the risk that the Open Offer cannot become unconditional and may not proceed.

Shareholders and investors should therefore exercise caution when dealing in the Shares and are recommended to obtain professional advice regarding dealings in Shares during these periods.

BONUS WARRANT ISSUE

Basis of Bonus Warrant Issue

The Board also proposes that the issue of bonus Warrants be granted to the Shareholders whose names appear on the register of members of the Company on the Warrant Record Date and whose addresses in the register of members of the Company are in Hong Kong on the basis of one Warrant for every six Shares (whether Ordinary Shares or CP Shares) held on the Warrant Record Date. Each unit of Warrant will entitle its holder to subscribe for one new Ordinary Share. The Bonus Warrant Issue is separated from the Open Offer and the Bonus Warrant Issue is not to be granted as part of the Open Offer. If the conditions of the Open Offer are not fulfilled and the Open Offer is thus lapsed, the Bonus Warrant Issue will still proceed.

Number of Warrants to be issued

Based on 429,258,039 Ordinary Shares in issue as at the Latest Practicable Date and the 143,086,013 Offer CP Shares to be issued under the Open Offer, the total number of Warrants to be issued will be not less than 71,543,006 units (assuming that the Open Offer does not proceed) and not more than 95,390,675 units (assuming that the Open Offer does proceed and the issued share capital is thus enlarged), entitling the holders thereof to subscribe for not less than 71,543,006 Ordinary Shares and not more than 95,390,675 Ordinary Shares. Assuming that no adjustment is made to the initial subscription price, exercise in full of such Warrants will result in the issue of not less than 71,543,006 new Ordinary Shares and not more than 95,390,675 new Ordinary Share, representing not less than 16.7% and not more than 22.2% of the existing issued share capital of the Company and approximately not less than 14.3% and not more than 18.2% of the existing issued share capital of the Company as enlarged by the issue of new Ordinary Shares on exercise of the subscription rights attaching to the Warrants and, on the basis of the initial subscription price of HK$0.80 per Ordinary Share, the receipt by the Company of not less than approximately HK$57.23 million and not more than approximately HK$76.31 million before deduction of expenses. However, the maximum number of Warrants to be issued will not exceed 20.0% of the number of the then issued Shares at the time the Warrants are issued.

Quinselle and Mr. Lee Seng Jin, its controlling shareholder, have confirmed to the Company that if it is foreseeable that they will hold more than 75% of the Warrants upon issue, they will place down the excess Warrants before listing so as to ensure that at least 25% of the Warrants will be held by the public at the time of listing. The Stock Exchange has indicated that it will not grant the listing of, and permission to deal in, the Warrants if there will be insufficient public float of the Warrants at the time of listing.

The Bonus Warrant Issue will not be registered or filed under the applicable securities legislation of any jurisdiction outside Hong Kong and Bermuda. It was resolved in the SGM that no offer or issue of such Warrants will be made to any Overseas Shareholders. Arrangements will be made for the Warrants which would otherwise have been issued to the Overseas Shareholders to be sold in the market as soon as practicable after dealings in the Warrants commence, if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to such persons in proportion to their shareholdings and remittances therefrom will be posted to them at their own risk, unless the amount falling to be distributed to any such person is less than HK$100, in which case it will be retained for the benefit of the Company.

The Bermuda Monetary Authority has granted its approval for the issue of the Warrants and any Ordinary Shares falling to be issued upon the exercise of the subscription rights attaching to the Warrants. In granting such approval, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed in this Prospectus or any of the documents referred to herein.

Fractional entitlements to the Warrants will not be issued to Shareholders but will be retained by the Company, aggregated and sold in the market as soon as practicable, with the net proceeds retained for the benefit of the Company.

A summary of the terms and conditions of the Warrant, including circumstances in which the subscription price may be adjusted, is set out in Appendix I to this Prospectus.

Comparison of prices

The initial subscription price of HK$0.80 per Ordinary Share presents:

(a) a premium of approximately 27.0% over the closing price of Shares of HK$0.63 per Share, as quoted on the Stock Exchange on 24 September 2008, being the date of the Announcement;

(b) a premium of approximately 25.0% over the average closing price of approximately HK$0.64 per Share, being the average closing price of Shares as quoted on the Stock Exchange for the 10 days up to and including the date of the Announcement;

(c) a premium of approximately 77.8% over the closing price of Shares of HK$0.45 per Share, as quoted on the Stock Exchange on the Latest Practicable Date; and

(d) a premium of approximately 68.1% over the average closing price of approximately HK$0.476 per Share, being the average closing price of Shares as quoted on the Stock Exchange for the 10 trading days up to and including the Latest Practicable Date.

Conditions

The proposed Bonus Warrant Issue will be conditional on the following:

1. The passing of an ordinary resolution by the Shareholders to approve the Bonus Warrant Issue at the SGM; and

2. The Listing Committee of the Stock Exchange granting or agreeing to grant listing of, and permission to deal in, the Warrants and any Ordinary Shares which fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

The Warrants are expected to be issued on Friday, 5 December 2008 after these conditions have been fulfilled.

Closure of register of members

The register of members of the Company in Hong Kong will be closed from Wednesday, 26 November 2008 to Friday, 28 November 2008 (both days inclusive) in order to determine entitlements to Bonus Warrant Issue, during which period no transfers of Shares can be registered. The last day of dealings in Shares on a cum-entitlements to the Bonus Warrant Issue will be on Friday, 21 November 2008.

To qualify for the Bonus Warrant Issue, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Registrar for registration not later than 4:30 p.m. on Tuesday, 25 November 2008.

Listings and Dealings

Application has been made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Warrants and any Ordinary Shares falling to be issued upon the exercise of the subscription rights attaching to the Warrants. Dealings in Warrants are expected to commence on Tuesday, 9 December 2008. The Warrants will be traded in board lots of 14,000 units entitling holders thereof to subscribe an amount of HK$11,200 initially for new Ordinary Shares, on the basis of the subscription price of HK$0.80.

It is expected that certificates for the Warrants will be posted to those entitled thereto (other than Overseas Shareholders) at their own risk on or before Friday, 5 December 2008. In the case of joint Shareholders, the Warrants will be posted to the address of the first-named Shareholder on the register of members of the Company.

Subject to the granting of listing of, and permission to deal in, the Warrants and any Ordinary Shares falling to issued upon the exercise of the Warrants on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Warrants and any Ordinary Shares falling to be issued upon the exercise of the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or such other date as shall be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second Business Day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

No part of the share capital of the Company nor any of the Warrants is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

CAPITAL RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not carried out other capital raising activities during the 12 months immediately preceding the Latest Practicable Date.

REASONS FOR THE OPEN OFFER AND BONUS WARRANT ISSUE AND USE OF PROCEEDS

The Board believes that the Open Offer and the Bonus Warrant Issue will provide Shareholders with an opportunity to further participate in the future growth of the Company. The Open Offer and the Bonus Warrant Issue will also strengthen the equity base of the Company and increase the Company's working capital and satisfy part of the capital expenditure of the production line of the Group in Shandong, the PRC. At the same time, the Open Offer and the Bonus Warrant Issue also allow the Shareholders to maintain their shareholdings in the Company if they so wish.

The proceeds of the Open Offer is currently estimated to be approximately HK$100.16 million and the proceeds of the Bonus Warrant Issue is currently estimated to be approximately not less than HK$ 57.23 million and not more than HK$76.31 million assuming full subscription of new Ordinary Shares under the Bonus Warrant Issue. It is intended that 50% of the proceeds from the Open Offer will be used to finance capital expenditure of the production line of the Group in Shandong, the PRC with the remaining 50% to be used for general working capital purpose whereas the proceeds from the Bonus Warrant Issue will be used for general working capital purpose.

BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Operations Review

During the year ended 31 March 2008, 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 the year ended 31 March 2007. 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 for the year ended 31 March 2008, with gross profit margin improved to 9.5% (2007: 9.1%). Operating profit increased by 29.8% to HK$146 million for the year ended 31 March 2008. Profit attributable to shareholders rose sharply, by 40.7%, to HK$71.6 million for the year ended 31 March 2008, of which approximately HK$11.0 million was from revaluation gain of investment properties. Net profit margin improved from 1.6% for the year ended 31 March 2007 to 1.9% for the year ended 31 March 2008. Earnings per share was HK16.7 cents for the year ended 31 March 2008 (2007: HK11.9 cents).

The Board resolved to pay a final dividend of HK2.5 cents per share for the year ended 31 March 2008. Together with the interim dividend of HK2.5 cents per share already paid, total dividend for the year ended 31 March 2008 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 for the year ended 31 March 2008 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 for the year ended 31 March 2008, 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 for the year ended 31 March 2008. 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 ended 31 March 2008, 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 ended 31 March 2008 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 for the year ended 31 March 2008, 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 for the year ended 31 March 2008. It achieved a turnover of HK$1,430 million for the year ended 31 March 2008, a 12.6% growth against the previous 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 for the year ended 31 March 2008, 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) for the year ended 31 December 2007 (2006: 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 for the year ended 31 March 2008 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 in the year 2009. 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 for the year ended 31 March 2008, with profit up 150.3% against the previous 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 for the year ended 31 March 2008 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 for the year ended 31 March 2008, 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 year ended 31 March 2007 represented the four months' result of the operation as the acquisition was completed in December 2006.

Prospects

By the end of the financial year ended 31 March 2008, the prices of book printing papers and packaging boards increased by 5% and 20% respectively compared with the levels at September 2007. In the coming year, as the economy is volatile, the prices of both book printing papers and packaging boards may be subject to fluctuation.

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 Shandong, 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. Looking forward, the Group will keep striving for healthy growth of its paper trading business while expanding upstream into manufacturing.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the Appendices to this Prospectus.

Yours faithfully,
For and on behalf of the Board
SHAM Kit Ying
Chairman

The Warrants will be issued subject to and with the benefit of an instrument by way of deed poll (the "Instrument") executed by the Company and they will be issued in registered form and will form one class and rank pari passu in all respects with each other. On the basis of 429,258,039 Shares in issue at the Latest Practicable Date and 143,086,013 CP Shares to be issued under the Open Offer, the total number of Warrants to be issued will be not less than 71,543,006 units (assuming that the Open Offer does not proceed) and not more than 95,390,675 units (assuming that the Open Offer does proceed and the issued share capital is thus enlarged). Warrants conferring rights to subscribe up to a maximum of not less than HK$57.2 million and not more than HK$76.3 million in aggregate for Ordinary Shares, equivalent to the aggregate subscription price for a total of not less than 71,543,006 Ordinary Shares and not more than 95,390,675 Ordinary Shares on the basis of an initial subscription price of HK$0.80 per Ordinary Share (subject to adjustment), will be in issue immediately upon completion of the Warrants. The Warrants are not renounceable.

The Warrants will represent direct obligations of the Company to holders of Warrants ("Warrantholders") as described in the Instrument. The following is a summary of the major provisions of the Instrument and of the principal terms and conditions of the Warrants ("Warrant Conditions") set out on the Warrant certificates. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Instrument.

1. SUBSCRIPTION RIGHTS

(a) Each Warrantholder shall have, in respect of the Warrants of which he is the registered holder for the time being, rights (the "Subscription Rights") which may be exercised in whole or in part, but not in respect of any fraction of an Ordinary Share, at any time for a period of 18 months from the date of issue (which is expected to be on 5 December 2008) up to 4 June 2010 (or such earlier date as provided in the Instrument) (both days inclusive) (the "Subscription Period") (the date on which any of the Subscription Rights are duly exercised being called a "Subscription Date") to subscribe in cash the whole or part (in integral multiples of HK$0.8) of the amount stated on the certificate for such Warrants which a Warrantholder is entitled to subscribe for Ordinary Shares upon exercise of the Subscription Rights represented thereby (the "Exercise Moneys"), for fully-paid Ordinary Shares at a price of HK$0.80 per Ordinary Share (subject to adjustment as referred to below) being the "Subscription Price". Since the Instrument provides that a Subscription Date is to fall on any Business Day during the Subscription Period, the last Subscription Date before the expiry of the Subscription Period will be 4 June 2010. Any Subscription Rights which have not been exercised upon the expiry of the Subscription Period will lapse and thereupon, the Warrants and the Warrant certificates will cease to be valid for any purpose whatsoever.

(b) The entitlement of Warrantholders to their Warrants is evidenced by Warrant certificates, each of which contains a subscription form (the "Subscription Form"). In order to exercise his Subscription Rights, a Warrantholder must complete and sign the Subscription Form (which shall be irrevocable) and deliver the same and the Warrant certificate to the Warrant registrar for the time being of the Company in Hong Kong, together with a remittance for the relevant portion of the Exercise Moneys, being the amount of the Subscription Price for the Ordinary Shares in respect of which the Warrantholder is exercising his Subscription Rights. In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

(c) No fraction of an Ordinary Share will be allotted but in the event that a Warrantholder remits subscription moneys in excess of the Subscription Price due for the Ordinary Shares in respect of which he is exercising his Subscription Rights, any such excess will be refunded by the Company to the Warrantholder, provided always that, if the Subscription Rights attaching to the Warrants represented by one or more Warrant certificates are exercised on the same Subscription Date by the same Warrantholder then, for the purpose of determining whether any (and if so, what) excess arises, such Subscription Rights shall be aggregated.

(d) The Company has undertaken in the Instrument that any Ordinary Shares falling to be issued upon the exercise of any of the Subscription Rights attaching to the Warrant(s) represented by the relevant Warrant certificates will be allotted and issued not later than 28 days after the relevant Subscription Date and, taking into account of any adjustment that may have been made as mentioned below, will rank pari passu with the fully-paid Ordinary Shares in issue on the relevant Subscription Date and will accordingly entitle the holders to participate in all dividends or other distributions declared, paid or made after the relevant Subscription Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange (as defined in the Instrument) prior to the relevant Subscription Date.

(e) As soon as practicable after the relevant allotment and issue of Ordinary Shares (and in any event not later than 28 days after the relevant Subscription Date) there will be issued free of charge to the Warrantholder to whom such allotment has been made upon his exercise of any Subscription Rights:

(i) a certificate for the relevant Ordinary Shares in the name(s) of such Warrantholder(s);

(ii) (if applicable) a balancing Warrant certificate in registered form in the name (s) of such Warrantholder(s) in respect of any Subscription Rights represented by the relevant Warrant certificate remaining unexercised;

(iii) (if applicable) a cheque representing the excess (if any) of the amount remitted over the total amount payable in respect of the Subscription Rights being exercised as mentioned in sub-paragraph (c) above; and

(iv) (if applicable) a relevant deficiency certificate for such number of additional Ordinary Shares as is equal to the difference between the maximum number and the aggregate number of Ordinary Shares which the Company would otherwise have been required to allot had there been sufficient profits and reserves to be applied and to be allotted for the purpose stated in the terms of the Instrument ("Deficiency Certificate").

The certificate for Ordinary Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any) and, the cheque in respect of a refund (if any) and the said Deficiency Certificate (if any) will be sent by post at the risk of the said Warrantholder(s) to the address of such Warrantholder(s) (or, in the case of a joint holding, to that one of the joint Warrantholders whose name stands first in the register of Warrantholders).

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

(a) The Subscription Price shall (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases (but shall however not be adjusted below the nominal value of Ordinary Shares until the Subscription Right Reserve (as defined in the Instrument) is maintained):

(i) an alteration of the nominal amount of each Ordinary Share by reason of any consolidation, subdivision or reclassification;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Ordinary Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a capital distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of Ordinary Shares (in their capacity as such);

(iv) a grant by the Company to holders of Ordinary Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its Subsidiaries (as defined in the Instrument);

(v) an offer of new Ordinary Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Ordinary Shares, at a price which is less than 90 per cent of the market price at the date of the announcement of the terms of the offer or grant (calculated as provided in the Instrument) being made by the Company to holders of Ordinary Shares (in their capacity as such);

(vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Ordinary Shares, if in any case the total Effective Consideration (as defined in the Instrument) per new Ordinary Share is less than 90 per cent of the market price at the date of the announcement of the terms of issue of such securities (calculated as provided in the Instrument), or the conversion, exchange or subscription rights of any such issue are altered so that the said total Effective Consideration is less than 90 per cent of such market price;

(vii) an issue of Ordinary Shares being made wholly for cash at a price less than 90 per cent of the market price at the date of the announcement of the terms of such issue (calculated as provided in the Instrument); and

(viii) the purchase by the Company of Ordinary Shares or securities convertible into Ordinary Shares or any rights to acquire Ordinary Shares (excluding any such purchase made on the Stock Exchange or any other stock exchange recognised for this purpose by the SFC or equivalent authority and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

(b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a)(ii) to (vii) above shall be made in respect of:

(i) an issue of fully-paid Ordinary Shares upon the exercise of any conversion, exchange or subscription rights attaching to securities convertible into Ordinary Shares or exchangeable for Ordinary Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Ordinary Shares;

(ii) an issue by the Company of Ordinary Shares or by the Company or any Subsidiary (as defined in the Instrument) of securities convertible into or exchangeable for or carrying rights to acquire Ordinary Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;

(iii) an issue of fully-paid Ordinary Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) or any similar reserve which has been or may be established pursuant to the terms of issue of any other securities convertible into or exchangeable for or carrying rights to acquire Ordinary Shares;

(iv) an issue of Ordinary Shares pursuant to a scrip dividend scheme (as defined in the Instrument) where an amount not less than the nominal amount of the Ordinary Shares so issued is capitalised and the market value (calculated as provided in the Instrument) of such Ordinary Shares is not more than 110 per cent of the amount of dividend which holders of Ordinary Shares could elect to or would otherwise receive in cash; or

(v) an issue by the Company of Ordinary Shares or by the Company or any Subsidiary of securities convertible into or exchangeable for or carrying rights of subscription for Ordinary Shares pursuant to a Share Option Scheme (as defined in the Instrument).

(c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint either (at the option of the Company) an approved merchant bank (as defined in the Instrument) or the Auditors (as defined in the Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank or the Auditors (as the case may be) considers this to be the case, the adjustment will be modified or nullified, or an adjustment made instead of no adjustment, in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or such adjustment shall take effect from such other day and/or time as is certified by such approved merchant bank or the Auditors to be in its opinion appropriate.

(d) Any adjustment to the Subscription Price will be made to the nearest one cent (HK$0.005 being rounded up). No adjustment will be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment which would otherwise then be required will not be carried forward. In no event will an adjustment be made (except on a consolidation of Ordinary Shares into shares of a larger nominal amount each or upon a repurchase of Ordinary Shares) which would increase the Subscription Price.

(e) Every adjustment to the Subscription Price will be certified by the Auditors or an approved merchant bank and notice of each such adjustment (giving the relevant particulars) will be given to the Warrantholders. Any such certificates of the Auditors and/or approved merchant bank will be available for inspection by the Warrantholders at the principal place of business for the time being of the Company in Hong Kong, where copies may be obtained.

3. REGISTERED WARRANTS

The Warrants are issued in registered form. The Company shall be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it has expressed or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

The Warrants shall be transferable in integral multiples of 14,000 units by an instrument of transfer in any usual or common form or such other form as may be approved by the Directors or, where the transferor and/or the transferee is HKSCC Nominees Limited, by an instrument of transfer executed under hand by authorised person(s) or by machine imprinted signature(s). For this purpose, the Company shall maintain a register of Warrantholders therefor. The Instrument contains provisions relating to the transfer, transmission and registration of the Warrants. Transfers of Warrants must be executed by both the transferor and the transferee.

Persons who hold the Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, particularly during the period commencing ten Business Days prior to and including the last day of the Subscription Period, or such earlier date as provided in the Instrument.

Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before the last day of the Subscription Period.

5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers of Warrants may be suspended and the register of Warrantholders may be closed for such period as the Directors may from time to time direct, provided that the same shall not be closed, or registration shall not be suspended, for a period, or for periods together, of more than 30 days in any one year. Any transfer, or exercise of the Subscription Rights attached to the Warrants made while the register of Warrantholders is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his Warrants (but not otherwise), be considered as made immediately after the reopening of the register of Warrantholders.

6. PURCHASE AND CANCELLATION

The Company or any of the subsidiaries may at any time purchase the Warrants:

(a) in the open market or by tender (available to all Warrantholders alike) at any price; or

(b) by private treaty at a price, exclusive of expenses, not exceeding 110 per cent of the closing price of the Warrants on the Stock Exchange on the date immediately prior to the date of purchase thereof, but not otherwise. All Warrants purchased as aforesaid will be cancelled forthwith and may not be re-issued or re-sold.

7. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

(a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or of the terms and conditions endorsed on the Warrant certificates. A Special Resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.

(b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including, but without prejudice to that generality, by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the terms and conditions endorsed on the Warrant certificates and/or the Instrument) with the prior sanction of a Special Resolution and may be effected only by deed poll executed by the Company and expressed to be supplemental to the Instrument.

Where the Warrantholder is a recognised clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder.

8. QUORUM

The quorum of a meeting of Warrantholders will be two or more Warrantholders, present in person or by proxy, representing not less than 5% in value of the Subscription Rights for the time being outstanding and exercisable.

9. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the principal office of the Warrant registrar for the time being of the Company in Hong Kong (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK$2.50 (or such other amount as may from time to time be permitted under the rules prescribed by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant certificates must be surrendered before replacements will be issued.

In the case of lost Warrant certificates, Sections 71A (2), (3), (4), (6), (7) and (8) of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) shall apply as if "shares" referred to therein included Warrants.

10. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

11. CALL

If at any time the aggregate of the Warrants which have not been exercised carry rights to subscribe less than 10 per cent of the amount of Exercise Moneys attached to the aggregate of all the Warrants issued under the Instrument, the Company may, on giving not less than three months' notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to Warrantholders and will cease to be valid for any purpose.

12. ISSUE OF FURTHER WARRANTS

The Company shall be at liberty to issue further warrants to subscribe for Ordinary Shares in such manner and on such terms as it sees fit.

13. UNDERTAKINGS BY THE COMPANY

The Company has undertaken in the Instrument, inter alia, that:

(a) it will send to each Warrantholder (or, in the case of joint Warrantholders, to the Warrantholder whose name stands first in the register of Warrantholders in respect of the Warrant held by such joint Warrantholders), at the same time as the same are sent to the holders of Ordinary Shares, its audited financial statements and all other notices, reports and communications despatched by it to the holders of the Ordinary Shares generally;

(b) it will pay all Bermuda and Hong Kong stamp and capital duties, registration fees or similar charges (if any) payable in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Ordinary Shares upon exercise of the Subscription Rights; and

(c) it will keep available for issue sufficient Ordinary Capital (as defined in the Instrument) to satisfy in full all rights for the time being outstanding of subscription for and conversion into Ordinary Shares.

14. LISTING

The Company shall use its reasonable endeavours to procure that:

(a) at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Warrants); and

(b) all Ordinary Shares allotted upon exercise of the Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Ordinary Shares on the Stock Exchange is withdrawn following an offer for all or any of the Ordinary Shares where a like offer is extended to holders of the Warrants).

15. OVERSEAS WARRANTHOLDERS

The Instrument contains provisions giving certain discretion to the Directors in the case of any Warrantholder who has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the issue of Ordinary Shares upon exercise of any of the Subscription Rights attaching to any Warrants held by such Warrantholder would or might, in the absence of compliance with registration or any other special formalities in such territory be unlawful or impracticable under the laws of such territory.

16. RIGHTS OF WARRANTHOLDERS ON WINDING-UP

If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then:

(a) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders; and

(b) in any other case, every Warrantholder (or, in the case of joint Warrantholders, the Warrantholder whose name stands first in the register of Warrantholders in respect of the Warrant held by such joint Warrantholders) shall be entitled at any time within six weeks after the passing of such resolution by irrevocable surrender of his Warrant certificate(s) to the Warrant registrar for the time being of the Company in Hong Kong with the Subscription Form(s) duly completed, together with payment of the Exercise Moneys (or the relative portion thereof) to elect to be treated as if he had immediately prior to the commencement of such windingup exercised the Subscription Rights represented by such Warrants to the extent specified in the Subscription Form(s) and had on such date been the holder of the Ordinary Shares to which he would have become entitled pursuant to such exercise and the Company and the liquidator of the Company shall give effect to such election accordingly. The Company will give notice to the Warrantholders of the passing of any such resolution within seven days after the passing thereof and such notice must contain a reminder to Warrantholders with respect to their rights under this sub-paragraph (b).

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the date of the passing of such resolution will lapse and Warrant certificates will cease to be valid for any purpose.

17. NOTICES

The Instrument contains provisions relating to notices to be given to Warrantholders.

Every Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices to be given to such Warrantholder are to be sent.

18. GOVERNING LAW

The Instrument and the Warrants are governed by and construed in accordance with the laws of Hong Kong.

1. THREE YEARS FINANCIAL SUMMARY

The following is a summary of the audited consolidated assets and liabilities and results of the Group as at and for the three years ended 31 March 2006, 2007 and 2008 as extracted from the audited consolidated financial statements of the Group as set out in the annual reports of the Company for the years ended 31 March 2007 and 2008:

	Year ended 31 March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
Revenue	3,120,108	3,146,763	3,834,380
Profit before taxation	40,703	59,071	93,482
Taxation	(8,914)	(7,301)	(21,119)
	31,789	51,770	72,363
Attributable to:			
Equity holders of the Company	30,449	50,867	71,564
Minority interests	1,340	903	799
	31,789	51,770	72,363
Earnings per share — basic	7.1 cents	11.9 cents	16.7 cents

	At 31 March		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Total assets	2,029,301	2,175,209	2,891,598
Total liabilities	(1,391,402)	(1,468,346)	(2,068,609)
	637,899	706,863	822,989
Equity attributable to equity holders of the Company	633,969	699,991	813,958
Minority interests	3,930	6,872	9,031
	637,899	706,863	822,989

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 MARCH 2007 AND 2008

The following information is extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 March 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

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

Consolidated Balance Sheet (continued)
As at 31 March 2008

	Note	**2008** *HK$'000*	**2007** *HK$'000*
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

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

Consolidated Statement of Changes in Equity
For the year ended 31 March 2008

	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Subtotal	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

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)

Consolidated Cash Flow Statement (continued)
For the year ended 31 March 2008

	Note	**2008** *HK$'000*	**2007** *HK$'000*
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

NOTES TO THE 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.

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.

2.2 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.

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.

2.5 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.

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.

2.9 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.

2.11 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.

2.16 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.

2.18 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.

(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.

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	**Between 1 and 2 years**
	HK$'000	*HK$'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

3.2 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	2007
	HK'000	*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. 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	Logistics services	Aeronautic parts and services	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

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

	Paper	Logistics services	Aeronautic parts and services	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	Logistics services	Aeronautic parts and services	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

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

	Paper	Logistics services	Aeronautic parts and services	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	**Logistics services**	**Aeronautic parts and services**	**Marine services**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	**Logistics services**	**Aeronautic parts and services**	**Marine services**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

(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	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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	**Salary**	**Discretionary bonuses**	**Employer's contribution to pension scheme**	**Total**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	Buildings Outside Hong Kong	Furniture and fixtures	Machinery and equipment	Motor vehicles and vessels	Leasehold improvements	Office and computer equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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.

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

	Group	
	2008	**2007**
	HK$'000	*HK$'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		**Furniture**	**Machinery**	**Motor**		**Office and**		
	Inside Hong Kong	**Outside Hong Kong**	**and fixtures**	**and equipment**	**vehicles and vessels**	**Leasehold improvements**	**computer equipment**	**Construction in progress**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK'000*	*HK$'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:

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	Group 2007
	HK$'000	*HK$'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	Group 2007
	HK$'000	*HK$'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.

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

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

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

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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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

	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

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	**2007**
	HK$'000	*HK$'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	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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

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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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.

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

	Group	
	2008	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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

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

Finance lease liabilities

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

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

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

Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Fair value gains		Total	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	2007
	HK$'000	*HK$'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	2007
	HK$'000	*HK$'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	2007
	HK$'000	*HK$'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

(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	Group 2007
	HK$'000	*HK$'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	Group 2007
	HK$'000	*HK$'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	Group 2007
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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	**2007**
	HK$'000	*HK$'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 2008 & 2007	Nature of business
	Shares held directly:				
*	Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK$1 each	100	Investment holding
	Shares held indirectly:				
	Boardton Consultants Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Property 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
	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

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 2008 & 2007	Nature of business
*	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.

3. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 August 2008, the Group had outstanding borrowings of approximately HK$1,361 million, comprising bank loans of approximately HK$671 million, trust receipt loans of approximately HK$674 million and finance lease liabilities of approximately HK$16 million.

Debt Securities

At the close of business on 31 August 2008, the Group had no outstanding debt securities.

Securities and guarantees

On 31 August 2008, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amounts of facilities utilized by the subsidiaries amounted to approximately HK$790 million.

Mortgages and Charges

On 31 August 2008, certain prepaid premium for land lease and buildings in Hong Kong of the Company's subsidiaries, with a total carrying value of approximately HK$110 million were pledged to banks as securities for bank loans of approximately HK$83 million and trust receipt loans of approximately HK$186 million granted to the Group.

Contingent liabilities

At as 31 August 2008, the Group had no contingent liabilities.

Disclaimer

Save as referred to in this section and apart from intra Group liabilities and normal trade payables, the Group did not have, at the close of business on 31 August 2008, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchases contracts or finance leases, guarantees, or other material contingent liabilities.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources of the Group, the present available banking and other facilities and the estimated net proceeds from the Open Offer and warrants that would be exercised, the Group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this Prospectus.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, being the date to which the latest published audited financial statements of the Group were made up.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Open Offer as if it had been taken place on 31 March 2008. This unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group had the Open Offer been completed as at 31 March 2008 or at any future date.

	Adjusted net tangible assets of the Group attributable to the Company's equity holders as at 31 March 2008	**Estimated net proceeds from the Open Offer**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to the Company's equity holders**	**Unaudited pro forma adjusted net tangible assets of the Group per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	Note 1	*Note 2*		*Note 3*
Based on 143,086,013 Offer CP Shares at Subscription Price of HK$0.70 per Offer CP Share	777,026	100,160	877,186	1.53

Notes:

1. Adjusted net tangible assets of the Group attributable to the Company's equity holders as at 31 March 2008 has been calculated based on the total equity of the Group as at 31 March 2008 of HK$822,989,000 after deducting the carrying amounts of intangible assets and minority interests as at 31 March 2008 of HK$36,932,000 and HK$9,031,000 respectively as extracted from the audited consolidated financial statements of the Company for the year ended 31 March 2008.

2. The estimated net proceeds from the Open Offer are based on 143,086,013 Offer CP Shares to be issued at the Subscription Price of HK$0.70 per Offer CP Share.

3. The unaudited pro forma adjusted net tangible assets of the Group per Share is calculated based on the unaudited pro forma adjusted net tangible assets of the Group attributable to the Company's equity holders of approximately HK$877,186,000 and 572,344,052 Shares in issue (on the basis that there were 429,258,039 Shares in issue as at 31 March 2008 and 143,086,013 Offer CP Shares were issued under the Open Offer) as if the Open Offer has been completed on 31 March 2008.

4. No adjustment has been made to reflect any trading result of other transactions of the Group entered into subsequent to 31 March 2008.

2. REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF SAMSON PAPER HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Samson Paper Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on page 98 under the heading of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the Company's prospectus dated 27 October 2008 (the "Prospectus"), in connection with the open offer of convertible non-voting preference shares (the "Open Offer") and the bonus issue of warrants. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Open Offer might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 98 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the adjusted net tangible assets of the Group as at 31 March 2008 with the audited financial statements of the Group set out in the annual report of the Company for the year ended 31 March 2008, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted net tangible assets of the Group as at 31 March 2008 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 October 2008

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this Prospectus misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were and immediately following the Open Offer (assuming the Open Offer becoming unconditional) will be as follows:

	HK$
Authorised share capital as at the Latest Practicable Date:	
1,600,000,000 shares of HK$0.10 each	160,000,000.00
Issued, to be issued and fully paid or credited as fully paid:	
429,258,039 Ordinary Shares in issue as at the Latest Practicable Date	42,925,803.9
143,086,013 Offer CP Shares to be issued pursuant to the Open Offer	14,308,601.3
Total:	57,234,405.2

All existing Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital.

The Offer CP Shares will, when issued and allotted, rank pari passu in all respects with the existing Ordinary Shares in issue and shall have the special rights and restrictions as more particularly set out in the section headed "Terms of the CP Shares" in the "Letter from the Board" of this Prospectus.

The Ordinary Shares are listed on the Stock Exchange but the Offer CP Shares will not be listed on the Stock Exchange or any other stock exchange. No part of the share capital or any other securities of the Company is listed or dealt in any other stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in any other stock exchange.

Save as disclosed in this Prospectus, as at the Latest Practicable Date, no share or loan capital of the Company has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally or unconditionally to be issued or granted.

3. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER

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
Authorized representatives	Lee Yue Kong, Albert 3/F, Seapower Industrial Centre 177 Hoi Bun Road Kwun Tong Kowloon, Hong Kong Sham Yee Lan, Peggy 3/F, Seapower Industrial Centre 177 Hoi Bun Road Kwun Tong Kowloon, Hong Kong
Company secretary	Lee Yue Kong, Albert, *ACA, CPA*
Company qualified accountant	Lee Yue Kong, Albert, *ACA, CPA*
Underwriter	Quinselle Holdings Limited Flat B, 15/F, Charmhill Centre, 50 Hillwood Road, Tsimshatsui, Kowloon
Manager of the Open Offer	DBS Asia Capital Limited 22/F, The Center 99 Queen's Road Central Hong Kong

Legal advisers to the Company	*As to Hong Kong law:* Woo, Kwan, Lee & Lo, 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong *As to Bermuda law:* Appleby 8/F, Bank of America Tower, 12 Harcourt Road, Central Hong Kong *As to Australia law:* Blake Dawson Locked Bay N6 Sydney NSW 2000 Australia
Auditors	PricewaterhouseCoopers *Certified Public Accountants* 22/F, Prince's Building, Central, Hong Kong
Principal share registrar and transfer office	Butterfield Corporate Services Limited 6 Front Street Hamilton Bermuda
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal bankers	Bank of Tokyo-Mitsubishi UFJ 8/F., AIG Tower 1 Connaught Road Central Hong Kong BNP Paribas Hong Kong Branch 63/F., Two International Finance Centre 8 Finance Street, Central Hong Kong

China Construction Bank Corporation
44–45/F., Tower One, Lippo Centre
89 Queensway, Admiralty
Hong Kong

CITIC Ka Wah Bank Limited
9/F., Tower I, Lippo Centre
89 Queensway
Hong Kong

DBS Bank Limited, Hong Kong Branch
18/F., The Center
99 Queen's Road Central
Central
Hong Kong

Hang Seng Bank Limited
19/F., 83 Des Voeux Road Central
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
9/F., HSBC Main Building
1 Queen's Road Central
Hong Kong

Industrial & Commercial Bank of China (Asia) Ltd.
34/F., ICBC Tower
3 Garden Road
Central
Hong Kong

Oversea-Chinese Banking Corporation Limited
9/F., Nine Queen's Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
13/F., Standard Chartered Bank Bldg.
4–4A, Des Voeux Road Central
Hong Kong

4. PARTICULARS OF DIRECTORS

Brief biographies of the Directors are set out below:

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.

5. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under such provisions of the SFO); or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company ("**Model Code**") were as follows:

(i) Interest in Shares

			Number of Shares beneficially held				
	Class of Shares	Capacity	Personal Interest	Corporate Interest	Family Interest	Total	Approximate percentage of the total issued share capital then in issue
Mr. Lee Seng Jin	Ordinary Shares	Beneficial Owner	60,344,000	219,620,000 *(Note 1)*	16,712,556	296,676,556	69.11%
	CP Shares	Beneficial Owner	—	143,086,013 *(Note 2)*	—	143,086,013	25%
Ms. Sham Yee Lan, Peggy	Ordinary Shares	Beneficial Owner	572,556	16,140,000	279,964,000	296,676,556	69.11%
	CP Shares	Beneficial Owner	—	—	143,086,013 *(Note 2)*	143,086,013	25%
Mr. Chow Wing Yuen	Ordinary Shares	Beneficial Owner	540,000	—	—	540,000	0.13%

Notes:

(1) The 219,620,000 Shares are held by Quinselle Holdings Limited which is wholly owned by Mr. Lee Seng Jin. Mr. Lee Seng Jin is therefore deemed under the SFO to be interested in such 219,620,000 Shares.

(2) Pursuant to the Underwriting Agreement entered into between the Company and Quinselle Holdings Limited, Quinselle Holdings Limited agreed to take up the Quinselle Portion and to underwrite all the remaining Offer CP Shares under the Open Offer. By virtue of his controlling interest in Quinselle, Mr. Lee Seng Jin is taken to be interested in the Offer CP Shares that Quinselle agreed to apply for and to underwrite, being 143,086,013 Offer CP Shares, representing 25% of the issued share capital of the Company as enlarged by the issue of the Offer CP Shares under the Open Offer. Ms. Sham Yee Lan, Peggy, the spouse of Mr. Lee Seng Jin, is therefore also deemed under the SFO to be interested in such Shares.

Apart from the interests disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company also held shares in certain subsidiaries of the Company solely for the purpose of ensuring that the relevant subsidiaries has more than one member.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

6. SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executives of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group were as follows:

Interest in the Shares

	Class of Shares	**Number of Shares held**	**Approximate percentage of interest to the total issue share capital then in issue**
Quinselle Holdings Limited *(Note 1)*	Ordinary Shares	219,620,000	51.16%
	CP Shares	143,086,013 *(Note 2)*	25%

Notes:

(1) Quinselle Holdings Limited is a company wholly owned by Mr. Lee Seng Jin as at the Latest Practicable Date.

(2) Pursuant to the Underwriting Agreement entered into between the Company and Quinselle Holdings Limited, Quinselle Holdings Limited agreed to take up the Quinselle Portion and to underwrite all the remaining Offer CP Shares under the Open Offer, being 143,086,013 Offer CP Shares, representing 25% of the issued share capital of the Company as enlarged by the issue of the Offer CP Shares under the Open Offer.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such capital.

7. 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 months' notice in writing.

As at the Latest Practicable Date, none of the Directors had entered into a service contract with a member of the Group which does not expire or is not terminable within one year without payment of compensation (other than statutory compensation).

8. INTERESTS IN CONTRACT OR ARRANGEMENT

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

9. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect material interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2008, being the date to which the latest published audited financial statements of the Company were prepared.

10. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

12. PROCEDURES FOR DEMANDING A POLL

Pursuant to the Bye-Laws of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(a) the chairman of the meeting; or

(b) at least three shareholders of the Company present in person or by proxy or authorised representative for the time being entitled to vote at the meeting; or

(c) any shareholder or shareholders of the Company present in person or by proxy or authorised representative and holding between them not less than one-tenth of the total voting rights of all shareholders of the Company having the right to attend and vote at the meeting; or

(d) any shareholder or shareholders of the Company present in person or by proxy or authorised representative and holding Shares conferring a right to attend and vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

13. EXPERT AND CONSENT

(i) Qualification of expert

Name	**Qualification**
PricewaterhouseCoopers	Certified Public Accountants

(ii) Consent of expert

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its report and references to its name in the form and context in which they appear.

(iii) Interests of expert

As at the Latest Practicable Date, PricewaterhouseCoopers was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been since 31 March 2008 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

14. MATERIAL CONTRACTS

The following contracts (not being entered into in the ordinary course of business) have been entered into by the members of the Group after the date two years preceding the Latest Practicable Date and which are or may be material:

(i) the sale and purchase agreement dated 25 September 2006 in relation to the sale and purchase of the entire issued share capital of, and the shareholder's loan to, Hypex Holdings Limited entered into between Partisan Holdings Limited as vendor, Mr. Sham Kit Ying and Mr. Lee Seng Jin as vendor guarantors and Kemp International Holdings Limited as purchaser at a consideration equivalent to the difference between HK$50,000,000 and the amount of shareholder's loan as at completion (subject to adjustment);

(ii) the sale and purchase agreement dated 13 July 2007 in relation to the sale and purchase of the entire issued share capital of, and shareholder's loan to, Kingsrich Group Limited entered into between Better Development Limited as vendor, Ms. Liu Lai Sum, Christina as vendor guarantor and Rise Gain Development Limited as purchaser at a consideration of HK$7,997,568;

(iii) the asset transfer agreement dated 20 February 2008 entered into between UPP Investments Limited, an indirect wholly-owned subsidiary of the Company, on the one hand and the receiver of Shandong Huacai Paper Co., Ltd and the receiver of Shandong Huazhong Paper Co., Ltd on the other hand whereby UPP Investments Limited agreed to procure the acquisition by Universal Pulp & Paper (Shandong) Co. Ltd of certain assets at a total consideration of RMB385,250,173;

(iv) the Underwriting Agreement; and

(v) the Instrument.

15. SHARE OPTIONS

As at the Latest Practicable Date, no option has been granted under the Share Option Scheme and therefore the Company has no outstanding options, convertible securities or warrants which confer the rights to subscribe for Shares of the Company.

16. MISCELLANEOUS

(i) The expenses in connection with the Open Offer, including printing, registration, legal, professional and accounting charges are estimated to amount to approximately HK$1,600,000 and will be payable by the Company.

(ii) The English text of this Prospectus and the Application Forms shall prevail over the Chinese text in the case of any inconsistency.

(iii) Mr. Lee Yue Kong, Albert, is a Certified Public Accountant. He is an associate member of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants.

17. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of this Prospectus, the Application Forms and the written consent given by PricewaterhouseCoopers as referred to the paragraph headed "Expert and Consent" in this appendix have been registered with Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 3rd Floor, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong during normal business hours, for a period of 14 days from the date of this Prospectus:

(a) the memorandum of association and the Bye-laws of the Company;

(b) the material contracts referred to in this appendix;

(c) the annual reports of the Company for each of the three financial years ended 31 March 2008;

(d) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Group, the text of which is set out on pages 99 to 100 of this Prospectus;

(e) the written consent referred to in the section headed "Expert and Consent" of this Appendix;

(f) the circular of the Company dated 30 June 2008 in relation to the transaction as detailed in item (iii) of the section headed "Material Contracts" of this appendix;

(g) the circular of the Company dated 29 September 2008 in relation to, inter alia, the amendments to the Bye-laws in respect of the Open Offer and Bonus Warrant Issue; and

(h) this Prospectus.