森信集團
Samson group

Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

Contents

Corporate Information

Board of Directors

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

Non-executive Director
LAU Wang Yip, Eric

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

Company Secretary

LEE Yue Kong, Albert

Principal Bankers

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

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

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

Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
6 Front Street
Hamilton
Bermuda

Hong Kong Share Registrar and Transfer Office

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

Financial Highlights

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended 31 March	
	2010	2009
	HK$'000	HK$'000
Revenue	3,861,245	3,744,184
Operating profit	127,019	84,469
Finance costs	29,984	48,481
Profit before taxation	97,440	36,154
Profit attributable to equity holders	63,041	19,433

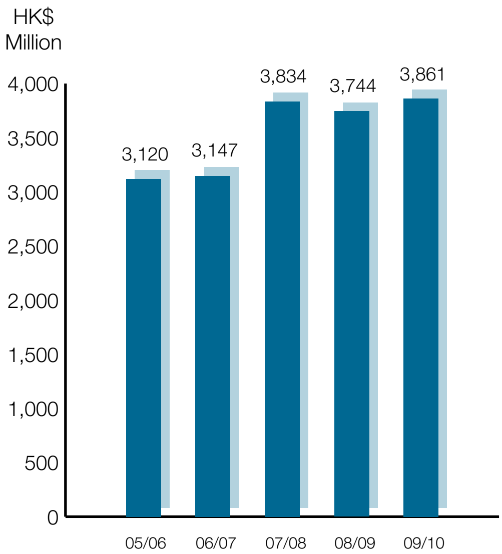
CONSOLIDATED BALANCE SHEET

	As at 31 March	
	2010	2009
	HK$'000	HK$'000
Non-current assets	977,038	956,165
Current assets	2,755,974	2,091,216
Current liabilities	2,366,312	1,633,636
Shareholders' funds	1,027,346	959,139
Non-current liabilities	328,557	446,460

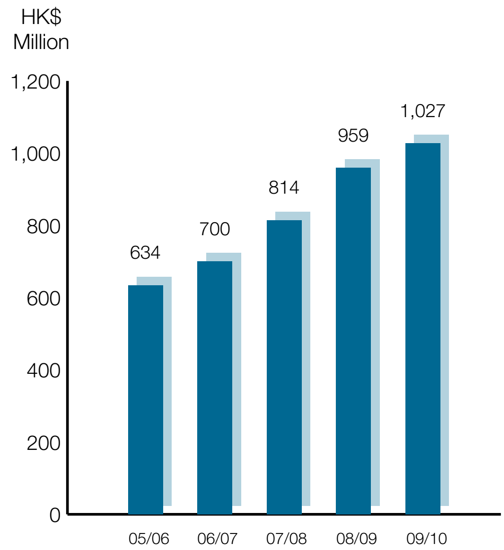
SHARE STATISTICS

Earnings per share — basic	HK12.8 CENTS	HK4.4 CENTS
Earnings per share — diluted	HK10.1 CENTS	HK4.0 CENTS
Dividends per share	HK3.0 CENTS	HK1.0 CENT
Net asset value per ordinary share	HK204 CENTS	HK192 CENTS

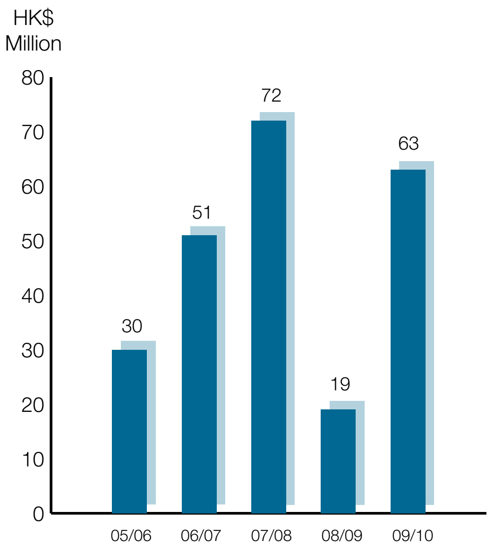
REVENUE



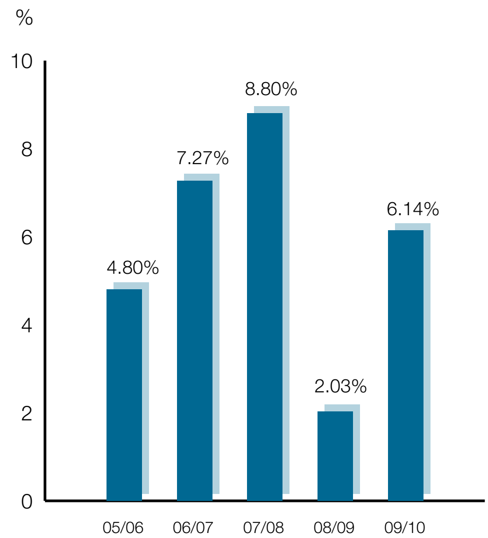
SHAREHOLDERS' FUNDS



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



RETURN ON SHAREHOLDERS' FUNDS



Chairman's Statement

The Economy

During the financial year under review, the world economy was resuscitated on a worldwide scale through a quantitative easing monetary policy and the growth of corporate earnings. Against this economic backdrop, the economies of both the Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China (the "PRC") showed tremendous improvement.

The GDP of the PRC reported a year-on-year growth of 8.7% for the calendar year 2009. This figure further improved to 11.9% in the first quarter of 2010, the greatest growth rate since before the financial tsunami of 2008, indicating that a sustained improvement trend was taking place.

Hong Kong's economy clawed its way back after being battered by the global downturn. Although Hong Kong's GDP reported a drop of 2.7% in the calendar year 2009, during the last quarter of 2009, the figure resumed year-on-year growth of 2.6%. In the first quarter of 2010, GDP further climbed by 8.2% to pre-crisis levels.

The Printing and Paper Product Industries

Mirroring economic growth, the price for various types of paper products has been rallying from a trough reached in December 2008, and has maintained an upward trend to date, attributable to the gradual recovery of paper demand, the continuously increasing production costs and rising pulp prices. From September 2009 to March 2010, the prices of book printing papers and packaging boards have increased by approximately 20%, rising sharply during February and March 2010 in particular. This was mainly a supply shortage result caused by the earthquake in Chile, a major pulp export country. Pulp supply was expected to be tight following the Chilean earthquake's disruption of the supply chain while the demand for paper products is picking up.

Operations Review

Samson Group (the "Group") has successfully managed the business through the uncertain times prevailing in the financial year ended 31 March 2010. In addition to achieving a revenue increase, the Group recorded a significant growth in profit. The key here was timely and appropriate initiatives to deal with the challenges during the year under review, which include adopting flexible sales strategies and effective inventory policies to capture the opportunities offered by the market conditions together with the Group's paper mill in Shandong operating for a full year. Turnover increased by 3.1% year-on-year, rising from HK$3,744 million to HK$3,861 million. In volume terms, it grew strongly by 24.1%. Profit attributable to shareholders surged 2.3 times from HK$19 million last year to HK$63 million this year. Through stringent cost control measures, effective inventory policies and contributions from the higher-margin paper manufacturing segment, the Group's overall gross profit margin registered a strong growth of 20% from 9.5% last year to 11.4% this year while net profit margin surged 2.3 times to 1.65%. Basic earnings per share were HK12.8 cents, compared to HK4.4 cents last year.

With a gradual global economic recovery underway, the appetite for paper products has been on the rise. To cope with the growing demand for its products, the Group has increased its inventory level, excluding raw materials of HK$82 million for paper mill production, by 55% to HK$614 million when compared with the level reported as at 31 March 2009. Despite the value increase of the inventory level, the inventory turnover period for paper products in volume is shortened by two days as compared with that in the financial year 2009. Accounts receivable have also increased by 44.3% from HK$716 million last year to HK$1,033 million this year as a result of significant growth in sales in the last quarter of the financial year. The Group is maintaining a healthy financial position with a cash and bank balance of HK$593 million and gearing ratio at 42.2%. To mitigate credit exposure while expanding in businesses, the Group continued to tighten credit policy and was prudent in customer selection. This policy has proven to be successful, allowing the Group to shorten the collection period by nine days compared with the last corresponding year. Provision for doubtful debts, after a provision of HK$7 million was written back, kept at a low level of 0.25% of the Group's total revenue.

By business segment, paper trading, paper manufacturing, consumable aeronautic parts and services, marine services and other business accounted for 87.4%, 9.2%, 1.6%, 1.5% and 0.3% of the Group's total turnover respectively.

Paper Trading Business

The continuous effort of the Group to enhance its sales network in the PRC has paid off. Coupled with flexible sales strategies and the effective inventory controls on the back of rising market demand of paper products, the Group's sales, in volume terms, in paper trading business, rose 12.6% to 590,600 metric tonnes while turnover decreased slightly by 0.6% to HK$3,376 million. The appropriate measures taken to capitalise on changing market conditions successfully resulted in expanded margins. This was most graphically evidenced by the strong growth in the Group's operating profit of 54.0%, from HK$81.9 million to HK$126.1 million, and operating margin, up 55.2% to 3.7%.

Over the years, the Group has sought to expand its sales network within the PRC to tap opportunities offered by this flourishing market. Today, the Group operates more than 13 sales offices across the country, serving customers along the industrially-vibrant coast of the PRC in Beijing, Tianjin, Shenyang, Shanghai, Wuxi, Hangzhou, Nanjing, Qingdao, Guangzhou, Foshan, Shenzhen, Xiamen, as well as in Nanning and Chongqing in the interior. As a result, sales in the country accounted for 56% of the total turnover of paper products in the paper trading business. Hong Kong remained as the Group's second largest market with 35% of total sales of paper products whereas other Asian markets occupied the remaining 9%.

The two key products of the paper trading business, book printing papers and packaging boards, accounted for 50.7% and 37.9% of the Group's total turnover in the paper trading business respectively. Sales contribution from these two products for the year remained stable.

Paper Manufacturing Business

The Group's strategy to move upstream into paper manufacturing operations has proved to be successful in lifting revenue and profitability, creating a synergy with the Group's extensive sales network in the PRC. During the year under review, the paper manufacturing business made a full year's contribution to the Group after the acquisition of the Shandong mill in 2008. The Shandong mill, which is currently producing duplex boards at an annual production capacity of 170,000 metric tonnes, reported buoyant turnover growth up 122% or HK$279 million, to HK$508 million, including inter-company sales of HK$151 million as a result of the full year commercial operation of two production lines. In terms of sales tonnage, it increased by 1.5 times with two production lines running at full capacity. The mill made an operating profit of HK$31.6 million (2009: HK$7.1 million) (including inter-company profit of HK$9.4 million (2009: HK$2.9 million)), up 3.5 times compared with that of the last corresponding year, with operating profit margin at 6.2%. The significant rise in operating profit is attributable to the commercial operation and machine optimisation of two production lines.

Consumable Aeronautic Parts and Services Business

This segment has two operational sectors, a consumable aeronautic parts trading business and a leasing service business. Hard hit by the global economic crisis, the segment reported a turnover of HK$62 million (2009: HK$105 million) and an operating loss of HK$6.6 million during the year. The loss was mainly arrived from the business of leasing services to flight charterers. The leasing service business started operation in May 2007 and has so far achieved a profit of HK$0.7 million up to 31 March 2010. Due to fluctuating performance of the leasing service, the Group has decided to cease this operation from 31 March 2010 onwards. The Group plans to continue to operate the remaining business in the segment, the consumable aeronautic parts trading business, which reported an operating profit HK$4.5 million during the year.

Marine Services Business

The lingering effects of the financial crisis continued to dampen consumer confidence around the globe, also affecting the marine service business. To maintain good customer relationship with shipyards, the Group provided discounts on project jobs during the year which decreased both turnover and profitability of the segment. Turnover of the segment was HK$57 million (2009: HK$75 million) with an operating loss of HK$1.7 million. Despite the operating loss, the business managed to have an EBITDA of HK$7.2 million for the financial year under review. As the global economy recovers, the Group anticipates healthy growth with profitability from this business.

Prospects

From a global perspective, the rise of the economy of the PRC, a country that holds the highest foreign reserves in the world, is undeniable. For the past two decades, the PRC has been a leading export country. Despite the fear of de-leveraging from debt, the credit crunch and the recent European national credit crisis, which ultimately led to a slowing in the export rate, the country is still managing to achieve sustainable growth. The PRC government has not only begun to change its fundamental economic focus from export to domestic consumption, it has also seized the initiative of sustaining development in such areas as environmental protection.

The Ministry of Industry and Information Technology of PRC announced recently that the target of elimination on non-compliance paper production capacity has been increased from 0.53 million tonnes to 4.32 million tonnes in 2010. The resulting industry consolidation provides a good opportunity for the Group to further expand its market share in the country and strengthen its position in the paper manufacturing business. The effect of Chilean earthquake and rising pulp prices have sharply increased the price of paper products in the first quarter of 2010. The market and downstream buyers require some time to adapt to the rapid rise of paper prices. In this situation, it is thus expected that paper prices will remain stable in the coming months.

For the paper manufacturing business, the Group plans to further enhance manufacturing facilities to cater for rising demand. A new production line (PM5) at the Shandong paper mill is scheduled to commence trial operation in September 2010. The mill is designed to produce an additional 200,000 metric tonnes of kraftliner boards and corrugated mediums per year, which contributes to a total annual production capacity of 370,000 metric tonnes. Focusing on developing the Shandong paper mill, the Group has shelved its plan to build a paper mill in Nantong, Jiangsu in the PRC. It continues to exercise prudence and to monitor the market situation to make necessary adjustments in planning when appropriate.

In the coming year, the Group will set up more sales offices in cities in the northern PRC and allocate resources to further develop its business network and explore more opportunities in the country.

By further strengthening the Group's presence in the PRC and enhancing its position in the paper manufacturing business, which generates synergy with the paper trading business, the Group is confident in its ability to leap forward, growing in parallel with the PRC and ultimately maximising returns for shareholders.

Appreciation

On behalf of the Board, I would like to extend my gratitude to our customers, suppliers and bankers for their support. I wish to also express my appreciation to the management and staff for their diligence and dedication in the past year.

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 13 July 2010

Sales by Geographical Area

During the year under review, under the recovery of market conditions, the Group's revenue increased by 3.1% to HK$3,861 million.

Demand for paper products is gradually recovered with an upward trend of paper prices. With flexible sales strategies, effective inventory controls and the support of the extensive sales network in the PRC market, turnover of paper business in the PRC market grew 17.0% to HK$2,247 million with the Group's paper mill in Shandong operating for a full year, making up 60.2% of the Group's total revenue from paper products. Sales of paper products in Hong Kong contributed 31.4% while those in Malaysia and other Asian countries contributed the remaining 8.4% of the Group's revenue from paper business. In volume terms, the total sales of paper business in all geographical regions including paper manufacturing activity is 702,000 metric tonnes.

Apart from the paper business, the Group has been involved in the distribution business of consumable aeronautic parts and provision of related services, marine services business and logistics services. These business segments together contributed HK$128.0 million, 3.3% (2009:HK$ 213.7 million, 5.7%) of the Group's total revenue.

	2010 HK$ million	2009 HK$ million	% change
Hong Kong			
Paper trading	1,171.3	1,386.4	-15.5%
Logistics services	3.6	24.9	-85.6%
The PRC			
Paper trading	1,890.1	1,786.1	5.8%
Paper manufacturing	356.8	134.5	165.2%
Logistics services	5.0	8.7	-42.3%
Singapore			
Marine services	57.2	75.2	-23.9%
Aeronautic parts and services	62.2	104.9	-40.7%
Other regions			
Paper trading	315.0	223.5	41.0%
Total revenue	3,861.2	3,744.2	3.1%

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

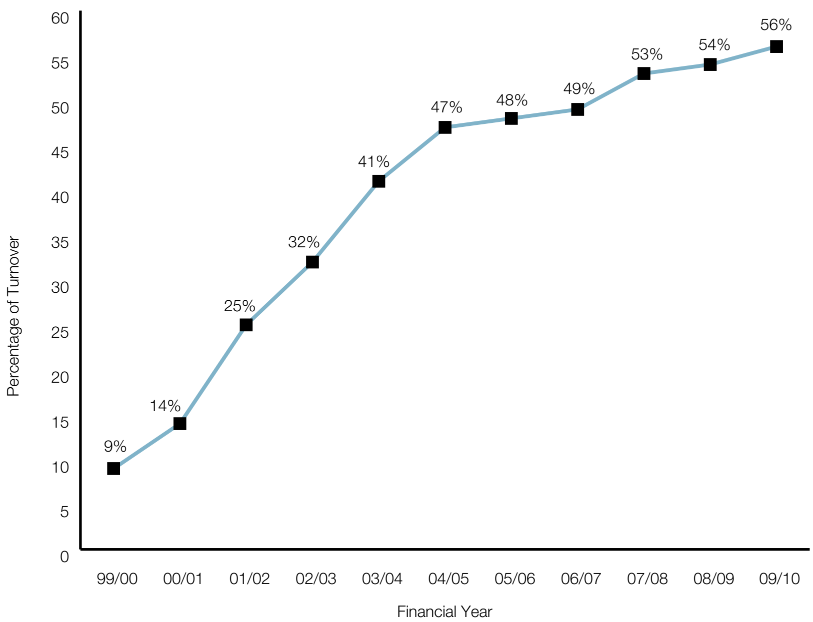
(in '000 Metric Tonnes)	2009	2008	+/-
Import	885	1,064	-16.8%
Re-export	279	353	-21.0%
Local consumption	606	711	-14.8%

Sales by Geographical Area (continued)

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

(in'000 Metric Tonnes)	2009	2008	+/-
Newsprint	20	20	0.0%
Woodfree	380	390	-2.6%
Coated paper	360	540	-33.3%
Corrugated board	1,010	1,000	+1.0%
Duplex board	710	640	+10.9%
Corrugating medium	460	450	+2.2%
Others	400	540	-25.9%
	3,340	3,580	-6.7%

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



Major Product Analysis

As a national paper distributor in Mainland China and one of the largest paper traders in Hong Kong, the Group currently maintains a stock of over 100 paper brands. The Group's two main product categories, book printing papers and packaging boards, accounted for 45.8% and 43.8% of the Group's turnover of paper products respectively. Sales of book printing papers increased by 2.7% resulting from the recovery of market demand while sales for packaging boards rose by 19.5% with the boost from the contribution of the full year operation of the paper mill in Shandong.

Working Capital and Inventory Management

In the aftermath of the financial crisis, the management continued to tighten its credit policy on customers and was cautious on customer selection. As a result, the collection period in average has been shortened by 9 days. This helps keep the working capital of the Group in a better position. The increase in the trade receivables is attributable to significant growth of sales during the first quarter of 2010 as customers were concerned about the shortage of supply of pulp and restocking of their inventory level. Impaired receivable provision after write back of previous year's provision of HK$7.1 million was HK$16.7 million, which is at 0.25% (2009: 0.28%) of the Group's total revenue.

To cater for the demand for paper products in the coming months, the stock level as at 31 March 2010 is higher than that of the last corresponding year. The increase was also attributable to more sales offices operating for the year as well as keeping stock in the mill for customers' demand. To maintain a stronger working capital position, the Group is able to reduce the average inventory turnover day in tonnes by 2 days for the year.

Employees and Remuneration Policies

As at 31 March 2010, the Group employed 1,575 staff members, 151 of whom are based in Hong Kong and 1,098 are based in the PRC and 326 are based in other Asian countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund, medical insurance and the use of a share option scheme to reward high-calibre staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

Liquidity and Financial Resources

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2010, short term deposits plus bank balances amounted to HK$593 million (including restricted bank deposits of HK$130 million) and bank borrowings amounted to HK$1,350 million.

As at 31 March 2010, the Group's gearing ratio was 42.2% (2009: 29.5%), calculated as net debt divided by total capital. The increase in the ratio is due to the growth in working capitals catering for the customers' demand. Net debt of HK$757 million is calculated as total borrowings of HK$1,350 million (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK$593 million. Total capital is calculated as total equity of HK$1,038 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.16 times (2009: 1.28 times).

With bank balances and other current assets amounted to HK$2,756 million as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital for its present requirement.

Foreign Exchange Risk

The Group's transaction currencies are principally denominated in Renminbi, United States dollar and Hong Kong dollar. The Group hedged its position with foreign exchange contracts and options when considered necessary. The Group has continued to obtain Renminbi loans which provide a natural hedge against currency risks. As at 31 March 2010, bank borrowings in Renminbi amounted to HK$84 million (2009: HK$43 million). The remaining borrowings are mainly in Hong Kong dollar. The majority of the Group's borrowings bear interest costs which are based on floating interest rates. As at 31 March 2010, the Group has no outstanding interest rate swap contracts (2009: Nil).

Contingent Liabilities and Charge of Assets

As at 31 March 2010, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2010 amounted to HK$1,345 million (2009: HK$1,059 million).

Certain prepaid premium for land leases, buildings and investment properties of the Company's subsidiaries, with a total carrying value of HK$165 million as at 31 March 2010 (2009: HK$166 million) were pledged to banks as securities for bank loans of HK$47 million (2009: HK$70 million) and trust receipt loans of HK$238 million (2009: HK$161 million) granted to the Group.

Corporate Governance Practices

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

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions (the "Code Provisions") of the "Code on Corporate Governance Practices" (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code. Throughout the financial year of 2010, the Company has met the Code Provisions set out in the Code except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's bye-laws.

Board of Directors

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

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

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

Board of Directors (continued)

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

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

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

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

Chairman and Chief Executive Officer

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

Non-executive Directors

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

Remuneration of Directors

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

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

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

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

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

Nomination of Directors

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

Audit Committee

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

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

The Committee members possess diversified industry experience and the Chairman has professional qualifications and experience in financial matters. The Audit Committee met two times during the year, together with senior management and auditors, both internal and external, if considered necessary, to review the Company's internal controls and risk management process, financial reporting and compliance procedures, financial results and reports and to assess the external auditor for re-appointment. The Audit Committee reviews the interim and annual financial statements before submission to the Board for approval. The Group's unaudited interim results and audited annual results for 2010 had been reviewed by the Audit Committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

Audit Committee (continued)

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

Internal Control and Risk Management

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

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

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

In the year 2009/2010, the internal audit reports of the Group were completed regularly and sent to the Audit Committee to review. According to the assessments made by the Board and the Group's Internal Audit team in 2009, the Audit Committee is satisfied that:

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

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

Business Planning and Budgeting

The Group's budget meeting is held annually in the beginning of each year. It is a key control process in business planning. The budget meeting of the year 2010/2011 was held in February 2010. The scope of the meeting included the following areas:

1. Sales/product strategy;

2. Market analysis and competitor profile;

3. Purchasing strategy; and

4. Customers analysis.

Business Planning and Budgeting (continued)

On the other hand, the half-yearly performance review for the year 2009/2010 (i.e. April to September 2009) was conducted in October 2009. The monthly performance reviews for the same year were carried out as well. It is important to monitor results and progress against the budget. Revenue and expenditures were compared with the budget and projections were revised when considered necessary.

Auditor's Remuneration

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

Service	Fee charged HK$'000
(a) Audit services	1,800
(b) Tax compliance services	239
(c) Other assurance services	59

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code throughout the year of 2010.

Financial Reporting

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

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

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

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

Communication with Shareholders

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

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31 March 2010.

Principal Activities and Geographical Analysis of Operations

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

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

Results and Appropriations

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

The Directors have declared an interim dividend of HK1.0 cent per share, totalling HK$6,358,000, which was paid on 20 January 2010.

The Directors recommend the payment of a final dividend of HK2.0 cents per share, totalling HK$12,731,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 28 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK$220,000.

Property, Plant and Equipment

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

Share Capital

Details of the movements in share capital of the Company are set out in note 27 to the accounts.

Distributable Reserves

Distributable reserves of the Company at 31 March 2010, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$266,325,000 (2009: HK$253,415,000).

Pre-emptive Rights

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

Five Year Financial Summary

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

	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000
Revenue	3,120,108	3,146,763	3,834,380	3,744,184	3,861,245
Profit attributable to equity holders	30,449	50,867	71,564	19,433	63,041
Total assets	2,029,301	2,175,209	2,891,598	3,047,381	3,733,012
Total liabilities	1,391,402	1,468,346	2,068,609	2,080,096	2,694,869
Total equity	637,899	706,863	822,989	967,285	1,038,143

Purchase, Sale or Redemption of Securities

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

Share Options

At the Special General Meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. At 31 March 2010, no option has been granted under the Option Scheme. Terms and conditions of the Option Scheme are set out below.

(1) Purpose

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

(2) Participants

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

(3) Maximum number of shares

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

(4) Maximum entitlement of each Participant

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

Share Options (continued)

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

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

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

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

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

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

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

Directors

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

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

Non-executive Director
Mr. LAU Wang Yip, Eric (note)

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

Note: Mr. CHOW Wing Yuen, Mr. LEE Yue Kong, Albert and Mr. TONG Yat Chong retire in accordance with clause 99 of the Company's bye-laws and, being eligible, offer themselves for re-election.

Directors' Service Contracts

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

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

Directors' Interests in Contracts

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

Biographical Details of Directors and Senior Management

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

Executive Directors
Mr. SHAM Kit Ying (alias SHAM Kit), aged 84, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 51 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 53, 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 51, 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 32 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 44, 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 54, 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 27 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 54, is a qualified accountant and has over 27 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 43, 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 53, is a qualified accountant and has over 25 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 43, 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.

Mr. Ng was also appointed as an independent non-executive director of Mexan Limited (stock code: 22) on 19 April 2007. He has also been a member of the Criminal Law and Procedure Committee of the Law Society of Hong Kong since January 2007. He was appointed as a Notary Public of Hong Kong on 3 April 2008.

Biographical Details of Directors and Senior Management (continued)

Senior Management

Mr. CHU Wai Kwong, aged 53, is a Sales Director of Samson Paper (China) Company Limited. He joined the Group in 1976. He has over 24 years of sales experience in the paper distribution industry and is responsible for the purchases of packaging boards and overseeing the general operations in China.

Mr. HOI Tin On, Joseph, aged 48, is the Sales and Marketing Director of Universal Pulp and Paper (Shandong) Co. Ltd.. He joined the Group in 1990. He has over 24 years of working experience in the paper distribution industry.

Mr. CHAN Kwok Keung, aged 50, is a Sales Director (Northern China) of Samson Paper (China) Company Limited. He joined the Group in 1990 and has over 23 years of working experience in the paper distribution industry and is responsible for the purchases of printing paper and overseeing the general operations in Northern China.

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

As at 31 March 2010, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(a) Long position in shares of the Company

Ordinary shares of HK$0.10 each

		Number of ordinary shares beneficially held				
	Capacity	Personal interest	Corporate interest	Family interest	Total	Percentage
Mr. LEE Seng Jin	Beneficial owner	64,229,844	278,234,156	16,712,556	359,176,556	71.30%
Ms. SHAM Yee Lan, Peggy	Beneficial owner	572,556	16,140,000	342,464,000	359,176,556	71.30%
Mr. CHOW Wing Yuen	Beneficial owner	540,000	—	—	540,000	0.11%

Convertible non-voting preference shares ("CP shares") of HK$0.10 each

		Number of CP shares beneficially held				
	Capacity	Personal interest	Corporate interest	Family interest	Total	Percentage
Mr. LEE Seng Jin	Beneficial owner	—	132,064,935	—	132,064,935	100%

Warrant at a subscription price of HK$0.80 per share which will be expired on 4 June 2010

		Number of warrants held				
	Capacity	Personal interest	Corporate interest	Family interest	Total	Percentage
Mr. LEE Seng Jin	Beneficial owner	6,171,489	—	2,785,426	8,956,915	28.09%
Ms. SHAM Yee Lan, Peggy	Beneficial owner	95,426	2,690,000	6,171,489	8,956,915	28.09%
Mr. CHOW Wing Yuen	Beneficial owner	90,000	—	—	90,000	0.28%

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

(a) Long position in shares of the Company (continued)

Save as disclosed above, as at 31 March 2010, none of the Directors and chief executives had any interests or short positions in the shares, underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

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

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

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

At 31 March 2010, the interests and short positions of the shareholders other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO are as follows:

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

Name of shareholder	Number of ordinary shares	Percentage
Quinselle Holdings Limited (note)	278,234,156	55.23%

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

Name of shareholder	Number of CP shares	Percentage
Quinselle Holdings Limited (note)	132,064,935	100%

Note: Quinselle Holdings Limited is wholly owned by Mr. Lee Seng Jin.

Save as disclosed above, the register which is required to be kept under Section 336 of the SFO shows that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 March 2010.

Management Contracts

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

Major Customers and Suppliers

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

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

Independence of Independent Non-executive Directors

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

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

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

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

Independent Auditor

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

On behalf of the Board

SHAM Kit Ying
Chairman

Hong Kong, 13 July 2010

PricewaterhouseCoopers

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Independent Auditor's Report
To the shareholders of Samson Paper Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Samson Paper Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 79, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 July 2010

Consolidated Profit and Loss Account

For the financial year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	5	3,861,245	3,744,184
Cost of sales		(3,420,242)	(3,388,345)
Gross profit		441,003	355,839
Other gains and income, net	5	19,881	10,904
Selling expenses		(178,204)	(139,298)
Administrative expenses		(142,546)	(124,314)
Other operating expenses		(13,115)	(18,662)
Operating profit	6	127,019	84,469
Finance costs	7	(29,984)	(48,481)
Share of profit of an associated company		405	166
Profit before taxation		97,440	36,154
Taxation	8	(33,843)	(16,780)
Profit for the year		63,597	19,374
Attributable to:			
Equity holders of the Company		63,041	19,433
Minority interests		556	(59)
		63,597	19,374
Earnings per share			
Basic	11	HK12.8 cents	HK4.4 cents
Diluted	11	HK10.1 cents	HK4.0 cents

The notes on pages 31 to 79 are an integral part of these financial statements.

	Note	2010 HK$'000	2009 HK$'000
Dividends	10	19,089	5,723

Consolidated Statement of Comprehensive Income

For the financial year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	63,597	19,374
Other comprehensive income/(loss)		
Currency translation differences	11,719	(1,572)
Share of reserves of an associated company	200	(2,119)
Deferred tax liabilities on assets revaluation	—	(2,910)
Other comprehensive income/(loss) for the year, net of tax	11,919	(6,601)
Total comprehensive income for the year	75,516	12,773
Attributable to:		
— Equity holders of the Company	73,765	13,658
— Minority interests	1,751	(885)
Total comprehensive income for the year	75,516	12,773

The notes on pages 31 to 79 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	14	753,689	673,755
Prepaid premium for land leases	15	62,113	63,260
Investment properties	16	115,000	115,000
Intangible assets	17	41,280	38,631
Interest in an associated company	19(a)	—	60,140
Deferred tax assets	30	4,956	5,379
		977,038	956,165
Current assets			
Inventories	20	696,455	435,750
Accounts receivable, deposits and prepayments	21	1,388,730	976,854
Financial assets at fair value through profit or loss	22	15,197	11,434
Taxation recoverable		1,441	2,428
Restricted bank deposits	23	129,792	70,046
Bank balances and cash	24	463,614	594,704
		2,695,229	2,091,216
Non-current asset held for sale	19(b)	60,745	—
		2,755,974	2,091,216
Current liabilities			
Accounts payable and accruals	25	1,299,176	946,792
Trust receipt loans	26	795,680	523,060
Taxation payable		17,285	10,466
Financial liabilities at fair value through profit or loss	22	—	356
Borrowings	26	254,171	152,962
		2,366,312	1,633,636
Net current assets		389,662	457,580
Total assets less current liabilities		1,366,700	1,413,745
Equity			
Equity attributable to owners of the parent			
Share capital	27	63,585	63,485
Reserves	28	951,030	895,654
Proposed final dividend	28	12,731	—
		963,761	895,654
		1,027,346	959,139
Minority interests		10,797	8,146
Total equity		1,038,143	967,285
Non-current liabilities			
Borrowings	26	300,143	393,763
Deferred tax liabilities	30	28,414	18,722
Other payable	29	—	33,975
		328,557	446,460
		1,366,700	1,413,745

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

The notes on pages 31 to 79 are an integral part of these financial statements.

Balance Sheet

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Interests in subsidiaries	18	249,897	249,897
Current assets			
Amounts due from subsidiaries	18	304,212	290,990
Tax recoverable		—	20
Bank balances and cash	24	893	89
		305,105	291,099
Current liabilities			
Accruals		664	385
Tax payable		17	—
		681	385
Net current assets		304,424	290,714
Total assets less current liabilities		554,321	540,611
Equity			
Equity attributable to owners of the parent			
Share capital	27	63,585	63,485
Reserves	28	478,005	477,126
Proposed final dividend	28	12,731	—
		490,736	477,126
Total equity		554,321	540,611

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

The notes on pages 31 to 79 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2008	42,926	247,421	523,611	813,958	9,031	822,989
Comprehensive income						
Profit for the year	—	—	19,433	19,433	(59)	19,374
Other comprehensive income/(loss)						
Deferred tax charged to equity	—	(2,910)	—	(2,910)	—	(2,910)
Currency translation differences	—	(746)	—	(746)	(826)	(1,572)
Share of reserves of an associated company	—	(2,119)	—	(2,119)	—	(2,119)
Total other comprehensive income/(loss)	—	(5,775)	—	(5,775)	(826)	(6,601)
Total comprehensive income/(loss)	—	(5,775)	19,433	13,658	(885)	12,773
Issuance of preference shares, net of issuance expenses	14,309	83,668	—	97,977	—	97,977
Issuance of ordinary shares	6,250	43,750	—	50,000	—	50,000
2007–2008 final dividend paid	—	—	(10,731)	(10,731)	—	(10,731)
2008–2009 interim dividend paid	—	—	(5,723)	(5,723)	—	(5,723)
At 31 March 2009	63,485	369,064	526,590	959,139	8,146	967,285
At 1 April 2009 as per above	63,485	369,064	526,590	959,139	8,146	967,285
Comprehensive income						
Profit for the year	—	—	63,041	63,041	556	63,597
Other comprehensive income						
Currency translation differences	—	10,524	—	10,524	1,195	11,719
Share of reserves of an associated company	—	200	—	200	—	200
Total other comprehensive income	—	10,724	—	10,724	1,195	11,919
Total comprehensive income	—	10,724	63,041	73,765	1,751	75,516
Issuance of ordinary shares	100	700	—	800	—	800
Capital contribution by minority interests	—	—	—	—	900	900
2009–2010 interim dividend paid	—	—	(6,358)	(6,358)	—	(6,358)
Reserves	63,585	380,488	570,542	1,014,615	10,797	1,025,412
Proposed 2009–2010 final dividend	—	—	12,731	12,731	—	12,731
At 31 March 2010	63,585	380,488	583,273	1,027,346	10,797	1,038,143

The notes on pages 31 to 79 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Operating activities			
Cash (used in)/generated from operations	31(a)	(214,659)	458,388
Interest paid		(33,847)	(57,298)
Hong Kong profits tax paid		(6,659)	(10,521)
Overseas taxation paid		(9,263)	(6,706)
Net cash (used in)/generated from operating activities		(264,428)	383,863
Investing activities			
Purchase of property, plant and equipment		(103,932)	(245,264)
Purchase of intangible assets		(272)	(586)
Proceeds from disposal of property, plant and equipment		8,896	1,431
Deposit received for disposal of interests in an associated company		6,500	—
Capital element received from finance lease receivables		—	1,658
Interest element received from finance lease receivables		—	61
Interest received		3,812	6,784
Dividends received from investments in financial assets		914	1,149
Net cash used in investing activities		(84,082)	(234,767)
Financing activities			
Bank loans raised	31(b)	84,767	410,563
Repayment of bank loans	31(b)	(73,816)	(440,275)
Repayment of finance lease liabilities		(7,270)	(9,303)
Increase in restricted bank deposits		(59,746)	(9,811)
Increase in trust receipt loans		272,620	80,237
Dividends paid to shareholders		(6,358)	(16,454)
Issuance of preference shares, net of issuance expenses		—	97,977
Issuance of ordinary shares		800	50,000
Capital contribution by minority interests		900	—
Net cash generated from financing activities		211,897	162,934
Effect of changes in exchange rates on cash and cash equivalents		2,953	1,606
Net (decrease)/increase in cash and cash equivalents		(133,660)	313,636
Cash and cash equivalents at the beginning of the year		594,704	281,068
Cash and cash equivalents at the end of the year	24	461,044	594,704

The notes on pages 31 to 79 are an integral part of these financial statements.

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing, trading and marketing of paper products. The Group also engages in trading of consumable aeronautic parts 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 Hong Kong dollars, unless otherwise stated. These consolidated accounts have been approved for issue by the Board of Directors on 13 July 2010.

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 ("HKICPA"). They 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.

The changes in accounting policy and disclosures are set out below:

(i) New standards, revised standards and amendments to existing standards adopted by the Group

The Group has adopted the following new and amended HKFRS, which are relevant to the Group's operations, since 1 April 2009:

- HKAS 1 (revised) "Presentation of financial statements". The revised standard requires "non-owner changes in equity" to be presented separately from owner changes in equity. As a result the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all "non-owner changes in equity" are presented in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the profit and loss account and statement of comprehensive income). The Group has elected to present two statements: profit and loss account and a statement of comprehensive income. The consolidated accounts have been prepared under the revised disclosure requirements.

- HKAS 23 (revised) "Borrowing costs". The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This amendment does not have a material impact on the Group's consolidated accounts as the Group has already chosen the allowed alternative treatment to capitalise borrowing costs attributable to qualifying assets under the original HKAS 23.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of Preparation (continued)

(i) *New standards, revised standards and amendments to existing standards adopted by the Group (continued)*

- HKFRS 2 (amendment) “Share-based payment”. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have any financial impact on the Group’s consolidated accounts as no share options were issued under the Company’s share option scheme (note 27 (d)) as at 31 March 2010.

- HKFRS 7 “Financial instruments — Disclosures” (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8 “Operating segments”. HKFRS 8 replaces HKAS 14 “Segment reporting”. The new standard requires a ”management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. There is no significant change in the operating segments for the Group. Operating segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-marker has been identified as the Executive Directors who make strategic decisions.

  Goodwill relating to previous acquisition of marine service business remains in that operating segment included in “Others” (note 5).

(ii) *New standards, revised standards and amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments to existing standards and interpretations, which are relevant to the Group’s operations, have been published and are mandatory for the Group’s accounting periods beginning on or after 1 April 2010 or later periods, but the Group has not early adopted them:

HKFRS (amendments)	Improvements to HKFRS 2009
HKFRS (amendments)	Improvements to HKFRS 2010
HKFRS 2 (amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (revised)	Business combinations
HKFRS 9	Financial instruments
HKAS 24 (revised)	Related party disclosures
HKAS 27 (revised)	Consolidated and separate financial statements
HKAS 32 (amendment)	Classification of right issues
HKAS 39 (amendment)	Eligible hedged items
HK(IFRIC) 14 (amendments)	Prepayment of a minimum funding requirement
HK(IFRIC) 17	Distributions of non-cash assets to owners
HK(IFRIC) 19	Extinguishing financial liabilities with equity instruments

The Group has already commenced an assessment of the related impact of adopting the above new, revised or amended standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group’s accounting policies and presentation of the consolidated financial statements will be resulted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

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

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (note 2.6). 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 consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

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 2.9). 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 acquired of the carrying value of 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 identified on acquisition, net of any accumulated impairment loss (note 2.9).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

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

Dilution gains and losses arising in investments in associates are recognised in the consolidated profit and loss account.

2.3 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 dollar, 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.

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.

(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 of 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

Buildings comprise mainly warehouses and offices. Subsequent to initial recognition, buildings are carried at their revalued amounts less subsequent accumulated depreciation and impairment losses. Valuation of buildings inside and outside Hong Kong are valued by external independent valuers on a regular basis with an interval of not more than 3 years. In the intervening years, the directors review the carrying value of the buildings and adjustment is made where they consider that there has been a material change. 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 comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income; 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	4% 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 2.9).

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 "asset revaluation reserve" are transferred to retained earnings.

2.5 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the cost of construction of buildings, the cost of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2.4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets

(a) *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 operating segment in which it operates.

(b) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Costs incurred to acquire and bring specific computer software licences to working condition are capitalised and amortised over their estimated useful lives of ten years, which do not exceed ten years.

2.7 Investment properties

Investment property is defined as property held to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. 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 the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the profit and loss account.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets

2.8.1 Classification

The Group classifies its investments in the following categories: at fair value through profit or loss, 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.

(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", "restricted bank deposits", "bank balances and cash" in the balance sheet.

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the 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 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 the income statement. 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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

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, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

Assets that have an indefinite useful life 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.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate accounts exceeds the carrying amount in the consolidated accounts of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss accounts. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

2.11 Non-current asset held for sale

Non-current asset is classified as assets held for sale when its carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. It is stated at the lower of carrying amount and fair value less costs to sell if its carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for trading merchandise is determined using the first-in, first-out method and cost for manufactured merchandise is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.14 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.

2.15 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.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the profit and loss account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Share capital

Ordinary shares and convertible non-voting preference shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and 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 the relevant services are rendered.

Operating lease rental income is recognised on a straight-line basis over lease period of the lease. When the properties provide incentives to its tenants, the cost of incentives will be recognised over the lease term, on a straight-line basis, as a reduction of rental income.

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.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2.21 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(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.

2.22 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), including upfront payment made for leasehold land and land use rights, are charged to the profit and loss account on a straight-line basis over the period of the lease.

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the 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 only 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 associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's and the Company'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, price 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 reduce 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 is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi and United States dollar. 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 contracts to reduce foreign exchange risk.

The carrying amounts of the Group's accounts receivable are mainly denominated in Hong Kong dollar and Renminbi. The carrying amounts of the Group's accounts payable and accruals are mainly denominated in Hong Kong dollar, Renminbi and United States dollar. The carrying amounts of cash and bank balances are mainly denominated in Hong Kong dollar, Renminbi and United States dollar. The carrying amounts of trust receipt loans are mainly denominated in Hong Kong dollar.

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 and trust receipt loans denominated in the relevant foreign currencies.

At 31 March 2010, if Hong Kong dollar had weakened/strengthened by 5% against the Renminbi with all other variables held constant, post-tax profit for the year would have been HK$8,056,000 (2009: HK$6,546,000) higher/lower, mainly as a result of the foreign exchange gains/losses on translation of Renminbi-denominated bank balances and cash, trade and other receivables, and the foreign exchange losses/gains on translation of Renminbi-denominated borrowings. Profit or loss is less sensitive to movements in Hong Kong dollar/Renminbi exchange rates in 2010 than 2009 because of the increased amount of Renminbi-denominated borrowings which was acted as a natural hedge against Renminbi-denominated bank balances and cash, and trade and other receivables.

Hong Kong dollar is pegged to United States dollar at a range between 7.75 to 7.85, the foreign exchange exposure between United States dollar and Hong Kong dollar is therefore limited.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through profit or loss. With all other variables held constant, if the average future prices of equity securities increase/decrease by 5%, the impact on the post-tax profit for the year would increase/decrease by HK$760,000 (2009: HK$558,000).

(iii) Cash flow interest-rate risk

As the Group and the Company has no significant interest-bearing assets, the Group's and the Company'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. As at 31 March 2010, borrowings were primarily at floating interest rates.

At 31 March 2010, if interest rates on Hong Kong dollar-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been HK$6,945,000 (2009: HK$7,347,000) 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 cash and bank deposits, trade and accounts receivables, and other financial assets (including derivative financial instruments) at fair value through profit or loss.

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

Credit risk on trade debtors is managed by management of the individual business units and monitored by the Group's management on a group basis. The Group's trade debtors are mainly market leaders in their industries with low credit risk. For other smaller customers, management assesses their credit quality by considering its financial position, past experience and other relevant factors. The utilisation of credit limits is regularly monitored. Debtors with overdue balances will be requested to settle their outstanding balance.

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 5% 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 amount of cash and bank deposits, trade and other receivables and other financial assets at fair value through profit or loss included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Company has no significant concentrations of credit risk. The carrying amounts of bank balances and balances with group companies included in the balance sheet represent the Company's maximum exposure to credit risk in relation to its financial assets.

As at 31 March 2010, management does not expect any major impairment on receivables from group companies.

(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 (note 26) and cash and cash equivalents (note 24) on the basis of expected cash flow.

The table below analyses the Group's and the Company's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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
Group			
At 31 March 2010			
Bank borrowings	255,247	163,761	148,200
Trust receipt loans	798,332	—	—
Accounts payable and accruals	1,299,176	—	—
Finance lease liabilities	3,097	1,786	—
At 31 March 2009			
Bank borrowings	149,357	158,354	257,262
Trust receipt loans	525,065	—	—
Derivative financial instruments	356	—	—
Accounts payable and accruals	946,792	33,975	—
Finance lease liabilities	5,676	4,698	1,681
Company			
At 31 March 2010			
Accruals	664	—	—
At 31 March 2009			
Accruals	385	—	—

As at 31 March 2010, the Group does not have forward foreign exchange contracts.

The Company provides corporate guarantees as disclosed in note 32.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

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

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

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, bank balances and restricted deposits. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

	Group	
	2010 HK'000	2009 HK'000
Total borrowings (note 26)	1,349,994	1,069,785
Less: Cash, bank balances and restricted deposits	(593,406)	(664,750)
Net debt	756,588	405,035
Total equity	1,038,143	967,285
Total capital	1,794,731	1,372,320
Gearing ratio	42.2%	29.5%

The increase in the gearing ratio is due to the increase in net debt for financing purchases to meet customers' demand during the year.

3.3 Fair value estimation

Effective 1 April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 March 2010.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
— Trading securities	619	—	—	619
— Mutual funds	—	14,578	—	14,578
	619	14,578	—	15,197

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

There has been no transfer of financial assets and liabilities between levels 1, 2 and 3 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed securities in overseas.

The fair value of financial instruments that are not traded in an active market (for example, mutual funds) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value as instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. There is no quoted market price in an active market for certain financial assets and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed without incurring excessive costs.

The carrying amount of receivables, bank balances, payables and bank borrowings 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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). Goodwill is not impaired where the discount rate and growth rate used differ by 5% from management estimates.

(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 properties, 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.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. The calculations require the use of judgements and estimates.

(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 potential. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current bases and assumptions about rental income on 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	
	2010 HK$'000	2009 HK$'000
Revenue		
Sale of goods	3,779,004	3,601,798
Provision of services	82,241	142,386
	3,861,245	3,744,184
Other gains and income, net		
Interest income	3,812	6,845
Dividend income — listed investments	914	912
Fair value losses on investment properties	—	(2,000)
Rental income	7,120	7,813
Net gains/(losses) on investments in financial assets	4,048	(5,399)
Others	3,987	2,733
	19,881	10,904

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from the perspective of the nature of products and services. The chief operating decision-maker assesses the performance of the operating segments based on a measure of segment profit/(loss) without allocation of finance costs which is consistent with that in the accounts.

At 31 March 2010, the Group is organised on a worldwide basis into three main business segments:

(1) Paper trading: trading and marketing of paper products;

(2) Paper manufacturing: manufacturing of paper products;

(3) Others: including trading and marketing of aeronautic parts and provision of related services and the provision of marine services to marine, oil and gas industries and provision of logistics services.

Segment assets consist primarily of property, plant and equipment, prepaid premium for land leases, investment properties, intangible assets, interest in an associated company, inventories, receivables, financial assets at fair value through profit or loss, non-current asset held for sale and operating cash. They exclude deferred tax assets and taxation recoverable.

Segment liabilities comprise accounts payable and accruals and financial liabilities at fair value through profit or loss and trust receipt loans.

Capital expenditure comprises additions to property, plant and equipment (note 14) and intangible assets (note 17).

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

The segment information for the year ended and as at 31 March 2010 is as follows:

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Total segment revenue	3,429,186	508,163	132,552	4,069,901
Inter-segment revenue	(52,716)	(151,398)	(4,542)	(208,656)
Revenue from external customers	3,376,470	356,765	128,010	3,861,245
Reportable segment results	126,139	22,212	(5,100)	143,251
Corporate expenses				(16,232)
Operating profit				127,019
Finance costs				(29,984)
Share of profit of an associated company	405	—	—	405
Profit before taxation				97,440
Taxation				(33,843)
Profit for the year				63,597
Other items for the year ended 31 March 2010:				
Finance income	3,558	45	209	3,812
Depreciation of property, plant and equipment	6,228	12,839	8,668	27,735
Amortisation of prepaid premium for land leases	712	—	65	777
Amortisation of intangible assets	528	15	—	543
Capital expenditure	15,226	93,329	1,121	109,676

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Segment assets	2,597,675	825,112	241,879	3,664,666
Non-current asset held for sale	60,745	—	—	60,745
Reportable segment assets	2,658,420	825,112	241,879	3,725,411
Taxation recoverable				1,441
Deferred tax assets				4,956
Corporate assets				1,204
Total assets				3,733,012
Reportable segment liabilities	1,828,508	215,118	42,998	2,086,624
Taxation payable				17,285
Deferred tax liabilities				28,414
Corporate liabilities				562,546
Total liabilities				2,694,869

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

The segment information for the year ended and as at 31 March 2009 is as follows:

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Total segment revenue	3,395,969	228,923	252,339	3,877,231
Inter-segment revenue	—	(94,388)	(38,659)	(133,047)
Revenue from external customers	3,395,969	134,535	213,680	3,744,184
Reportable segment results	81,869	4,198	9,495	95,562
Corporate expenses				(11,093)
Operating profit				84,469
Finance costs				(48,481)
Share of profit of an associated company	166	—	—	166
Profit before taxation				36,154
Taxation				(16,780)
Profit for the year				19,374
Other items for the year ended 31 March 2009:				
Finance income	6,437	315	93	6,845
Depreciation of property, plant and equipment	5,596	2,227	11,300	19,123
Amortisation of prepaid premium for land leases	719	—	62	781
Amortisation of intangible assets	86	—	—	86
Capital expenditure	50,719	426,033	3,657	480,409

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Segment assets	2,170,735	550,886	257,420	2,979,041
Interest in an associated company	60,140	—	—	60,140
Reportable segment assets	2,230,875	550,886	257,420	3,039,181
Taxation recoverable				2,428
Deferred tax assets				5,379
Corporate assets				393
Total assets				3,047,381
Reportable segment liabilities	1,229,190	229,291	44,117	1,502,598
Taxation payable				10,466
Deferred tax liabilities				18,722
Corporate liabilities				548,310
Total liabilities				2,080,096

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

The Group's operating segments operate in the following geographical areas, even though they are managed on a worldwide basis.

	Group			
	Revenue		Non-current assets[1]	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Hong Kong	1,174,870	1,411,330	223,625	289,262
The PRC[2]	2,251,900	1,929,284	651,892	564,416
Singapore	119,412	180,081	94,907	95,509
Korea	268,001	165,196	1,444	1,180
Malaysia	47,062	58,293	214	419
	3,861,245	3,744,184	972,082	950,786

1 Non-current assets exclude deferred tax assets.
2 The PRC, for the presentation purpose in these accounts, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan.

For the year ended 31 March 2010, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (2009: Nil).

6 OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	Group	
	2010 HK$'000	2009 HK$'000
Charging		
Raw materials and consumables	357,092	133,488
Changes in finished goods	3,006,833	3,147,104
Depreciation of property, plant and equipment	27,735	19,123
Amortisation of prepaid premium for land leases	777	781
Amortisation of intangible assets	543	86
(Gains)/losses on disposal of property, plant and equipment	(252)	1,102
Operating lease rentals in respect of:		
— land and buildings	9,412	7,192
— aircraft and related equipments	8,432	20,831
Transportation costs	108,572	80,793
Provision for impairment on inventories	2,712	3,594
Provision for impairment on receivables	16,701	13,542
Employee benefits expenses (note 12)	104,138	107,994
Auditor's remuneration	2,630	3,368
Net exchange (gains)/losses	(4,898)	6,344
Crediting		
Realised and unrealised gains on derivative financial instruments	71	3,456
Provision for impairment on receivables written back	7,103	2,863

7 FINANCE COSTS

	Group	
	2010 HK$'000	2009 HK$'000
Interest on bank borrowings and finance lease obligations wholly repayable within 5 years	19,728	39,680
Interest on trade credit facilities	14,119	17,618
Less: amount capitalised in property, plant and equipment and construction in progress	(3,863)	(8,817)
	29,984	48,481

The weighted average interest rate on the above capitalised borrowings is approximately 1.5% per annum (2009: 3.2% per annum).

8 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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	
	2010 HK$'000	2009 HK$'000
Hong Kong profits tax	9,361	8,964
Overseas taxation	14,742	6,436
(Over)/under provision in previous years	(375)	330
Deferred taxation relating to origination and reversal of temporary differences (note 30)	10,115	1,050
	33,843	16,780

8 TAXATION (continued)

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:

	Group	
	2010 HK$'000	2009 HK$'000
Profit before taxation	97,440	36,154
Less: Share of results of an associated company	(405)	(166)
	97,035	35,988
Calculated at a taxation rate of 16.5% (2009: 16.5%)	16,011	5,938
Effect of different taxation rates in other countries	8,256	839
Income not subject to taxation	(2,217)	(4,129)
Expenses not deductible for taxation purposes	11,309	10,611
Tax losses not recognised	935	2,461
Effect of change of tax rate	—	(41)
(Over)/under provision in previous years	(375)	330
Others	(76)	771
	33,843	16,780

According to the New Corporate Income Tax Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at rate of 10% for other foreign investors. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the year ended 31 March 2010 since the Group plans to utilise such profits in the PRC and has no plan to distribute such profits in the foreseeable future.

There is no tax impact relating to components of other comprehensive income for the year ended 31 March 2010 and 2009.

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$19,268,000 (2009: HK$5,803,000) (note 28).

10 DIVIDENDS

	Group and Company	
	2010 HK$'000	2009 HK$'000
Interim — HK$0.01 (2009: HK$0.01) per ordinary share	5,038	4,292
Interim — HK$0.01 (2009: HK$0.01) per preference share	1,320	1,431
Proposed final — HK$0.02 (2009: Nil) per ordinary share	10,090	—
Proposed final — HK$0.02 (2009: Nil) per preference share	2,641	—
	19,089	5,723

At a meeting held on 13 July 2010, the Directors proposed a final dividend of HK$0.02 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 2011.

11 EARNINGS PER SHARE

(a) Basic

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	
	2010	2009
Profit attributable to shareholders (HK$'000)	63,041	19,433
Weighted average number of ordinary shares in issue ('000)	492,254	438,302
Basic earnings per share	HK 12.8 cents	HK 4.4 cents

11 EARNINGS PER SHARE (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: preference shares and warrants. The preference shares are assumed to be converted into ordinary shares. For warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. The Company has a share option scheme but no share option (2009: Nil) has been granted under the scheme. The exercise of warrants does not have any dilutive effect and therefore is not included in the calculation of diluted earnings per share.

	Group	
	2010	2009
Profit attributable to shareholders (HK$'000)	63,041	19,433
Weighted average number of ordinary shares in issue ('000)	492,254	438,302
Adjustment for:		
— Assumed conversion of preference shares ('000)	132,065	52,138
Weighted average number of shares for diluted earnings per share ('000)	624,319	490,440
Diluted earnings per share	HK10.1 cents	HK4.0 cents

12 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Group	
	2010 HK$'000	2009 HK$'000
Wages, salaries and bonus	100,363	103,499
Contributions to pension schemes	3,775	4,495
	104,138	107,994

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 March 2010 is set out below:

	2010					2009
	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000	Total HK$'000
Executive directors						
Sham Kit Ying	—	5,879	—	—	5,879	7,259
Lee Seng Jin	—	6,872	—	125	6,997	6,525
Sham Yee Lan, Peggy	—	1,660	—	51	1,711	1,711
Chow Wing Yuen	—	1,325	—	50	1,375	1,875
Lee Yue Kong, Albert	—	1,140	—	44	1,184	1,884
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 (2009: five) Directors whose emoluments are reflected in the analysis presented above.

14 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Buildings Inside Hong Kong HK$'000	Buildings Outside Hong Kong HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 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
Year ended 31 March 2009									
Opening net book amount	24,398	24,576	1,541	50,817	19,852	791	3,026	101,229	226,230
Exchange differences	–	(690)	3	(4,445)	(322)	206	3	969	(4,276)
Additions	–	–	503	233,054	4,458	835	2,638	233,567	475,055
Disposals	–	–	(712)	(103)	(1,194)	–	(524)	–	(2,533)
Depreciation	(603)	(1,394)	(391)	(10,748)	(6,041)	(253)	(1,291)	–	(20,721)
Closing net book amount	23,795	22,492	944	268,575	16,753	1,579	3,852	335,765	673,755
At 1 April 2009									
Cost or valuation	25,971	26,140	6,959	315,727	40,791	12,672	20,253	335,765	784,278
Accumulated depreciation	(2,176)	(3,648)	(6,015)	(47,152)	(24,038)	(11,093)	(16,401)	–	(110,523)
Net book amount	23,795	22,492	944	268,575	16,753	1,579	3,852	335,765	673,755
Year ended 31 March 2010									
Opening net book amount	23,795	22,492	944	268,575	16,753	1,579	3,852	335,765	673,755
Exchange differences	–	629	19	3,928	339	9	33	2,241	7,198
Additions	–	–	61	94,144	4,793	2,094	1,490	6,822	109,404
Disposals	–	–	–	(401)	(8,243)	–	–	–	(8,644)
Depreciation	(603)	(1,395)	(324)	(20,356)	(3,406)	(416)	(1,524)	–	(28,024)
Closing net book amount	23,192	21,726	700	345,890	10,236	3,266	3,851	344,828	753,689
At 31 March 2010									
Cost or valuation	25,971	26,847	7,067	415,126	31,348	14,781	21,840	344,828	887,808
Accumulated depreciation	(2,779)	(5,121)	(6,367)	(69,236)	(21,112)	(11,515)	(17,989)	–	(134,119)
Net book amount	23,192	21,726	700	345,890	10,236	3,266	3,851	344,828	753,689

Buildings situated in Hong Kong and outside Hong Kong were revalued at 31 March 2010 and 31 March 2008 respectively on the basis of open market value carried out by FPD Savills (Hong Kong) Limited, an independent firm of chartered surveyors.

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

	Group 2010 HK$'000	Group 2009 HK$'000
Cost	33,858	33,858
Accumulated depreciation	(10,625)	(9,621)
Net book amount	23,233	24,237

14 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

The analysis of the cost or valuation at 31 March 2010 of the above assets is as follows:

	Buildings Inside Hong Kong HK$'000	Buildings Outside Hong Kong HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At cost	–	–	7,067	415,126	31,348	14,781	21,840	344,828	834,990
At valuation	25,971	26,847	–	–	–	–	–	–	52,818
	25,971	26,847	7,067	415,126	31,348	14,781	21,840	344,828	887,808

The analysis of the cost or valuation at 31 March 2009 of the above assets is as follows:

	Buildings Inside Hong Kong HK$'000	Buildings Outside Hong Kong HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At cost	–	–	6,959	315,727	40,791	12,672	20,253	335,765	732,167
At valuation	25,971	26,140	–	–	–	–	–	–	52,111
	25,971	26,140	6,959	315,727	40,791	12,672	20,253	335,765	784,278

At 31 March 2010, construction in progress represented costs incurred for buildings, machineries and equipment in Shandong and Nantong, the PRC, for the construction of paper mills.

At 31 March 2010, buildings situated in Hong Kong and outside Hong Kong with carrying value amounted to approximately HK$23,192,000 (2009: HK$23,795,000) and HK$6,186,000 (2009: HK$6,044,000) respectively were pledged as securities for bank borrowings made available to the Group (note 34).

As at 31 March 2010, the aggregate net book amount of machinery and equipment held by the Group under finance leases was HK$9,445,000 (2009: HK$11,945,000). The net book amount of motor vehicles held by the Group under finance leases was HK$2,145,000 (2009: HK$5,806,000).

Depreciation expenses of HK$27,735,000 (2009: HK$19,123,000) has been charged in selling and administrative expenses and cost of sales and HK$289,000 (2009: HK$1,598,000) has been included in inventories and construction in progress.

On 20 February 2008, the Group entered into an asset transfer agreement (the "Asset Transfer Agreement") with receivers of two companies under liquidation in the PRC to acquire all the remaining assets of the two companies including land and factories which consisted of machineries currently in use, the production equipment, the power plant, the water treatment plant, and certain fixtures at a total consideration of RMB389 million (HK$440 million). As of 31 March 2010, the transfer of all machinery and production equipment at an approximate relative value of HK$270 million has been completed and payment of HK$240 million has been made. Up to the date of this report, the Directors have been working with the receivers and the relevant government authorities to complete the transfer of the title of the land use rights certificates and the building certificates. According to the Asset Transfer Agreement and with reference to a legal opinion, the consideration outstanding would become payable upon the satisfactory transfer of all titles of land and buildings to the Group. The Group has not recognised such assets and the corresponding consideration payable as at 31 March 2010. The Directors did not anticipate that the delay in obtaining the titles of land and buildings would have any significant financial and operation impact to the Group.

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 values are analysed as follows:

	Group	
	2010 HK$'000	2009 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	20,229	20,777
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	41,884	42,483
	62,113	63,260
At 1 April	63,260	64,146
Exchange differences	252	501
Amortisation	(1,399)	(1,387)
At 31 March	62,113	63,260

At 31 March 2010, prepaid premium for land leases situated in Hong Kong with carrying value amounted to approximately HK$20,229,000 (2009: HK$20,777,000) were pledged as securities for bank borrowings made available to the Group (note 34).

Amortisation expense for the year of HK$777,000 (2009: HK$781,000) has been charged in selling and administrative expenses and HK$622,000 (2009: HK$606,000) has been included in inventories.

16 INVESTMENT PROPERTIES

	Group	
	2010 HK$'000	2009 HK$'000
At 1 April	115,000	117,000
Fair value losses	—	(2,000)
At 31 March	115,000	115,000

The investment properties were revalued at 31 March 2010 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:

	Group	
	2010 HK$'000	2009 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	115,000	115,000

At 31 March 2010, the investment properties situated in Hong Kong with carrying value of HK$115,000,000 (2009: HK$115,000,000) were pledged as a security for bank borrowings made available to the Group (note 34).

17 INTANGIBLE ASSETS

	Group		
	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2008			
Cost	—	36,932	36,932
Net book amount	—	36,932	36,932
Year ended 31 March 2009			
Opening net book amount	—	36,932	36,932
Exchange differences	—	(3,569)	(3,569)
Addition	5,354	—	5,354
Amortisation	(86)	—	(86)
Closing net book amount	5,268	33,363	38,631
Year ended 31 March 2009			
Cost	5,354	33,363	38,717
Accumulated amortisation	(86)	—	(86)
Net book amount	5,268	33,363	38,631
Year ended 31 March 2010			
Opening net book amount	5,268	33,363	38,631
Exchange differences	(47)	2,967	2,920
Addition	272	—	272
Amortisation	(543)	—	(543)
Closing net book amount	4,950	36,330	41,280
Year ended 31 March 2010			
Cost	5,588	36,330	41,918
Accumulated amortisation	(638)	—	(638)
Net book amount	4,950	36,330	41,280

The Group completed its annual impairment test for goodwill allocated to the Group's cash generating unit ("CGU") by comparing their recoverable amount to their carrying amount 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.

17 INTANGIBLE ASSETS (continued)

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

	Group	
	2010	2009
Gross margin	37%	35%
Growth rate	0%	0%
Discount rate	10%	10%

Goodwill is associated with the marine services in Singapore.

The Directors are of the opinion that there was no impairment of goodwill as at 31 March 2010 (2009: Nil).

18 INTERESTS IN SUBSIDIARIES

	Company	
	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost (note (a))	249,897	249,897
Amounts due from subsidiaries (note (b))	304,212	290,990

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 March 2010 are set out in note 37 to the accounts.

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

19(a) INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2010 HK$'000	2009 HK$'000
Share of net assets	—	57,179
Goodwill	—	2,961
	—	60,140

On 5 March 2010, the Group entered into a sale and purchase agreement with a third party to dispose of 13.5% interest in United Pulp & Paper Company Limited at a cash consideration of approximately HK$65 million (the "Agreement"). Pursuant to the Agreement, the consideration will be settled in 6 installments with the last installment to be made on or before 15 April 2011 and the completion will take place upon settlement of the last installment. As at 31 March 2010, the Directors have classified the Group's interest in United Pulp & Paper Company as a non-current asset held for sale and ceased the equity accounting for the associated company.

The following table presents the transfer from the Group's interest in an associate company to non-current asset held for sale for the year ended 31 March 2010.

	Group HK$'000
Opening balance as at 1 April 2009	60,140
Share of profit of an associated company	405
Share of reserves	200
Transfer to non-current asset held for sale (note 19(b))	(60,745)
Closing balance as at 31 March 2010	—

Details of the Group's associated company 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
2009								
United Pulp & Paper Company Limited (note i) (Listed in Singapore)	34,456,000 shares of S$0.25 each	Singapore	581,497	154,944	345,095	2,767	14.44%	Manufacture and sale of paper and paper products

(i) United Pulp & Paper Company Limited has a financial accounting year end of 31 December 2009, which is not conterminous with the Group.

(ii) As at 31 March 2009 and 2010, United Pulp & Paper Company Limited was regarded as an associated company of the Group. The Group had director representation in United Pulp & Paper Company Limited in which the Group could exercise significant influence over its financial and operating policies.

(iii) United Pulp & Paper Company Limited is listed in Singapore Exchange. The market value of the securities held by the Group as at 31 March 2010 is approximately HK$29,374,000 (2009: HK$11,411,000).

19(b) NON-CURRENT ASSET HELD FOR SALE

	Group	
	2010 HK$'000	2009 HK$'000
Opening balance as at 1 April 2009	—	—
Transfer from interest in an associated company	60,745	—
Closing balance as at 31 March 2010	60,745	—

20 INVENTORIES

	Group	
	2010 HK$'000	2009 HK$'000
Merchandise and finished goods	613,961	396,201
Raw materials	82,494	39,549
	696,455	435,750

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$3,363,925,000 (2009: HK$3,280,592,000).

As at 31 March 2010, inventories of the Group are stated at lower of cost and net realisable value. The inventories for the Group are stated after a provision for impairment on inventories of approximately HK$20,707,000 (2009: HK$17,995,000).

21 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2010 HK$'000	2009 HK$'000
Trade receivables — net of provision	1,032,742	715,510
Other receivables, deposits and prepayments	352,957	261,344
Amount due from a minority shareholder	3,031	—
	1,388,730	976,854

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

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

21 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (continued)

The ageing analysis of trade receivables is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Current to 60 days	824,317	505,951
61 to 90 days	121,262	101,404
Over 90 days	87,163	108,155
	1,032,742	715,510

Trade receivables that are less than 90 days past due relate to a large number of diversified customers for whom there was no recent history of default. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at 31 March 2010, trade receivables of HK$53,533,000 (2009: HK$50,678,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Past due by:		
91–120 days	6,220	3,151
Over 120 days	47,313	47,527
	53,533	50,678

As at 31 March 2010, trade receivables of HK$108,293,000 (2009: HK$96,916,000) 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	
	2010 HK$'000	2009 HK$'000
At 1 April	96,916	89,515
Exchange differences	1,779	(3,278)
Net provision	9,598	10,679
At 31 March	108,293	96,916

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.

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

	Group	
	2010 HK$'000	2009 HK$'000
Listed equities outside Hong Kong, at fair value	619	386
Mutual funds outside Hong Kong, at fair value	14,578	10,766
Derivative financial assets	—	282
	15,197	11,434
Derivative financial liabilities	—	(356)
	15,197	11,078

The fair value of listed equity securities is based on their current bid prices in an active market. The fair value of mutual funds not quoted in an active market may be determined by using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Derivative financial instruments represent foreign exchange contracts entered into by the Group.

As at 31 March 2010, there is no outstanding foreign exchange contract. The notional principal amounts of the outstanding foreign exchange contracts as at 31 March 2009 were HK$239,790,000.

23 RESTRICTED BANK DEPOSITS

	Group	
	2010 HK$'000	2009 HK$'000
Pledged as securities for banking facilities	129,792	70,046

Restricted bank deposits earn interest at a fixed rate of 1.67% per annum (2009: 1.36% per annum).

The restricted bank deposits are denominated in Renminbi.

24 BANK BALANCES AND CASH

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Cash at bank and in hand	374,559	460,597	893	89
Short-term bank deposits	89,055	134,107	—	—
	463,614	594,704	893	89

The effective interest rate on short-term bank deposits was 0.20% per annum (2009: 0.21% per annum). These deposits had an average maturity of 14 days (2009: 14 days).

24 BANK BALANCES AND CASH (continued)

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

	Group	
	2010 HK$'000	2009 HK$'000
Bank balances and cash	463,614	594,704
Bank overdrafts (note 26)	(2,570)	—
	461,044	594,704

25 ACCOUNTS PAYABLE AND ACCRUALS

	Group	
	2010 HK$'000	2009 HK$'000
Trade and bills payables	1,114,062	703,948
Accruals and other payables	185,114	232,472
Loan from a minority shareholder	—	999
Amount due to an associated company	—	9,373
	1,299,176	946,792

The carrying value of the gross accounts payable and accruals approximates their fair values.

The loan from a minority shareholder and amount due to an associated company were unsecured, interest free and repayable on demand.

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

	Group	
	2010 HK$'000	2009 HK$'000
Current to 60 days	904,833	513,811
61 to 90 days	104,888	157,187
Over 90 days	104,341	32,950
	1,114,062	703,948

26 BORROWINGS

	Group 2010 HK$'000	Group 2009 HK$'000
Non-current		
Bank loans — unsecured	270,607	341,640
Bank loans — secured (note 34)	27,841	46,222
Finance lease liabilities	1,695	5,901
Total non-current borrowings	300,143	393,763
Current		
Trust receipt loans — unsecured	557,588	362,255
Trust receipt loans — secured (note 34)	238,092	160,805
	795,680	523,060
Bank loans — unsecured	229,980	123,698
Bank loans — secured (note 34)	18,682	23,959
Bank overdrafts (note 24)	2,570	—
Finance lease liabilities	2,939	5,305
	254,171	152,962
Total current borrowings	1,049,851	676,022
Total borrowings	1,349,994	1,069,785

At 31 March 2010, the Group's bank loans, overdrafts and trust receipt loans were repayable as follows:

	Group					
	Bank overdrafts		Bank loans		Trust receipt loans	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Within one year	2,570	—	248,662	147,657	795,680	523,060
In the second year	—	—	155,948	153,073	—	—
In the third to fifth years inclusive	—	—	142,500	234,789	—	—
	2,570	—	547,110	535,519	795,680	523,060

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

	Group 2010 HK$'000	Group 2009 HK$'000
Hong Kong dollars	1,243,755	1,001,421
Renminbi	84,041	42,975
Singapore dollars	17,564	14,183
	1,345,360	1,058,579

26 BORROWINGS (continued)

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans ranged from 1.4% to 5.7% per annum (2009: 1.8% to 5.8% per annum).

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

The Group had undrawn borrowing facilities of HK$413,867,000 (2009: HK$992,759,000). All of the Group's facilities were at floating rates and subject to periodic renewal.

Finance lease liabilities

	Group	
	2010 HK$'000	2009 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	3,097	5,676
Later than 1 year but not later than 5 years	1,786	6,379
Later than 5 years	—	—
	4,883	12,055
Future finance charges on finance leases	(249)	(849)
Present value of finance lease liabilities	4,634	11,206

	Group	
	2010 HK$'000	2009 HK$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	2,939	5,305
Later than 1 year and no later than 5 years	1,695	5,901
	4,634	11,206

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

The effective interest rates at the balance sheet date ranged from 5.1% to 7.2% per annum (2009: 3.2% to 8.6% per annum).

27 SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	2010	2009	2010 HK$'000	2009 HK$'000
Authorised:				
Ordinary shares				
At the beginning of year	1,456,913,987	800,000,000	145,691	80,000
Increase in authorised share capital (note(a))	—	656,913,987	—	65,691
At the end of year	1,456,913,987	1,456,913,987	145,691	145,691
Convertible non-voting preference shares				
At the beginning of year	143,086,013	—	14,309	—
Increase in authorised share capital (note(a))	—	143,086,013	—	14,309
At the end of year	143,086,013	143,086,013	14,309	14,309
Total	1,600,000,000	1,600,000,000	160,000	160,000
Issued and fully paid:				
Ordinary shares				
At beginning of year	491,758,039	429,258,039	49,176	42,926
Conversion from preference shares (note(c))	11,021,078	—	1,102	—
Exercise of bonus warrants (note(b))	1,000,000	62,500,000	100	6,250
At the end of year	503,779,117	491,758,039	50,378	49,176
Convertible non-voting preference shares				
At the beginning of year	143,086,013	—	14,309	—
Increase in authorised share capital (note(a))	—	143,086,013	—	14,309
Conversion to ordinary shares (note(c))	(11,021,078)	—	(1,102)	—
At the end of year	132,064,935	143,086,013	13,207	14,309
Total	635,844,052	634,844,052	63,585	63,485

Notes:

(a) Pursuant to a special resolution passed at the Special General Meeting on 24 October 2008, the authorised share capital of the Company was increased to HK$160,000,000 divided into 1,456,913,987 ordinary shares of HK$0.10 each and 143,086,013 convertible non-voting preference shares ("CP shares") of HK$0.10 each by the creation of additional 656,913,987 ordinary shares of HK$0.10 each and 143,086,013 CP shares of HK$0.10 each.

(b) On 5 December 2008, the Company issued 95,390,675 warrants on the basis of one warrant for every six existing ordinary shares ("bonus warrants") and CP shares of the Company held by the shareholders. The holders of bonus warrants are entitled to subscribe any time during 5 December 2008 to 4 June 2010 for ordinary shares at a subscription price of HK$0.80 per share. During the year, 1,000,000 ordinary shares (2009: 62,500,000 ordinary shares) of HK$0.10 each were issued upon the exercise of 1,000,000 (2009: 62,500,000) units of bonus warrants. As at 31 March 2010, 31,890,675 (2009: 32,890,675) units of bonus warrants remained outstanding.

27 SHARE CAPITAL (continued)

Notes: (continued)

(c) On 27 October 2008, 143,086,013 CP shares of HK$0.10 each were issued at HK$0.70 each and a total consideration of HK$100,160,000 was received. The rights, privileges and restrictions of the CP shares are set out below:

Dividend
The holders of CP shares shall have the same right to dividend payment as to the holders of ordinary shares.

Conversion
Each holder of CP share shall be entitled to convert its shares into fully paid ordinary shares of HK$0.10 each in the capital of the Company on the basis of one ordinary share for every CP share. 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 upon the giving of a Conversion Notice. If the Continuing Notice is served before 31 March 2009, the relevant CP shares will not be subject to mandatory conversion.

At the end of business on 31 March 2009, 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. The dividend 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. So long as the Company remains listed in Hong Kong, those holders of the CP shares will 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 are listed on the Hong Kong Stock Exchange will at all times be held by the public.

Voting rights
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.

Transferability
None of the CP shares will be assignable or transferable without the prior written approval of the board of Directors of the Company. The Company will not apply for a listing of any of the CP shares on any stock exchange anywhere in the world.

Redemption
Subject to the provisions of the Companies 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. These 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.

During the year, 11,021,078 convertible non-voting preference shares of HK$0.1 each were converted into 11,021,078 ordinary shares of HK$0.1 each.

27 SHARE CAPITAL (continued)

Notes: (continued)

(d) The shareholders of the Company adopted a share option scheme to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 March 2010 and 2009, no share option was granted or outstanding.

Share Options

At the Special General Meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. At 31 March 2010, no option has been granted under the Option Scheme.

Terms and conditions of the Option Scheme are set out below.

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

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

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

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

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

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

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

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

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

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

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

28 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 2008	96,293	51,007	33,311	66,810	523,611	771,032
Profit for the year	—	—	—	—	19,433	19,433
Issuance of preference shares, net of issuance expenses	83,668	—	—	—	—	83,668
Issuance of ordinary shares	43,750	—	—	—	—	43,750
Deferred tax charged to equity	—	(2,910)	—	—	—	(2,910)
Currency translation differences	—	—	—	(746)	—	(746)
Share of reserves of an associated company	—	—	—	(2,119)	—	(2,119)
2007–2008 final dividend paid	—	—	—	—	(10,731)	(10,731)
2008–2009 interim dividend paid	—	—	—	—	(5,723)	(5,723)
At 31 March 2009	223,711	48,097	33,311	63,945	526,590	895,654
At 1 April 2009 as per above	223,711	48,097	33,311	63,945	526,590	895,654
Profit for the year	—	—	—	—	63,041	63,041
Issuance of ordinary shares	700	—	—	—	—	700
Currency translation differences	—	—	—	10,524	—	10,524
Share of reserves of an associated company	—	—	—	200	—	200
2009–2010 interim dividend paid	—	—	—	—	(6,358)	(6,358)
Reserves	224,411	48,097	33,311	74,669	570,542	951,030
Proposed 2009–2010 final dividend	—	—	—	—	12,731	12,731
At 31 March 2010	224,411	48,097	33,311	74,669	583,273	963,761

28 RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus (note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2008	96,293	249,697	14,369	360,359
Profit for the year (note 9)	—	—	5,803	5,803
Issuance of preference shares, net of issuance expenses	83,668	—	—	83,668
Issuance of ordinary shares	43,750	—	—	43,750
2007–2008 final dividend paid	—	—	(10,731)	(10,731)
2008–2009 interim dividend paid	—	—	(5,723)	(5,723)
At 31 March 2009	223,711	249,697	3,718	477,126
At 1 April 2009 as per above	223,711	249,697	3,718	477,126
Issuance of ordinary shares	700	—	—	700
Profit for the year (note 9)	—	—	19,268	19,268
2009–2010 interim dividend paid	—	—	(6,358)	(6,358)
Reserves	224,411	249,697	3,897	478,005
Proposed 2009–2010 final dividend	—	—	12,731	12,731
At 31 March 2010	224,411	249,697	16,628	490,736

(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.

29 OTHER PAYABLE

	Group	
	2010 HK$'000	2009 HK$'000
Purchase financed by a supplier	—	33,975

The amount represented funding provided by a supplier for purchase of machinery parts for the mill in Shandong, the PRC.

The carrying value of other payable approximated its fair value and the balance is denominated in Renminbi.

30 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2009: 16.5%).

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

	Group	
	2010 HK$'000	2009 HK$'000
At 1 April	13,343	9,383
Charged to profit and loss account (note 8)	10,115	1,050
Charged directly to equity (note 28)	—	2,910
At 31 March	23,458	13,343

Deferred income tax assets are recognised for tax loss carried forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has not recognised deferred tax assets of HK$935,000 (2009: HK$2,461,000) in respect of losses that can be carried forward against future taxable income. Losses do not have any expiry date.

Deferred tax liabilities of HK$3,754,000 (2009: HK$1,411,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled HK$9,240,000 as at 31 March 2010 (2009: HK$6,244,000).

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	
	2010 HK$'000	2009 HK$'000
At 1 April	33,149	5,023
(Charged)/credited to profit and loss account	(1,755)	28,126
At 31 March	31,394	33,149

Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Fair value gains		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
At 1 April	36,084	6,468	10,408	7,938	46,492	14,406
Charged directly to equity (note 28)	—	—	—	2,910	—	2,910
Charged/(credited) to profit and loss accounts	8,360	29,616	—	(440)	8,360	29,176
At 31 March	44,444	36,084	10,408	10,408	54,852	46,492

30 DEFERRED TAXATION (continued)

The net amounts shown in the balance sheet include the following:

	Group	
	2010 HK$'000	2009 HK$'000
Deferred tax assets to be recovered after more than 12 months	4,956	5,379
Deferred tax liabilities to be settled after more than 12 months	(28,414)	(18,722)
	(23,458)	(13,343)

31 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash (used in)/generated from operations

	Group	
	2010 HK$'000	2009 HK$'000
Operating profit	127,019	84,469
Depreciation of property, plant and equipment	27,735	19,123
Amortisation of prepaid premium for land leases	777	781
Amortisation of intangible assets	543	86
Fair value losses on investment properties	—	2,000
(Gains)/losses on disposal of property, plant and equipment	(252)	1,102
Dilution loss on interest in an associated company	—	948
Net (gains)/losses on investments in financial assets	(4,048)	5,399
Realised and unrealised gains on derivative financial instruments	(71)	(3,456)
Dividend income	(914)	(912)
Interest income	(3,812)	(6,845)
Operating profit before working capital changes	146,977	102,695
(Increase)/decrease in inventories	(260,705)	89,320
(Increase)/decrease in accounts receivable, deposits and prepayments	(411,876)	399,146
Increase/(decrease) in accounts payable and accruals	311,909	(145,691)
Effect of change in exchange rates	(964)	12,918
Net cash (used in)/generated from operations	(214,659)	458,388

(b) Analysis of changes in financing during the year

	Group	
	Bank loans	
	2010 HK$'000	2009 HK$'000
At 1 April	535,519	562,952
Exchange differences	640	2,279
Bank loans raised	84,767	410,563
Repayment of bank loans	(73,816)	(440,275)
At 31 March	547,110	535,519

32 BANK GUARANTEES

At 31 March 2010, 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 2010 amounted to HK$1,345,000,000 (2009: HK$1,059,000,000).

33 COMMITMENTS

(a) Capital commitments

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

	Group	
	2010 HK$'000	2009 HK$'000
Property, plant and equipment		
Contracted but not provided for	379,418	371,799
Authorised but not contracted for	91,320	90,520

(b) As at 31 March 2010, the Company had commitment in respect of the injection of capital into certain subsidiaries in the PRC amounted to approximately HK$148,506,000 (2009: HK$148,506,000).

(c) Operating lease commitments

The Group leases various warehouses under non-cancellable operating lease agreements. The lease terms are between one and four years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

At 31 March 2010, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Not later than one year	16,608	22,254
Later than one year and not later than five years	8,334	11,219
	24,942	33,473

(d) Operating lease receivable

The Group leases out various warehouses under non-cancellable operating lease agreements. The lease terms are between one and four years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	Group	
	2010 HK$'000	2009 HK$'000
Not later than one year	3,689	6,159
Later than one year and not later than five years	—	3,189
	3,689	9,348

34 CHARGE OF ASSETS

At 31 March 2010, trust receipt loans of HK$238,092,000 (2009: HK$160,805,000) and bank loans of HK$46,523,000 (2009: HK$70,181,000) were secured by legal charges on the Group's properties with net book amount of approximately HK$164,607,000 (2009: approximately HK$165,616,000) (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, are as follows:

	Group	
	2010 HK$'000	2009 HK$'000
(a) Sale to and purchase from related parties		
(i) Purchase of finished goods from an associated company	2,970	21,210
(ii) Sales of property, plant and equipment to a minority shareholder	5,893	—
(iii) Rental income from an associated company	—	87

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

	Group	
	2010 HK$'000	2009 HK$'000
(b) Year-end balances arising from sales/purchases of goods		
Payables to an associated company	—	9,373
Receivables from a minority shareholder	3,031	—

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

(c) Key management compensation

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

36 ULTIMATE HOLDING COMPANY

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

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES

	Name of subsidiary	Place of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding	Nature of business
				2010 & 2009	
	Shares held directly:				
1	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
1	Foshan NanHai JiaLing Paper Company Limited[2]	The PRC	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
1	Global Century Investments Limited	British Virgin Islands	1 ordinary share of US$1	100	Property holding
1	Shenzhen High Flyer International Transportation Co. Ltd.[2]	The PRC	Registered capital RMB10,000,000	80.4	Container transport services in the PRC
1	Hypex Holdings Limited[2]	Singapore	2 ordinary shares of US$1 each	100	Marine services to shipyards in Singapore
	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	
1	Samson Paper (Beijing) Company Limited[2]	The PRC	Registered capital HK$16,380,000	100	Trading of paper products in the PRC

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	Name of subsidiary	Place of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding	Nature of business
				2010 & 2009	
	Shares held indirectly: (continued)				
	Samson Paper (China) Company Limited[2]	Hong Kong	1,000 ordinary shares of HK$10 each	100	Investment holding
1	Samson Paper (M) Sdn. Bhd.[2]	Malaysia	2,250,000 ordinary shares of RM1 each	74.40	Manufacturing & trading of paper products in Malaysia
1	Samson Paper (Shanghai) Company Limited[2]	The PRC	Registered capital RMB61,650,000	100	Trading of paper products in the PRC
1	Samson Paper (Shenzhen) Company Limited[2]	The PRC	Registered capital HK$17,000,000	100	Trading of paper products in the PRC
	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.[2]	Singapore	2 ordinary shares of US$1 each	100	Trading of aeronautical parts in Singapore
1	Universal Pulp and Paper (Shandong) Co. Ltd.[2]	The PRC	Registered capital US$30,000,000	100	Manufacturing & trading of paper products in the PRC

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

2. Foreign investment enterprises.

All subsidiaries operate in Hong Kong except otherwise stated.

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

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