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Samson group
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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 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
Mizuho Bank, Ltd., Hong Kong Branch
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

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

Financial Highlights

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended 31 March	
	2014	2013
	HK$'000	HK$'000
Revenue	4,969,117	4,669,835
Operating profit	179,650	172,576
Finance costs	92,235	88,943
Profit before taxation	87,415	83,633
Profit attributable to owners of the Company	57,196	63,661

CONSOLIDATED BALANCE SHEET

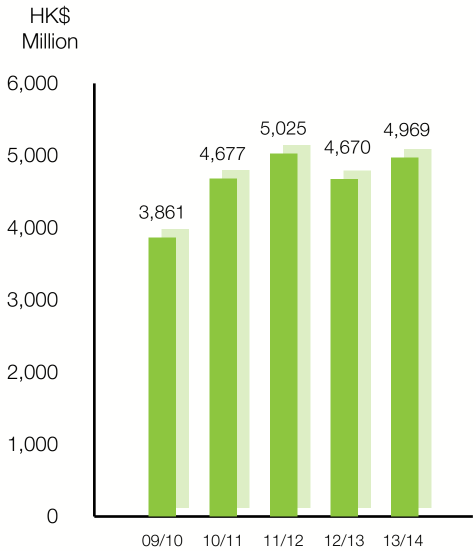
	As at 31 March	
	2014	2013
	HK$'000	HK$'000
Non-current assets	2,268,786	2,086,484
Current assets	3,331,178	3,159,682
Current liabilities	3,011,758	2,807,920
Shareholders' funds	1,743,604	1,617,966
Non-current liabilities	674,603	712,834

SHARE STATISTICS

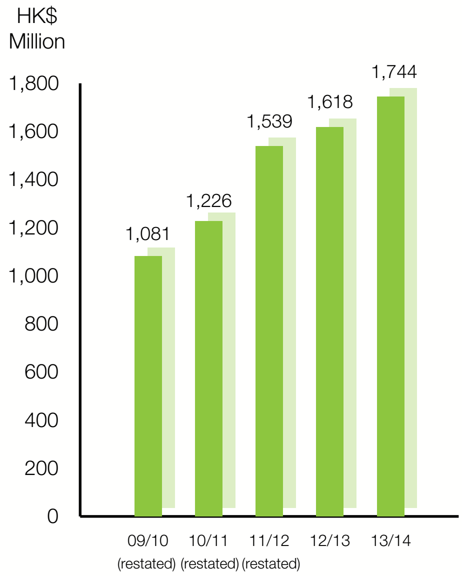
Earnings per share — basic	HK4.84 CENTS	HK5.42 CENTS
Earnings per share — diluted	HK4.49 CENTS	HK5.00 CENTS
Dividends per share	HK1.30 CENTS	HK1.50 CENTS
Net asset value per ordinary share	HK152 CENTS	HK142 CENTS

Financial Highlights

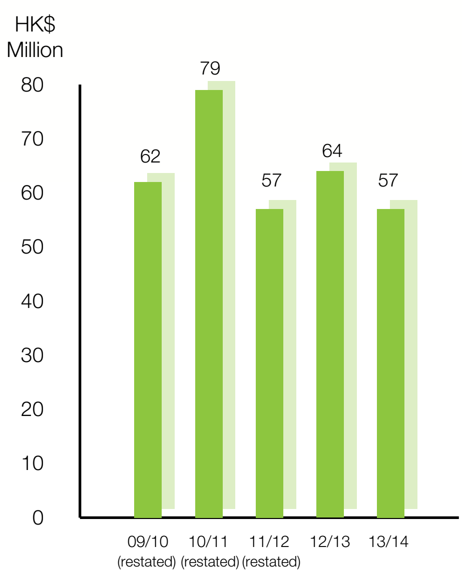
REVENUE



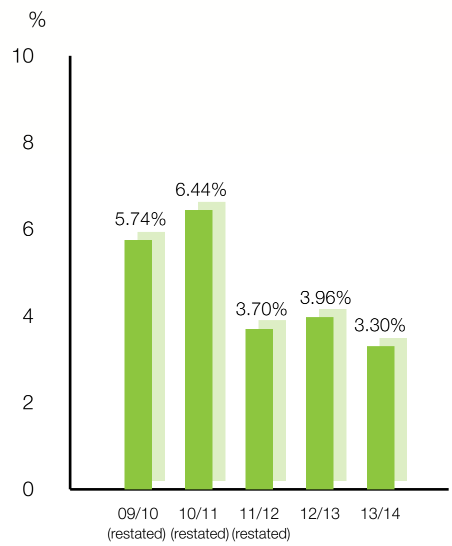
SHAREHOLDERS' FUNDS



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



RETURN ON SHAREHOLDERS' FUNDS



Chairman's Statement

The Economy

During the financial year under review, the global economy remained complicated but was improving. The United States recovered slowly while Europe showed signs of stabilization. In view of this global economic situation, the Chinese government took various support measures to foster its own economic development, and maintained a steady growth.

In Hong Kong, the economy experienced a modest growth, with real GDP in the first quarter of 2014 up by 2.5% over the preceding year, slightly slower than that in the fourth quarter of 2013. Exports continued in weak position due to the uncertain economic growth globally.

The Paper Industry
Paper and board prices hovered at low levels due to continued lackluster demand amid a slowdown of the economy in China. Most grades' paper prices were gradually stable with some grades of paper products attaining price hikes towards the second half of the year as a result of a decrease in the growth of paper supply in the industry and elimination of outdated production capacity under stricter clean production standards implemented by the government authority. The cautious market sentiment and an impact of the tight monetary policy have caused competition to intensify, with some of competitors sacrificing margins to alleviate their liquidity position.

Overview of Operations

Financial Performance
Facing the complicated market climate, Samson Group (the "Group") adopted flexible sales strategies and proactively responded to the market to ensure a balance between growth in turnover and profitability. At the same time, the Group timely adjusted its procurement strategies in different regions while watching closely the customer credit risks in the situation of tight money supplies in the Mainland China. For the year, the Group registered a growth of 6.4% reaching HK$4,969 million. In terms of sales volume, the growth was achieved as high as 13.9%.

To further combat the weak market conditions, the Group continued to optimize earning quality, taking further steps to streamline the logistics and warehousing arrangement with customers and suppliers. The operating profit for the year increased moderately by 4.1% to HK$179.7 million. Profit attributable to the owners of the Company was HK$57.2 million. Earning per share were HK4.8 cents, compared to HK5.4 cents for the preceding year.

The Board has recommended the payment of a final dividend of HK0.9 cent per share. Together with an interim dividend of HK0.4 cent per share already paid, total dividend for the year will amount to HK1.3 cents per share, translating to a dividend payout ratio of 29%.

The Group has always taken steps to controlling costs, improving operating efficiency, strengthening inventory reduction and minimizing credit risk. Under a tight monetary supply environment and more stringent credit policies in China, the management has maintained an appropriate level of cash and bank balance (including restricted bank deposit), which reached HK$493.2 million as at 31 March 2014. This enables the Group to utilize its own resources when necessary, bargain better price on procurement, lower interest costs and maintain a healthy gearing ratio — currently at approximately 44.8%. In terms of provisions for doubtful debt, it presently represents 0.07% of the Group's total revenue before taking into account of the write back of the provision of HK$8.7 million. All of the measures taken also serve to highlight the Group's healthy financial position.

By business segment, paper trading, paper manufacturing and other businesses accounted for 85.4%, 11.6% and 3% of the Group's total turnover respectively.

Paper Business

With sales offices in over 20 cities scattering across the PRC and other Asian countries, the Group placed great emphasis on serving quality customers extensively in various cities and expanding its sales for packaging boards on indent basis. The Group's paper product business recorded an increase of 6.3% in turnover from HK$4,538 million to HK$4,822 million. In volume term, the Group's sales of paper products has a rise of 13.9% to 949,500 metric tonnes. Operating profit amounted to HK$186.8 million, representing an increase of 3.6% when compared to HK$180.3 million last year.

For paper trading business, the Group boosted its sales by 7.6% to HK$4,245 million with a 15.3% rise in sales tonnage, ascribed by expanding the sales of packaging boards in various cities in the PRC and other Asian countries in addition to the sales of printing and writing papers.

The Group's effort on expanding its presence in China has attained fruitful results. The PRC continues to be the Group's largest market. Turnover from paper trading business in the market rose significantly by 16.3% to HK$2,850 million with a growth of 25.3% in volume. The Hong Kong market, the Group's second key market, represented approximately 21% of its total paper trading sales, reported a turnover of HK$910 million, a drop of 15% compared to last year, as a result of the downturn of the export market to overseas. For other countries, the business grew by 14.6% in sales to HK$484.4 million. This is mainly attributable to more sales being achieved by the Korea and Malaysia office for the year compared to last year.

For paper manufacturing business, the segment reported a 1.8% rise in sales tonnage, with a decrease of 9% in turnover, including inter-segment revenue, to HK$578 million. With the softened raw material costs, the effective cost control measures and streamlining work flow procedures, operating profit increased 10.3% to HK$52.6 million compared to last year with operating profit margin stood at 9.1%.

Other Businesses

The aeronautic parts and services business and marine services business recorded turnover of HK$58.5 million and HK$77.2 million respectively during the year.

Prospects

In China, the economy will continue to see within a range of 7.5% growth, which while slower than the decade ended in 2011, is still relatively healthy and will be enough to support positive growth in paper consumption. It is forecasted that world paper demand growth in 2014 will accelerate compared to the paltry gains posted over the past three years. Optimism is based on a better performance in the general economy, with both Europe and North America showing improvements. To foster the economic development, the PRC government authority considers using various tools to expand loans and financing for supporting emerging industries, the agriculture sector, micro and small-sized enterprises and the building for subsidized housing and infrastructure. This helps to ease funding difficulties and high borrowing costs on various sectors in the country's economy. Paper demand is expected to pick up gradually. Coupled with a recovery in demand, the industry consolidation and the capacity closures should bring the market into balance in the coming years.

The Group's core business, paper trading business will expand its sales network in Korea, Malaysia and the central and south-western part of China in the coming years. By expanding its sales coverage, the Group will be able to speedily leverage its extensive sales network upon the economy picking up and capture the market share further in the domestic market. For the other core business, paper manufacturing business, the management will continue to optimize the productivity and efficiency to further enhance its profitability. At the same time, the Group will carry out the business quality enhancement measure including organization restructuring, warehouse consolidation and procurement flexibility to shorten working capital flow and sustain the Group's development.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners and customers for their continuous support. Appreciation must also be extended to the management team and the entire Group's workforce.

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 24 June 2014

Sales by Geographical Area

For the year under review, the Group reported turnover of HK$4,969.1 million, an increase of 6.4% compared to last year.

With an extensive sales network In the PRC and other Asian countries and expansion in sales of packaging boards, turnover of paper business registered an increase of 6.3% to HK$4,822 million. In volume term, the total sales of paper business in all geographical regions including paper manufacturing activity has 13.9% growth to 949,500 metric tonnes. Sales in the PRC recorded a rise of 12.6% to HK$3,427 million, making up 71.1% of the Group's total revenue from paper products. Sales of paper products in Hong Kong contributed 18.9% while those in Malaysia and other countries contributed the remaining 10% of the Group's revenue from paper business.

Apart from the paper business, the Group has involved in the distribution business of consumable aeronautic parts and provision of related services and marine services business. These business segments together contributed HK$135.3 million, 2.7 % (2013: HK$ 125.1 million, 2.7%) of the Group's total revenue.

	2014 HK$ million	2013 HK$ million	% change
Hong Kong			
Paper trading	910.5	1,070.8	–15.0%
Logistics services and others	5.5	—	100%
The PRC			
Paper trading	2,850.0	2,450.0	16.3%
Paper manufacturing	577.6	594.3	–2.8%
Logistics services	5.6	6.8	–17.6%
Singapore			
Marine services	77.2	75.7	2.0%
Aeronautic parts and services	58.1	49.4	17.6%
Other regions			
Paper trading	484.6	422.8	14.6%
Total revenue	4,969.1	4,669.8	6.4%

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

(in '000 Metric Tonnes)	2013	2012	+/–
Import	756	857	–11.8%
Re-export	184	218	–15.6%
Local consumption	572	639	–10.5%

Sales by Geographical Area (continued)

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

(in '000 Metric Tonnes)	2013	2012	+/–
Newsprint	110	130	–15.4%
Woodfree	280	350	–20.0%
Coated paper	320	350	–8.6%
Corrugated board	1,030	1,040	–1.0%
Duplex board	650	720	–9.7%
Corrugating medium	70	140	–50.0%
Others	370	380	–2.6%
	2,830	3,110	–9.0%

Major Product Analysis

As a national paper distributor in the 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 42.5% and 47.2% of the Group's turnover of paper products respectively. For the year under review, sales of book printing papers decreased slightly by 0.5% while sales of packaging boards rose significantly by 13.5%

Working Capital and Inventory Management

Amid the complex business environment, the management has taken various measures including pricing policy to contain the customers' risk while at the same time continued to tighten its credit policy on customers and was cautious on customers' selection. As a result, the collection period is maintained at the same level as last year. In order to further hedge the credit exposure on the trade receivables, the majority of the Group's open credit sales are covered by credit insurance. Impaired receivable provision of HK$3.9 million was still made in the accounts for prudent sake, which is at 0.07% of the Group's total revenue.

To maintain a stronger working capital position and minimize the risk exposure of the value of stocks against paper price, the Group has kept a low level of stocks at HK$760.6 million as at 31 March 2014 with an aim of keeping the turnover days at the region of 45 days.

Employees and Remuneration Policies

As at 31 March 2014, the Group employed 1,752 staff members, 131 of whom are based in Hong Kong and 1,253 are based in the PRC and 368 are based in other countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund and medical insurance. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

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 flows generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2014, short term deposits plus bank balances amounted to HK$493 million (2013: HK$575 million) (including restricted bank deposits of HK$206 million (2013: HK$183 million)) and bank borrowings amounted to HK$2,046 million (2013: HK$2,096 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2014, the Group's gearing ratio was 44.8% (2013: 46.9%), calculated as net debt divided by total capital. Net debt of HK$1,553 million (2013: HK$1,521 million) is calculated as total borrowings of HK$2,046 million (2013: HK$2,096 million) (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK$493 million (2013: HK$575 million). Total capital is calculated as total equity of HK$1,914 million (2013: HK$1,725 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.11 times (2013: 1.13 times).

With bank balances and other current assets amounted to HK$3,331 million (2013: HK$3,160 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 2014, bank borrowings in Renminbi amounted to HK$496 million (2013: HK$482 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. The Group has entered an interest rate swap contract, the notional principal amount of the outstanding interest rate swap contract as at 31 March 2014 was HK$20,000,000 (2013: HK$20,000,000).

Contingent Liabilities and Charge of Assets

As at 31 March 2014, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2014 amounted to HK$2,041 million (2013: HK$2,090 million).

Certain land and buildings, investment properties and non-current assets held for sale of the Company's subsidiaries, with a total carrying value of HK$400 million as at 31 March 2014 (2013: HK$328 million) were pledged to banks as securities for bank loans of HK$91 million (2013: HK$71 million) and trust receipt loans of HK$78 million (2013: HK$71 million) granted to the Group.

Corporate Governance

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 2014, 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, the Remuneration Committee and the Nomination Committee are set out below:

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

Note 1: Chairman of Remuneration Committee
Note 2: Chairman of Audit Committee
Note 3: Chairman of Nomination 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
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.

Pursuant to B.1.5 of the Corporate Governance Code, the remuneration of the members of the Senior Management (including executive directors) by band for the year ended 31 March 2014 is set out below:

Remuneration band (HK$)	Number of persons
1 to 2,000,000	5
above 2,000,000	2

Nomination Committee

The Board established a Nomination Committee on 28 March 2012. The Nomination Committee comprises one executive Director, Mr. Lee Seng Jin and two independent non-executive Directors, Mr. Pang Wing Kin, Patrick and Mr. Ng Hung Sui, Kenneth. The full terms of reference are available on the Stock Exchange's website. Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of board composition, assessment of the independence of Independent Non-executive Directors and the management of board succession.

The Nomination Committee has considered a number of aspects, including but not limited to genders, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services. The Nomination Committee will also consider factors based on the Company's business model and specific needs from time to time in determining the optimum composition of the Board.

Audit Committee

The audit committee of the Company (the "Committee") comprises two independent non-executive Directors of the Company, namely Mr. Pang Wing Kin, Patrick and Mr. Tong Yat Chong and one non-executive Director of the Company, namely Mr. Lau Wang Yip, Eric. The principal activities of the Committee include the review and supervision of the Group's financial reporting process and internal controls. The Committee has met with the senior management of the Company and the Company's external auditor to review the final result for the year ended 31 March 2014 before recommending them to the Board for approval.

Company Secretary

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the board chairman and the chief executive. During the year 2013/2014, the company secretary has taken no less than 15 hours of relevant professional training.

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 2013/2014, 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 2013, 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 2014/2015 was held in January 2014. 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.

On the other hand, the half-yearly performance review for the year 2013/2014 (i.e. April to September 2013) was conducted in October 2013. 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	2,590
(b) Non-audit services (note)	118

Note: Non-audit services include certain agreed-upon procedures, limited assurance engagement and taxation related services.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all the Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual results.

Financial Reporting

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 26.

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.

Shareholders' Rights

Under the Company's Bye-laws, two or more shareholders holding not less than one-tenth of the paid-up capital of the Company can, by deposit a written requisition signed by the shareholders concerned to the Board or the Company Secretary to the principal place of business of the Company at 3/F, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

Changes in Constitutional Documents

There is no significant change in the Company's constitutional documents during the year ended 31 March 2014. These documents are published on the website of the Company and the Stock Exchange.

Corporate and Social Responsibility

Environment

The Group has been committed to promoting an environmental-friendly conscious among our staff over the years and we have requested ourselves to attain high-standard to preserve our green world in order to create better living conditions for our future generations.

For the Group's manufacturing business, the production efficiency and improvement of technologies is always on the top of our list to reduce the impact to our environment as well as to comply strictly with the PRC's environmental policies at the same time. We often invest to updating the effluent treatment facilities and the power station to generate less pollutants and other waste to promote clean and safe production.

For the Group's trading business, we have received "Chain-of-Custody" certification by using FSC-approved paper and our customers are being encouraged to follow suit. In addition, one of subsidiaries in paper trading is awarded of CarbonCare ® Label from Carbon Care Asia and will continue to strive for better performance by reducing its carbon emissions. It is to show that the Group promotes low-carbon aim, commended the Group's efforts to reduce carbon emissions and promote sustainable development, filling its corporate social responsibility and leadership in the industry perspective.

Human Resource Management

The Group's management believes people is the most fundamental assets of the Company, thus focus is always on the human resources development. To potential staff, the Group spends great deal of effort to provide suitable training and show them with clear career for future development. Moreover, the Group believes that loyalty is another element to the Company's success, staff satisfaction and communication are always highly addressed within the Company.

Suitable entertainment facilities are being provided in our manufacturing base. We pursue our staff's physical and mental health is being well-maintained. Team work is being encouraged and team spirit is highly encouraged in all area in our business.

Contributions to Society

The Group holds the participation in charitable activities in high regards. The Group's management believes that helping those in need and contributing to the society can make a difference to the world, and wish to promote this culture throughout the Company.

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31 March 2014

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 40 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 28.

The Directors have declared an interim dividend of HK0.4 cent per share, totalling HK$5,092,000, which was paid on 6 January 2013.

The Directors recommend the payment of a final dividend of HK0.9 cent per share, totalling HK$11,459,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 30 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK$883,000.

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 29 to the accounts.

Distributable Reserves

Distributable reserves of the Company at 31 March 2014, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$267,010,000 (2013: HK$269,333,000).

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:

	2010 HK$'000 (restated)	2011 HK$'000 (restated)	2012 HK$'000 (restated)	2013 HK$'000	2014 HK$'000
Revenue	3,861,245	4,676,899	5,025,024	4,669,835	4,969,117
Profit attributable to owners of the Company	61,999	79,225	56,710	63,661	57,196
Total assets	3,787,882	4,709,535	5,276,147	5,246,166	5,599,964
Total liabilities	2,695,789	3,473,169	3,632,517	3,520,754	3,686,361
Total equity	1,092,093	1,236,366	1,643,630	1,725,412	1,913,603

Purchase, Sale or Redemption of Shares

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

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 2014, no option has been granted under the Option Scheme. Terms and conditions of the Option Scheme are set out below (2013: Nil).

(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 nil (2013: 42,925,803) as at the date of this report.

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

Share Options (continued)

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

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

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

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

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

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

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

Directors

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

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

Non-executive Director
Mr. LAU Wang Yip, Eric

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

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

Directors' Service Contracts

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

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

Directors' Interests in Contracts

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

Biographical Details of Directors and Senior Management

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

Executive Directors

Mr. SHAM Kit Ying (alias SHAM Kit), aged 88, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 55 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 57, 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 55, 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 36 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 48, is a Director of the Group. Ms. Sham joined the Group in 1989 and is responsible for the Group's overall credit and 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 58, 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 31 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 58, is a qualified accountant and has over 31 years of working experience in the auditing, finance and general management areas. Mr. Pang is currently a financial consultant to an Australian company which has investment in China. Mr. Pang was appointed independent non-executive Director of the Company in 1995. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Mr. LAU Wang Yip, Eric, aged 47, 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.

Biographical Details of Directors and Senior Management (continued)

Non-executive Directors (continued)

Mr. TONG Yat Chong, aged 57, is a qualified accountant and has over 29 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 47, is a solicitor practising 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. He was appointed as a Notary Public of Hong Kong on 3 April 2008.

Mr. Ng was appointed as an independent non-executive director of Mexan Limited (stock code: 22) on 19 April 2007. He has been a member of the Criminal Law and Procedure Committee of the Law Society of Hong Kong since January 2007. He has also been a member of the Standing Committee on External Affairs since 2009 and appointed member of Standing Committee on Practitioners' Affairs of the Law Society of Hong Kong in February, 2012.

Senior Management

Mr. CHU Wai Kwong, aged 57, is a Sales Director of Samson Paper (China) Company Limited. He joined the Group in 1976. He has over 27 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. CHAN Kwok Keung, aged 54, is a Sales Director (Northern China) of Samson Paper (China) Company Limited. He joined the Group in 1990 and has over 27 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 2014, 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	128,459,688	688,533,247	33,425,112	850,418,047	74.53%
Ms. SHAM Yee Lan, Peggy	Beneficial owner	1,145,112	32,280,000	816,992,935	850,418,047	74.53%
Mr. CHOW Wing Yuen	Beneficial owner	1,080,000	—	—	1,080,000	0.09%

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)

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%

Save as disclosed above, as at 31 March 2014, 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 2014, 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)	688,533,247	60.34%

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 2014.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this Report, there is sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

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.

Related Party Transactions and Continuing Connected Transactions

Details on related party transactions for the year are set out in note 38 to the consolidated financial statements. Details of any related party transaction which constituted continuing connected transaction and other continuing connected transactions not exempted under Rule 14A.33 of the Listing Rules are disclosed below. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules in respect of such transactions.

Continuing connected transactions

On 25 July 2013, Samson Paper Company Limited (a subsidiary of the Company) and DaiEi Papers (H.K.) Limited (a subsidiary of Kokusai Pulp and Paper Company Limited) ("KPP") entered into a master agreement (the "KPP Master Agreement") pursuant to which the Group and KPP and its subsidiaries ("KPP Group") may sell and purchase the paper products to and from each other. As KPP and its subsidiaries (being associates of KPP) were connected persons of the Group by virtue of KPP's 22.30% interest as a substantial shareholder in Mission Sky Group Limited (a subsidiary of the Company), the sale and purchase transactions with KPP Group under the KPP Master Agreement and those conducted during the financial year ended 31 March 2014 constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the financial year ended 31 March 2014, the actual amount of sale and purchase transactions were HK$1,210.5 million in respect of the total purchases by the Group from KPP Group and HK$15.9 million in respect of the total sales to KPP Group by the Group, including but not limited to transactions conducted after commencement of the KPP Master Agreement on 24 September 2013. Of such purchase transactions, HK$227.5 million was purchased from Keishin Papers Trade (Shanghai) Company Limited, a subsidiary of KPP, which is a related party of the Group under the relevant Hong Kong Accounting Standards and a connected person of the Group under the Listing Rules. Such related party transactions, which also constituted continuing connected transactions, were also disclosed on page 93 of this Annual Report under note 38(a) to the consolidated financial statements.

Strictly in respect of those sale and purchase transactions conducted after commencement of the KPP Master Agreement during 24 September 2013 to 31 March 2014, the actual amount of transactions were HK$615.8 million in respect of purchases by the Group from KPP Group and HK$15.9 million in respect of sales to KPP Group by the Group and were within the relevant transaction cap in relation to the KPP Master Agreement of HK$980 million in respect of purchases by the Group from KPP Group and HK$275 million in respect of sales to KPP Group by the Group respectively. Further details of the KPP Master Agreement and the relevant transaction caps were disclosed in the circular of the Company dated 30 August 2013.

The terms and pricing of all such transactions were determined by reference to the prevailing market terms. Payment was generally settled by the purchaser in cash or by banker's acceptance drafts within a payment period of not more than 120 days in accordance with market practice.

Annual review of continuing connected transactions

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions for the year ended 31 March 2014 (the "Transactions") and confirmed that the Transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;

(iii) in accordance with the relevant agreements governing the Transactions; and

(iv) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing findings and conclusions in respect of the above continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.

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.

A subsidiary of the Company has been granted a three and a half-year revolving credit and term loan facility amounting to HK$620,000,000 in June 2012. The loan facility 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, 24 June 2014

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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 28 to 95, which comprise the consolidated and the company balance sheets as at 31 March 2014, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

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pwc 羅兵咸永道

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 2014, 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, 24 June 2014

Consolidated Profit and Loss Account

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	4,969,117	4,669,835
Cost of sales		(4,517,576)	(4,208,853)
Gross profit		451,541	460,982
Other gains and income, net	5	72,694	111,872
Selling expenses		(163,824)	(177,283)
Administrative expenses		(198,731)	(197,515)
Other operating income/(expenses)		17,970	(25,480)
Operating profit	6	179,650	172,576
Finance costs	7	(92,235)	(88,943)
Profit before taxation		87,415	83,633
Taxation	8	(26,916)	(18,626)
Profit for the year		60,499	65,007
Attributable to:			
Owners of the Company		57,196	63,661
Non-controlling interests		3,303	1,346
		60,499	65,007
Earnings per share			
Basic	11	HK 4.8 cents	HK5.4 cents
Diluted	11	HK 4.5 cents	HK5.0 cents
Dividends	10	16,551	19,097

The notes on pages 36 to 95 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	60,499	65,007
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Revaluation of land and buildings, net of deferred tax	94,210	8,290
Reversal of deferred tax on fair value gains upon transfer from property, plant and equipment to investment properties	5,400	6,720
	99,610	15,010
Items that may be reclassified to profit and loss		
Currency translation differences	(12,282)	22,130
Revaluation of available-for-sale financial assets	118	114
	(12,164)	22,244
Other comprehensive income for the year, net of tax	87,446	37,254
Total comprehensive income for the year	147,945	102,261
Attributable to:		
— Owners of the Company	144,735	99,423
— Non-controlling interests	3,210	2,838
Total comprehensive income for the year	147,945	102,261

The notes on pages 36 to 95 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2014

	Note	31 March 2014 HK$'000	31 March 2013 HK$'000
Non-current assets			
Property, plant and equipment	14	1,808,574	1,695,826
Prepaid premium for land leases	15	153,876	157,483
Investment properties	16	226,000	163,601
Intangible assets	17	46,323	47,536
Available-for-sale financial assets	18	5,490	5,624
Non-current deposits and prepayments	19	21,403	8,165
Deferred tax assets	31	7,120	8,249
		2,268,786	2,086,484
Current assets			
Inventories	22	760,655	704,536
Accounts receivable, deposits and prepayments	23	1,950,079	1,768,326
Financial assets at fair value through profit or loss	24	726	675
Taxation recoverable		3,749	890
Restricted bank deposits	25	205,893	182,948
Bank balances and cash	26	287,303	392,307
		3,208,405	3,049,682
Non-current assets held for sale	21	122,773	110,000
		3,331,178	3,159,682
Current liabilities			
Accounts payable and other payables	27	1,394,695	1,339,738
Trust receipt loans	28	639,453	774,408
Taxation payable		26,575	12,523
Derivative financial instruments	32	413	769
Borrowings	28	950,622	680,482
		3,011,758	2,807,920
Net current assets		319,420	351,762
Total assets less current liabilities		2,588,206	2,438,246

	Note	31 March 2014 HK$'000	31 March 2013 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital	29	127,315	127,315
Reserves	30	1,604,830	1,476,646
Proposed final dividend	30	11,459	14,005
		1,616,289	1,490,651
		1,743,604	1,617,966
Non-controlling interests		169,999	107,446
Total equity		1,913,603	1,725,412
Non-current liabilities			
Accounts payable and other payables	27	126,702	1,486
Borrowings	28	456,382	641,581
Deferred tax liabilities	31	91,519	69,767
		674,603	712,834
		2,588,206	2,438,246

The notes on pages 36 to 95 are an integral part of these consolidated financial statements.

The financial statements on pages 36 to 95 were approved by the Board of Directors on 24 June 2014 and were signed on its behalf.

SHAM Kit Ying	**SHAM Yee Lan, Peggy**
Director	Director

Balance Sheet

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	20	249,897	249,897
Current assets			
Amounts due from subsidiaries	20	306,061	308,419
Bank balances and cash	26	57	59
		306,118	308,478
Current liabilities			
Accruals		428	465
		428	465
Net current assets		305,690	308,013
Total assets less current liabilities		555,587	557,910
Equity			
Equity attributable to owners of the Company			
Share capital	29	127,315	127,315
Reserves	30	416,813	416,590
Proposed final dividend	30	11,459	14,005
		428,272	430,595
Total equity		555,587	557,910

The notes on pages 36 to 95 are an integral part of these consolidated financial statements.

The financial statements on pages 36 to 95 were approved by the Board of Directors on 24 June 2014 and were signed on its behalf.

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 2012	127,315	729,262	682,252	1,538,829	104,801	1,643,630
Comprehensive income						
Profit for the year	—	—	63,661	63,661	1,346	65,007
Other comprehensive income						
Currency translation differences	—	20,638	—	20,638	1,492	22,130
Revaluation of land and buildings	—	8,290	—	8,290	—	8,290
Reversal of deferred tax on fair value gains upon transfer from property, plant and equipment to investment properties	—	6,720	—	6,720	—	6,720
Revaluation of available-for-sale financial assets	—	114	—	114	—	114
Total other comprehensive income, net of tax	—	35,762	—	35,762	1,492	37,254
Total comprehensive income	—	35,762	63,661	99,423	2,838	102,261
Acquisition of additional interest in a subsidiary (note 34)	—	(2,717)	—	(2,717)	(193)	(2,910)
Disposal of non-current assets held for sale	—	(17,138)	17,138	—	—	—
Transfer to statutory reserve	—	8,266	(8,266)	—	—	—
2011–2012 final dividend paid	—	—	(12,477)	(12,477)	—	(12,477)
2012–2013 interim dividend paid	—	—	(5,092)	(5,092)	—	(5,092)
	127,315	753,435	723,211	1,603,961	107,446	1,711,407
Proposed 2012–2013 final dividend	—	—	14,005	14,005	—	14,005
Balance at 31 March 2013	127,315	753,435	737,216	1,617,966	107,446	1,725,412

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 2013	127,315	753,435	737,216	1,617,966	107,446	1,725,412
Comprehensive income						
Profit for the year	—	—	57,196	57,196	3,303	60,499
Other comprehensive income						
Currency translation differences	—	(12,189)	—	(12,189)	(93)	(12,282)
Revaluation of land and buildings, net of deferred tax	—	94,210	—	94,210	—	94,210
Reversal of deferred tax on fair value gains upon transfer from property, plant and equipment to investment properties	—	5,400	—	5,400	—	5,400
Revaluation of available-for-sale financial assets	—	118	—	118	—	118
Total other comprehensive income, net of tax	—	87,539	—	87,539	(93)	87,446
Total comprehensive income	—	87,539	57,196	144,735	3,210	147,945
Loan from non-controlling interests	—	—	—	—	59,343	59,343
Transfer to statutory reserve	—	682	(682)	—	—	—
2012–2013 final dividend paid	—	—	(14,005)	(14,005)	—	(14,005)
2013–2014 interim dividend paid	—	—	(5,092)	(5,092)	—	(5,092)
	127,315	841,656	763,174	1,732,145	169,999	1,902,144
Proposed 2013–2014 final dividend	—	—	11,459	11,459	—	11,459
Balance at 31 March 2014	127,315	841,656	774,633	1,743,604	169,999	1,913,603

The notes on pages 36 to 95 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Cash generated from/(used in) operations	33(a)	199,509	(48,386)
Interest paid		(95,551)	(88,943)
Hong Kong profits tax paid		(2,664)	(8,115)
Overseas taxation paid		(3,175)	(6,355)
Net cash generated from/(used in) operating activities		98,119	(151,799)
Investing activities			
Purchase of property, plant and equipment		(109,070)	(227,785)
Purchase of prepaid premium for land leases		(970)	—
Purchase of intangible assets		(278)	(3,144)
Purchase of available-for-sale financial assets		—	(252)
Proceeds from disposal of property, plant and equipment	33(c)	3,074	1,499
Proceeds from disposal of non-current assets held for sale		—	75,274
Proceeds from disposal of financial assets at fair value through profit or loss		—	3,396
Proceeds from disposal of available-for-sale financial assets		252	—
(Increase)/decrease in non-current deposits and prepayments		(13,238)	6,675
Interest received		9,134	10,897
Dividends received from investments in financial assets		—	8
Acquisition of additional interest from non-controlling interest		—	(2,910)
Net cash used in investing activities		(111,096)	(136,342)
Financing activities			
Bank loans raised	33(b)	1,098,228	1,094,928
Finance lease liabilities raised		—	4,582
Repayment of bank loans	33(b)	(1,007,479)	(1,094,076)
Repayment of finance lease liabilities		(2,355)	(5,243)
Increase in restricted bank deposits		(22,945)	(8,502)
Decrease in trust receipt loans		(134,955)	(64,884)
Dividends paid to shareholders		(19,097)	(17,569)
Net cash used in financing activities		(88,603)	(90,764)
Net decrease in cash and cash equivalents		(101,580)	(378,905)
Cash and cash equivalents at beginning of the year		389,452	763,675
Effect of changes in exchange rates on cash and cash equivalents		(569)	4,682
Cash and cash equivalents at end of the year	26	287,303	389,452

The notes on pages 36 to 95 are an integral part of these consolidated 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 is also engaged in the trading of consumable aeronautic parts and provision of marine services. Detailed analysis of these business segments are set out in note 5 to the financial statements.

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 listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 24 June 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements 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 financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties, available-for-sale financial assets and financial assets/liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of the financial statements 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 financial statements, are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) *The following amended standards are mandatory for the first time for the financial year beginning 1 April 2013 but either have no significant impact to the Group's results and financial position or are not currently relevant to the Group:*

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 19 (Amendment)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Associates and joint ventures
HKFRS 1 (Amendment)	First time adoption — government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and liabilities
HKFRS 10	Consolidated financial statements
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transitional guidance
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurements
HK (IFRIC) — Int 20	Stripping costs in the production phase of a surface mine

(b) *The following new and amended standards have been issued but are not effective for the financial year beginning 1 April 2013 and the Group has not early adopted:*

		Effective for accounting periods beginning on or after
HKAS 19 (2011) (Amendment)	Defined benefit plans: employee contributions	1 July 2014
HKAS 32 (Amendment)	Financial instruments: Presentation — offsetting financial assets and financial liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement — novation of derivatives	1 January 2014
HKFRS 9	Financial instruments	To be determined
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities	1 January 2014
HKFRS 7, HKFRS 9 (Amendment)	Disclosures: Mandatory effective date of HKFRS and transactional disclosures	1 January 2015
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HK(IFRIC) — Int 21	Levies	1 January 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) *The following new and amended standards have been issued but are not effective for the financial year beginning 1 April 2013 and the Group has not early adopted: (continued)*

		Effective for accounting periods beginning on or after
Annual Improvements Projects	Annual Improvements 2010–2012 Cycle	1 July 2014
Annual Improvements Projects	Annual Improvements 2011–2013 Cycle	1 July 2014

The Group has commenced an assessment of the impact of the above new and amended standards and interpretations and considers that they will not have any significant impact on the results of the Group's operations and financial position. The Group plans to adopt the above new and amended standard and interpretations when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combinations (continued)*
Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.3 Foreign currency translation

(a) *Functional and presentation currency*
Items included in the financial statements 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 financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's 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 or valuation where items are re-measured. 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.

Foreign exchange gains and losses are presented in the profit and loss account within "other operating income/(expenses)".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(b) *Transactions and balances (continued)*
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 and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equity instruments classified as available-for-sale, are included in other comprehensive income.

(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 rates on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

(d) *Disposal of foreign operation and partial disposal*
On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit and loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit and loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

Land and buildings comprise mainly warehouses and offices. Subsequent to initial recognition, leasehold land classified as financial leases and buildings are carried at their revalued amounts less subsequent accumulated depreciation and impairment losses. Valuation of land and buildings in 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 land and 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.

Increases in the carrying amount arising on revaluation of land and 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.

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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 50 years or useful life
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 term, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 2.10).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.6 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets 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 also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(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 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables are classified as "accounts receivable and deposits", "restricted bank deposits" and "bank balances and cash" in the balance sheet.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

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 profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 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 within 'other gains and income -net' 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.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "other gains and income, net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

2.8.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Assets and liabilities are classified as current if expected to be settled within 12 months; otherwise, they are classified as non-current.

Gains or losses arising from changes in the fair value of the derivatives are presented in the profit and loss account within "other gains and income, net" in the period in which they arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets

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

2.11 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 account. 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.

(b) *Assets classified as available-for-sale*

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transactions and sales are considered highly probable. It is stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.13 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.

2.14 Accounts and other receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts 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.

Accounts 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, 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. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.16 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 end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Accounts payable

Accounts payable 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 noncurrent liabilities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 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.

2.20 Revenue recognition

Revenue is measured at 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 and scrap materials 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.

2.21 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.

2.22 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 end of the reporting period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Employee benefits (continued)

(b) *Retirement benefit obligations*

The Group operates a number of defined contribution schemes for all its employees in Hong Kong and overseas. 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 Peoples' Republic of China (the "PRC") for all its employees in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees for post-retirement benefits beyond the contributions made. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. Contributions to these schemes are expensed as incurred.

(c) *Bonus plan*

The Group recognises a provision for bonus when contractually obligated or when there is a past practice that have created a constructive obligation.

2.23 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.

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

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

2.24 Leases (as lessor)

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries 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.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the 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.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability 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. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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)

2.26 Dividend distribution

Dividend distribution to the Company's owners is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's owners.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest-rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to reduce certain risk exposures, primarily with respect to the United States dollars. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the People's Republic of China. Any change in exchange rates of these currencies to Hong Kong dollar will impact the Group's operating results.

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 cooperation 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 dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

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. The Group is presently not using any forward exchange contracts to hedge against foreign exchange risk as management considers its exposure is minimal.

At 31 March 2014, if Hong Kong dollars had weakened/strengthened by 5% against the Renminbi with all other variables held constant, post-tax profit for the year would have been HK$2,703,000 (2013: HK$180,000) higher/lower, mainly as a result of the foreign exchange gains/losses on translation of Renminbi-denominated bank balances and cash, accounts and other receivables, and the foreign exchange gains/losses on translation of Renminbi denominated borrowings and trade and other payables.

Hong Kong dollars is pegged to United States dollars, the foreign exchange exposure between United States dollars and Hong Kong dollars is therefore limited.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) 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 2014, borrowings are primarily at floating interest rates. In order to manage the cash flow interest-rate risk, the Group sometimes enters into interest rate swap.

At 31 March 2014, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been HK$6,418,000 (2013: HK$5,698,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk is primarily attributable to cash and bank deposits, accounts receivable, other receivables, financial assets at fair value through profit or loss and available-for-sale financial assets.

The Group's cash and bank deposits 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 accounts and other receivables falls within the recorded allowances. There was no individual customer with balance representing more than 10% of the Group's total accounts receivable from third parties, thus there was no concentration of credit risk with respect to accounts receivable as there were a large number of customers. In addition, majority of the Group's open credit sales are covered by credit insurance.

The carrying amount of cash and bank deposits, accounts receivable, other receivables, financial assets at fair value through profit or loss and available-for-sale financial assets 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 2014, 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. 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 28) and bank balances and cash (note 26)) 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.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to involve their unconditional rights to call the loans with immediate effect. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
Group					
At 31 March 2014					
Term loans subject to a repayment on demand clause	109,715	—	—	—	—
Derivative financial instruments	—	413	—	—	—
Other bank borrowings[1]	—	854,509	433,160	36,551	14,810
Trust receipt loans[1]	—	643,460	—	—	—
Accounts payable and other payables	—	1,394,695	126,702	—	—
Finance lease liabilities[1]	—	2,274	1,634	1,894	103
At 31 March 2013					
Term loans subject to a repayment on demand clause	63,150	—	—	—	—
Derivative financial instruments	—	769	—	—	
Other bank borrowings[1]	—	625,504	276,479	394,444	15,880
Trust receipt loans[1]	—	774,784	—	—	—
Accounts payable and other payables	—	1,339,738	1,486	—	—
Finance lease liabilities[1]	—	2,369	2,369	2,108	54
Company					
At 31 March 2014					
Accruals	—	428	—	—	—
At 31 March 2013					
Accruals	—	465	—	—	—

[1] The amounts include interest payable.

The Company provides corporate guarantees as disclosed in note 35.

The following table summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the maturity analysis. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank would exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
31 March 2014	110,373	1,457	—
31 March 2013	52,410	10,757	1,495

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	
	2014 HK$'000	2013 HK$'000
Total borrowings (note 28)	2,046,457	2,096,471
Less: Cash, bank balances and restricted deposits	(493,196)	(575,255)
Net debt	1,553,261	1,521,216
Total equity	1,913,603	1,725,412
Total capital	3,466,864	3,246,628
Gearing ratio	44.8%	46.9%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- 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).

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets/(liabilities) that are measured at fair value at 31 March 2014.

	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	726	—	—	726
Available-for-sale financial assets				
— Insurance policy	—	—	4,321	4,321
— Other investment	—	—	1,169	1,169
	—	—	5,490	5,490
Derivative financial instruments				
— Interest rate swap	—	(413)	—	(413)
	726	(413)	5,490	5,803

The following table presents the Group's assets/(liabilities) that were measured at fair value at 31 March 2013.

	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	675	—	—	675
Available-for-sale financial assets				
— Insurance policy	—	—	4,204	4,204
— Other investment	—	—	1,420	1,420
	—	—	5,624	5,624
Derivative financial instruments				
— Interest rate swap	—	(769)	—	(769)
	675	(769)	5,624	5,530

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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.

The fair value of financial instruments that are not traded in an active market 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 following table presents the changes in level 3 instruments:

	2014 HK$'000	2013 HK$'000
At 1 April	5,624	5,258
Additions	—	252
Disposal	(252)	—
Net changes in fair value transferred to equity (note 30)	118	114
At 31 March	5,490	5,624

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 purpose 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) Current and deferred 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 accounts receivable and other receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of accounts receivable and other receivables. Provisions are applied to accounts 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 accounts and other receivables and impairment expenses in the period in which such estimate has been changed.

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

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

(d) Useful lives and residual values of property, plant and equipment and impairment assessment of property, plant and equipment

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

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.

(e) Estimated impairment of goodwill

The Group tests annually whether goodwill has suggested any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Estimated valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent and professionally qualified valuer.

In determining the fair value, the valuer has based on property valuation techniques which involve, inter alia, certain estimates including comparable sales in the relevant market, current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market condition.

5 REVENUE, OTHER GAINS AND INCOME, NET AND SEGMENT INFORMATION

Revenue recognised is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Revenue		
Sale of goods	4,886,324	4,587,288
Provision of services	82,793	82,547
	4,969,117	4,669,835
Other gains and income, net		
Interest income	9,134	10,897
Dividend income — listed investments	—	8
Fair value gains on investment properties (note 16)	24,399	76,604
Fair value gains on non-current assets held for sale (note 21)	8,000	—
Rental income	13,818	9,418
Sales of scrap materials	4,470	9,068
Realised and unrealised gains on investments in financial assets at fair value through profit and loss	51	1,398
Realised and unrealised gains on derivative financial instrument	88	14
Gain on disposal of property, plant and equipment	2,662	174
Others	10,072	4,291
	72,694	111,872

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 financial statements.

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

As at 31 March 2014, 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 in Shandong, the PRC;

(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.

Segment assets consist primarily of property, plant and equipment, prepaid premium for land leases, investment properties, intangible assets, inventories, receivables, financial instruments, non-current assets held for sale and operating cash. They exclude deferred tax assets, taxation recoverable and corporate assets.

Segment liabilities comprise accounts and other payables, financial instruments, borrowings and trust receipt loans. They exclude deferred tax liabilities, taxation payable and corporate liabilities.

Capital expenditure comprise additions to property, plant and equipment (note 14), prepaid premium for land leases (note 15) and intangible assets (note 17).

The segment information for the year ended and as at 31 March 2014 is as follows:

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Total segment revenue	4,288,689	767,634	153,676	5,209,999
Inter-segment revenue	(44,042)	(189,997)	(6,843)	(240,882)
Revenue from external customers	4,244,647	577,637	146,833	4,969,117
Reportable segment results	134,153	52,625	3,613	190,391
Corporate expenses				(10,741)
Operating profit				179,650
Finance costs				(92,235)
Profit before taxation				87,415
Taxation				(26,916)
Profit for the year				60,499

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

Other items for the year ended 31 March 2014

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Interest income	8,170	947	17	9,134
Depreciation of property, plant and equipment	10,626	48,938	9,100	68,664
Amortisation of prepaid premium for land leases	864	3,409	77	4,350
Amortisation of intangible assets	847	45	4	896
Fair value gains on investment properties	24,399	—	—	24,399
Fair value gains on non-current assets held for sale	8,000	—	—	8,000
Capital expenditure	18,039	87,039	8,995	114,073
Reportable segment assets	3,091,638	2,328,190	169,192	5,589,020
Taxation recoverable				3,749
Deferred tax assets				7,120
Corporate assets				75
Total assets				5,599,964
Reportable segment liabilities	1,848,156	277,142	35,538	2,160,836
Taxation payable				26,575
Deferred tax liabilities				91,519
Corporate liabilities				1,407,431
Total liabilities				3,686,361

The segment information for the year ended and as at 31 March 2013 is as follows:

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Total segment revenue	4,097,377	843,631	139,746	5,080,754
Inter-segment revenue	(153,815)	(249,302)	(7,802)	(410,919)
Revenue from external customers	3,943,562	594,329	131,944	4,669,835
Reportable segment results	132,580	47,735	2,193	182,508
Corporate expenses				(9,932)
Operating profit				172,576
Finance costs				(88,943)
Profit before taxation				83,633
Taxation				(18,626)
Profit for the year				65,007

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

Other items for the year ended 31 March 2013

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Interest income	9,321	1,566	10	10,897
Depreciation of property, plant and equipment	10,143	39,102	8,375	57,620
Amortisation of prepaid premium for land leases	178	3,237	72	3,487
Amortisation of intangible assets	721	38	—	759
Fair value gains on investment properties	76,604	—	—	76,604
Capital expenditure	48,041	179,850	7,617	235,508
Reportable segment assets	2,930,047	2,134,514	172,387	5,236,948
Taxation recoverable				890
Deferred tax assets				8,249
Corporate assets				79
Total assets				5,246,166
Reportable segment liabilities	1,652,817	427,751	35,368	2,115,936
Taxation payable				12,523
Deferred tax liabilities				69,767
Corporate liabilities				1,322,528
Total liabilities				3,520,754

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]	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Hong Kong	915,984	1,070,755	327,658	259,386
The PRC[2]	3,432,939	3,051,142	1,854,979	1,730,755
Singapore	135,752	125,092	62,293	72,502
Korea	402,390	357,696	2,900	1,298
Malaysia	71,432	60,520	13,825	14,277
USA	10,620	4,630	11	17
	4,969,117	4,669,835	2,261,666	2,078,235

1 Non-current assets excluded deferred tax assets.

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

6 OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	Group	
	2014 HK$'000	2013 HK$'000
Charging		
Cost of inventories sold (note 22)	4,359,390	3,757,519
Depreciation of property, plant and equipment (note 14)	68,664	57,620
Amortisation of prepaid premium for land leases (note 15)	4,350	3,487
Amortisation of intangible assets (note 17)	896	759
Operating lease rentals in respect of:		
— land and buildings	17,054	17,196
Transportation costs	175,873	120,917
Provision for impairment on inventories	—	25,979
Provision for impairment on receivables (note 23)	3,900	11,272
Employee benefit expenses (note 12)	110,585	123,068
Auditor's remuneration	3,206	2,620
Losses on disposal of non-current assets held for sale	—	726
Crediting		
Gains on disposal of property, plant and equipment	2,662	174
Net exchange gains	2,799	5,865
Realised and unrealised gains on derivative financial instruments	88	14
Provision for impairment on inventories written back	10,782	—
Provision for impairment on receivables written back (note 23)	8,717	6,830

7 FINANCE COSTS

	Group	
	2014 HK$'000	2013 HK$'000
Interest on bank borrowings wholly repayable within 5 years	72,245	76,464
Interest on finance lease obligations wholly repayable within 5 years	227	125
Interest on trade credit facilities	23,079	13,513
Interest on other payables	—	1,327
	95,551	91,429
Less: amounts capitalised in property, plant and equipment	(3,316)	(2,486)
	92,235	88,943

The weighted average interest rate on the above capitalised borrowings is approximately 6.4% per annum (2013: 7.0% per annum).

8 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit 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	
	2014 HK$'000	2013 HK$'000
Hong Kong profits tax	4,937	4,619
Overseas taxation	12,029	9,370
Under/(over)-provision in previous years	66	(30)
Deferred taxation relating to origination and reversal of temporary differences (note 31)	9,884	4,667
	26,916	18,626

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	
	2014 HK$'000	2013 HK$'000
Profit before taxation	87,415	83,633
Calculated at a taxation rate of 16.5% (2013: 16.5%)	14,423	13,799
Effect of different taxation rates in other countries	4,012	2,160
Income not subject to taxation	(5,187)	(15,234)
Expenses not deductible for taxation purposes	6,348	6,742
Tax losses not recognised	6,957	7,978
Under/(over)-provision in previous years	66	(30)
Recognition of previously unrecognised temporary difference	297	3,211
	26,916	18,626

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 2014 since the Group plans to utilise such profits in the PRC and has no plan to distribute such profits in the foreseeable future.

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 March 2014, tax losses of approximately HK$92,122,000 (2013: HK$45,612,000) have no expiry date while the remaining tax losses of approximately HK$9,510,000 (2013: HK$8,277,000) will expire at various dates up to and including 2019 (2013: 2018).

8 TAXATION (continued)

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2014			2013		
	Before tax HK$'000	Deferred tax (charge)/ credit HK$'000	After tax HK$'000	Before tax HK$'000	Deferred tax (charge)/ credit HK$'000	After tax HK$'000
Revaluation of available-for-sale financial assets	118	—	118	114	—	114
Revaluation of land and buildings	115,835	(21,625)	94,210	8,290	—	8,290
Reversal of deferred tax on fair value gains upon transfer from property, plant and equipment to investment properties	—	5,400	5,400	—	6,720	6,720
Other comprehensive income	115,953	(16,225)	99,728	8,404	6,720	15,124

9 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$16,774,000 (2013: HK$19,581,000) (note 30).

10 DIVIDENDS

	Group and Company	
	2014 HK$'000	2013 HK$'000
Interim — HK$0.004 (2013: HK$0.004) per ordinary share	4,564	4,564
Interim — HK$0.004 (2013: HK$0.004) per preference share	528	528
Proposed final — HK$0.009 (2013: HK$0.011) per ordinary share	10,270	12,552
Proposed final — HK$0.009 (2013: HK$0.011) per preference share	1,189	1,453
	16,551	19,097

At a meeting held on 24 June 2014, the directors proposed a final dividend of HK$0.009 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2015.

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company less preference dividends of HK$55,215,000 (2013: HK$61,839,000) by the weighted average number of 1,141,076,000 (2013: 1,141,076,000) ordinary shares in issue during the year.

(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 one category of dilutive potential ordinary shares: preference shares. The Company has a share option scheme but no share option (2013: Nil) has been granted under the scheme. Such scheme has been expired on 26 February 2014.

	Group	
	2014	2013
Profit attributable to the owner of the Company (HK$'000)	57,196	63,661
Weighted average number of ordinary shares in issue ('000)	1,141,076	1,141,076
Adjustment for:		
— Preference shares ('000)	132,065	132,065
Weighted average number of shares for diluted earnings per share ('000)	1,273,141	1,273,141
Diluted earnings per share	HK 4.5 cents	HK 5.0 cents

12 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Group	
	2014 HK$'000	2013 HK$'000
Wages, salaries and bonus	105,298	118,364
Contributions to pension schemes	5,287	4,704
	110,585	123,068

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director for the year ended 31 March 2014 is set out below:

	2014					2013
	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	5,879
Lee Seng Jin	—	6,554	—	164	6,718	6,771
Sham Yee Lan, Peggy	—	960	—	51	1,011	1,511
Chow Wing Yuen	—	1,325	—	91	1,416	1,375
Lee Yue Kong, Albert	—	1,140	—	44	1,184	1,684
Non-executive Directors						
Pang Wing Kin, Patrick	160	—	—	—	160	80
Lau Wang Yip, Eric	160	—	—	—	160	80
Tong Yat Chong	160	—	—	—	160	100
Ng Hung Sui, Kenneth	160	—	—	—	160	80

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

The Company's executive directors represent all of the Company's chief executives. Accordingly, no separate disclosure in respect of the remuneration of the chief executives is made in the financial statements.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2013: five) directors whose emoluments are reflected in the analysis presented above.

14 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Land and buildings 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 2012								
Cost or valuation	227,389	7,594	1,082,807	43,132	25,138	26,097	326,660	1,738,817
Accumulated depreciation	(19,580)	(6,951)	(128,179)	(27,909)	(13,342)	(21,530)	—	(217,491)
Net book amount	207,809	643	954,628	15,223	11,796	4,567	326,660	1,521,326
Year ended 31 March 2013								
Opening net book amount	207,809	643	954,628	15,223	11,796	4,567	326,660	1,521,326
Exchange differences	2,169	(38)	14,387	163	140	104	11,357	28,282
Additions	13,446	664	27,329	9,590	3,309	2,072	175,954	232,364
Transfer	—	—	135,556	—	6,669	—	(142,225)	—
Transfer to investment properties (note 16)	(31,000)	—	—	—	—	—	—	(31,000)
Revaluation surplus	8,290	—	—	—	—	—	—	8,290
Disposals (note 33(c))	—	—	(508)	(793)	(3)	(21)	—	(1,325)
Depreciation	(5,960)	(339)	(47,002)	(5,620)	(1,212)	(1,978)	—	(62,111)
Closing net book amount	194,754	930	1,084,390	18,563	20,699	4,744	371,746	1,695,826
At 31 March 2013								
Cost or valuation	215,879	8,218	1,247,332	50,551	35,281	27,854	371,746	1,956,861
Accumulated depreciation	(21,125)	(7,288)	(162,942)	(31,988)	(14,582)	(23,110)	—	(261,035)
Net book amount	194,754	930	1,084,390	18,563	20,699	4,744	371,746	1,695,826
Year ended 31 March 2014								
Opening net book amount	194,754	930	1,084,390	18,563	20,699	4,744	371,746	1,695,826
Exchange differences	(1,690)	16	(1,532)	(72)	(26)	(4)	(550)	(3,858)
Additions	23,906	1,268	21,471	6,097	3,332	2,294	55,427	113,795
Transfer	6,329	—	5,600	—	—	—	(11,929)	—
Transfer to investment properties (note 16)	(38,000)	—	—	—	—	—	—	(38,000)
Transfer to non-current assets held for sale (note 21)	(4,773)	—	—	—	—	—	—	(4,773)
Revaluation surplus	115,835	—	—	—	—	—	—	115,835
Disposals (note 33(c))	—	—	(224)	(183)	(2)	(3)	—	(412)
Depreciation	(7,169)	(415)	(51,655)	(6,390)	(2,048)	(2,162)	—	(69,839)
Closing net book amount	289,192	1,799	1,058,050	18,015	21,955	4,869	414,694	1,808,574
At 31 March 2014								
Cost or valuation	289,192	6,712	1,267,334	54,167	35,648	28,616	414,694	2,096,363
Accumulated depreciation	—	(4,913)	(209,284)	(36,152)	(13,693)	(23,747)	—	(287,789)
Net book amount	289,192	1,799	1,058,050	18,015	21,955	4,869	414,694	1,808,574

14 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

Land and buildings situated in Hong Kong and major buildings outside Hong Kong were revalued at 31 March 2014 on the basis of open market value carried out by Savills Valuation and Professional Services Limited, an independent firm of chartered surveyors, according to the Group's policy as set out in note 2.4. During the year ended 31 March 2014, land and buildings of HK$38,000,000 (2013: HK$31,000,000) were reclassified to investment properties with a revaluation surplus before taxation of HK$20,511,000 (2013: HK$8,290,000) being credited to other comprehensive income.

	Group	
	2014 HK$'000	2013 HK$'000
Land and buildings in Hong Kong, held on leases of between 10 and 50 years		
Cost or valuation	39,000	43,822
Accumulated depreciation	—	(8,336)
Net book amount	39,000	35,486
Buildings outside Hong Kong		
Cost or valuation	250,192	172,057
Accumulated depreciation	—	(12,789)
Net book amount	250,192	159,268

If the land and buildings were stated at historical cost, the amounts would be as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Land and buildings		
Cost	92,889	100,725
Accumulated depreciation	(13,035)	(15,703)
Net book amount	79,854	85,022

14 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

The analysis of the cost or valuation at 31 March 2014 and 2013 of the above assets is as follows:

	Land and buildings 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	—	8,218	1,247,332	50,551	35,281	27,854	371,746	1,740,982
At valuation	215,879	—	—	—	—	—	—	215,879
As at 31 March 2013	215,879	8,218	1,247,332	50,551	35,281	27,854	371,746	1,956,861
At cost	—	6,712	1,267,334	54,167	35,648	28,616	414,694	1,807,171
At valuation	289,192	—	—	—	—	—	—	289,192
As at 31 March 2014	289,192	6,712	1,267,334	54,167	35,648	28,616	414,694	2,096,363

At 31 March 2014 and 2013, construction-in-progress represented costs incurred for buildings, machinery and equipment in Shandong and Nantong, the PRC, for the construction of paper mills.

At 31 March 2014, land and buildings with carrying value amounted to approximately HK$51,908,000 (2013: HK$54,777,000) were pledged as securities for bank borrowings made available to the Group (note 37).

At 31 March 2014, the net book amount of motor vehicles held by the Group under finance leases was HK$3,890,000 (2013: HK$3,376,000).

Depreciation expenses of HK$68,664,000 (2013: HK$57,620,000) has been charged in selling and administrative expenses and cost of sales and HK$1,175,000 (2013: HK$4,491,000) has been included in inventories.

15 PREPAID PREMIUM FOR LAND LEASES

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments outside Hong Kong held on leases of between 10 and 50 years. Their net book values are analysed as follows:

	Group	
	2014 HK$'000	2013 HK$'000
At 1 April	157,483	159,762
Additions	970	—
Exchange differences	(227)	1,208
Amortisation (note 6)	(4,350)	(3,487)
At 31 March	153,876	157,483

16 INVESTMENT PROPERTIES

	Group	
	2014 HK$'000	2013 HK$'000
At 1 April	163,601	165,997
Transfer from property, plant and equipment (note 14)	38,000	31,000
Transfer to non-current assets held for sale (note 21)	—	(110,000)
Fair value gains (notes 5 and 6)	24,399	76,604
At 31 March	226,000	163,601

The investment properties were revalued at 31 March 2014 and 2013 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited. Valuations were based on current prices in an active market for the properties.

The Group's interests in investment properties, held on leases of between 10 and 50 years, are located in Hong Kong.

At 31 March 2014, the investment properties situated in Hong Kong with carrying value of HK$226,000,000 (2013: HK$163,601,000) were pledged as a security for bank borrowings made available to the Group (note 37).

An independent valuation of the Group's investment properties was performed by the valuer, Savills Valuation and Professional Services Limited to determine the fair value of the investment properties as at 31 March 2014 and 31 March 2013. The fair value gains on investment properties is included in "Other gains and income, net" in consolidated profit and loss account. The following table analyses the investment properties carried at fair value, by valuation method.

16 INVESTMENT PROPERTIES (continued)

Fair value hierarchy

Description	Fair value measurements at 31 March 2014 using		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements			
Investment properties:			
— Factory building — Hong Kong	—	—	226,000
Non-current assets held for sale:			
— Factory building — Hong Kong	—	—	118,000
— Building — Singapore	—	—	4,773

There were no transfers between Levels 1, 2 and 3 during the year.

All the fair values of the Group's investment properties and non-current assets held for sale are measured at fair value hierarchy level 3 as at 31 March 2014.

Valuation processes of the group

The Group's investment properties were valued at 31 March 2014 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. The department reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every year, in line with the group's annual reporting date. As at 31 March 2014, the fair values of the properties have been determined by Savills Valuation and Professional Services Limited.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

For Hong Kong factory buildings, the valuation was determined using the income capitalization approach (term and reversionary method) which largely used observable inputs (e.g. market rent; yield, etc) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

For building in Singapore, the valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

17 INTANGIBLE ASSETS

	Group		
	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2012			
Cost	5,995	40,424	46,419
Accumulated amortisation	(1,766)	—	(1,766)
Net book amount	4,229	40,424	44,653
Year ended 31 March 2013			
Opening net book amount	4,229	40,424	44,653
Exchange differences	9	489	498
Additions	3,144	—	3,144
Amortisation (note 6)	(759)	—	(759)
Closing net book amount	6,623	40,913	47,536
At 31 March 2013			
Cost	9,154	40,913	50,067
Accumulated amortisation	(2,531)	—	(2,531)
Net book amount	6,623	40,913	47,536
Year ended 31 March 2014			
Opening net book amount	6,623	40,913	47,536
Exchange differences	27	(622)	(595)
Additions	278	—	278
Amortisation (note 6)	(896)	—	(896)
Closing net book amount	6,032	40,291	46,323
At 31 March 2014			
Cost	9,453	40,291	49,744
Accumulated amortisation	(3,421)	—	(3,421)
Net book amount	6,032	40,291	46,323

Amortisation of HK$896,000 (2013: HK$759,000) is included in administrative expenses.

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	
	2014	2013
Gross margin	32%	31%
Growth rate	0%	0%
Discount rate	8%	8%

The goodwill is associated with marine services business in Singapore.

The directors are of the opinion that there was no impairment of goodwill as at 31 March 2014 and 2013.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2014 HK$'000	2013 HK$'000
At 1 April	5,624	5,258
Additions	—	252
Disposals	(252)	—
Net change in fair value transferred to equity (note 30)	118	114
At 31 March	5,490	5,624

Available-for-sale financial assets include the following:

	Group	
	2014 HK$'000	2013 HK$'000
Unlisted securities:		
— Insurance policy	4,321	4,204
— Other investment	1,169	1,420
	5,490	5,624

The available-for-sale financial assets are denominated in the following currencies:

	Group	
	2014 HK$'000	2013 HK$'000
United States dollars	5,490	5,372
Renminbi	—	252
	5,490	5,624

19 NON-CURRENT DEPOSITS AND PREPAYMENTS

The balance represents prepayments for land use right and purchase of machineries.

20 INTERESTS IN SUBSIDIARIES

	Company	
	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost (note (a))	249,897	249,897
Amounts due from subsidiaries (note (b))	306,061	308,419

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 March 2014 are set out in note 40 to the consolidated financial statements.

(b) Amounts due from subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts are mainly denominated in HK dollars (2013: same).

21 NON-CURRENT ASSETS HELD FOR SALE

Pursuant to the Board of Directors' resolutions dated on 18 October 2013, a building located in Singapore with a carrying value of SGD775,795 (approximately HK$4,773,000) was offered for sale. The Board of Directors has been committed to a plan to sell and the disposal is expected to be completed within one year. As a result, the building is classified as non-current asset held for sale as at 31 March 2014.

Pursuant to the Board of Directors' resolutions dated on 18 December 2012, an investment property located in Hong Kong with a carrying value of HK$110,000,000 was offered for sale. The Board of Directors committed to a plan to sell and the disposal was expected to be completed within one year. As a result, the investment property is classified as non-current assets held for sale as at 31 March 2013. The asset has not been sold by 31 March 2014 as it takes longer time than expected to dispose of the property. Therefore, the asset remained as non-current assets held for sale as at 31 March 2014.

	Group	
	2014 HK$'000	2013 HK$'000
At 1 April	110,000	76,000
Transfer from investment properties (note 16)	—	110,000
Transfer from property, plant and equipment (note 14)	4,773	—
Disposal	—	(76,000)
Fair value gain (notes 5 and 6)	8,000	—
At 31 March	122,773	110,000

At 31 March 2014, the non-current asset held for sale of HK$122,773,000 was pledged as a security for bank borrowings made available to the Group (2013: HK$110,000,000) (note 37).

21 NON-CURRENT ASSETS HELD FOR SALE (continued)

An independent valuation of the Group's major non-current assets held for sale was performed by the valuer, Savills Valuation and Professional Services Limited to determine the fair value of the investment properties as at 31 March 2014 and 31 March 2013. The fair value gains on non-current assets held for sale is included in "Other gains and income, net" in consolidated profit and loss account.

At 31 March 2014, the non-current assets held for sale with the carrying value of HK$122,773,000 are under level 3 with fair value measurements using significant unobservable inputs in the fair value hierarchy (note 16).

Valuation processes of the group

The Group's major non-current assets held for sale were valued at 31 March 2014 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. The department reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every year, in line with the group's annual reporting date. As at 31 March 2014, the fair values of the properties have been determined by Savills Valuation and Professional Services Limited.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

For Hong Kong factory buildings, the valuation was determined using the income capitalization approach (term and reversionary method) which largely used observable inputs (e.g. market rent; yield, etc) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

For building in Singapore, the valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

22 INVENTORIES

	Group	
	2014 HK$'000	2013 HK$'000
Merchandise and finished goods	585,789	529,966
Raw materials	174,866	174,570
	760,655	704,536

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$4,359,390,000 (2013: HK$3,757,519,000).

As at 31 March 2014, the inventories of the Group are stated after a provision for impairment on inventories of approximately HK$43,111,000 (2013: HK$53,931,000).

23 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2014 HK$'000	2013 HK$'000
Accounts receivable — net of provision	1,226,996	1,100,971
Other receivables, deposits and prepayments	723,083	667,355
	1,950,079	1,768,326

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

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

The aging analysis of accounts receivable is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Current to 60 days	905,999	838,037
61 to 90 days	166,828	136,097
Over 90 days	154,169	126,837
	1,226,996	1,100,971

23 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (continued)

Accounts receivable that are less than 90 days past due relate to a large number of diversified customers who have had no recent history of default. Based on past experience, the directors were 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 considered fully recoverable. As at 31 March 2014, accounts receivable of HK$111,114,000 (2013: HK$94,698,000) were past due but not impaired. These related to a number of independent customers who have had no recent history of default. The aging analysis of these accounts receivable is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Past due by:		
91–120 days	83,237	52,147
Over 120 days	27,877	42,551
	111,114	94,698

As at 31 March 2014, accounts receivable of HK$77,567,000 (2013: HK$88,476,000) were considered impaired. The individual impaired receivables mainly related to customers which are in unexpected difficult economic situations.

The movement of the provision for impairment of accounts receivable is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
At 1 April	88,476	83,855
Exchange differences	(2,354)	179
Bad debt written off against provision	(3,738)	—
Provision for impairment written back (note 6)	(8,717)	(6,830)
Provision for the year (note 6)	3,900	11,272
At 31 March	77,567	88,476

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.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014 HK$'000	2013 HK$'000
Listed equities outside Hong Kong, at fair value	726	675

The fair values of listed equity securities are based on their current bid prices in an active market.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains and income, net" in the consolidated profit and loss account.

25 RESTRICTED BANK DEPOSITS

	Group	
	2014 HK$'000	2013 HK$'000
Pledged as securities for bills payables (note 37)	205,893	182,948

Restricted bank deposits earn interest at a fixed rate of 2.28% per annum (2013: 2.89% per annum).

The restricted bank deposits are denominated in the following currencies:

	Group	
	2014 HK$'000	2013 HK$'000
Renminbi	205,893	182,875
Korean Won	—	73
	205,893	182,948

26 BANK BALANCES AND CASH

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Cash at bank and on hand	209,901	219,229	57	59
Short-term bank deposits	77,402	173,078	—	—
	287,303	392,307	57	59

The effective interest rate on short-term bank deposits was 1.86% per annum (2013: 0.83% per annum). These deposits had an average maturity of three months or less.

26 BANK BALANCES AND CASH (continued)

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

	Group	
	2014 HK$'000	2013 HK$'000
Bank balances and cash	287,303	392,307
Bank overdrafts (note 28)	—	(2,855)
	287,303	389,452

27 ACCOUNTS PAYABLE AND OTHER PAYABLES

	Group	
	2014 HK$'000	2013 HK$'000
Accounts and bills payables	1,217,049	1,154,538
Accruals and other payables	304,348	186,686
	1,521,397	1,341,224
Less: non-current portions:		
Accounts payable and other payables (note (a))	(126,702)	(1,486)
	1,394,695	1,339,738

Note:

(a) As at 31 March 2014, accounts payable of HK$80,387,000 were unsecured, interest-bearing at 4.0% per annum and were repayable twelve months after the balance sheet date. The remaining balances of HK$43,844,000 were unsecured, interest-free and were repayable twelve months after the balance sheet date.

As at 31 March 2014, rental deposit received of HK$2,471,000 (2013: HK$1,486,000) is not repayable within one year.

The carrying values of the accounts payable and other payables approximate their fair values.

The aging analysis of accounts and bills payables is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Current to 60 days	733,272	922,722
61 to 90 days	176,890	126,027
Over 90 days	306,887	105,789
	1,217,049	1,154,538

28 BORROWINGS

	Group	
	2014 HK$'000	2013 HK$'000
Non-current		
Bank loans — unsecured	400,000	595,770
Bank loans — secured (note 37)	52,903	41,484
Finance lease liabilities	3,479	4,327
Total non-current borrowings	456,382	641,581
Current		
Trust receipt loans — unsecured	561,703	703,220
Trust receipt loans — secured (note 37)	77,750	71,188
	639,453	774,408
Bank loans — unsecured	910,849	646,146
Bank loans — secured (note 37)	37,617	29,227
Bank overdrafts (note 26)	—	2,855
Finance lease liabilities	2,156	2,254
	950,622	680,482
Total current borrowings	1,590,075	1,454,890
Total borrowings	2,046,457	2,096,471

The Group's bank loans, overdrafts and trust receipt loans were repayable as follows:

	Group					
	Bank overdrafts		Bank loans		Trust receipt loans	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Within one year	—	2,855	948,466	675,373	639,453	774,408
In the second year	—	—	410,034	263,100	—	—
In the third to fifth years inclusive	—	—	33,410	363,627	—	—
Over 5 years	—	—	9,459	10,527	—	—
	—	2,855	1,401,369	1,312,627	639,453	774,408

28 BORROWINGS (continued)

The carrying amounts of borrowings are denominated in the following currencies:

	Group	
	2014 HK$'000	2013 HK$'000
Hong Kong dollars	1,332,097	1,391,558
Renminbi	496,175	481,856
United States dollars	200,602	200,053
Singapore dollars	7,309	11,771
Malaysia Ringgit	10,274	11,233
	2,046,457	2,096,471

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans range from 1.6% to 7.2% per annum (2013: 1.6% to 7.0% per annum).

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

The Group has undrawn borrowing facilities of HK$1,576,344,000 (2013: HK$1,552,322,000) as at 31 March 2014. All of the Group's facilities are at floating rates and subject to periodic renewal.

Finance lease liabilities

	Group	
	2014 HK$'000	2013 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	2,274	2,369
Later than 1 year but not later than 5 years	3,528	4,477
Later than 5 years	103	54
	5,905	6,900
Future finance charges on finance leases	(270)	(319)
Present value of finance lease liabilities	5,635	6,581

28 BORROWINGS (continued)

	Group	
	2014 HK$'000	2013 HK$'000
The present value of finance lease liabilities was as follows:		
Not later than 1 year	2,156	2,254
Later than 1 year and no later than 5 years	3,379	4,275
Later than 5 years	100	52
	5,635	6,581

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

The effective interest rates at the balance sheet date ranged from 3.8% to 6.5% per annum (2013: 3.8% to 6.5% per annum).

29 SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Authorised:				
Ordinary shares				
At beginning and end of the year	1,456,913,987	1,456,913,987	145,691	145,691
Convertible non-voting preference shares				
At beginning and end of the 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 and end of the year	1,141,075,827	1,141,075,827	114,108	114,108
Convertible non-voting preference shares				
At beginning and end of the year	132,064,935	132,064,935	13,207	13,207
Total	1,273,140,762	1,273,140,762	127,315	127,315

Notes:

(a) On 27 October 2008, 143,086,013 convertible non-voting preference shares ("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.

29 SHARE CAPITAL (continued)

Notes: (continued)

(a) (continued)

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 years ended 31 March 2014 and 2013, no convertible non-voting preference shares were converted.

29 SHARE CAPITAL (continued)

Notes: (continued)

(b) 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 2014, no option has been granted under the Option Scheme (2013: Nil).

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 nil (2013: 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 was expired on 26 February 2014.

30 RESERVES

Group

	Share premium HK$'000	Asset revaluation reserve HK$'000	Capital reserve (note a) HK$'000	Exchange reserve HK$'000	Statutory reserve (note c) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2012	161,262	192,373	204,711	170,916	—	682,252	1,411,514
Profit for the year	—	—	—	—	—	63,661	63,661
Revaluation of land and buildings	—	8,290	—	—	—	—	8,290
Reversal of deferred tax on fair value gains upon transfer from property, plant and equipment to investment properties	—	6,720	—	—	—	—	6,720
Revaluation of available-for-sale financial assets (note 18)	—	114	—	—	—	—	114
Currency translation differences	—	—	—	20,638	—	—	20,638
2011–2012 final dividend paid	—	—	—	—	—	(12,477)	(12,477)
2012–2013 interim dividend paid	—	—	—	—	—	(5,092)	(5,092)
Acquisition of additional interest in a subsidiary (note 34)	—	—	(2,717)	—	—	—	(2,717)
Disposal of non-current assets held for sale	—	(17,138)	—	—	—	17,138	—
Transfer to statutory reserve	—	—	—	—	8,266	(8,266)	—
	161,262	190,359	201,994	191,554	8,266	723,211	1,476,646
Proposed 2012–2013 final dividend	—	—	—	—	—	14,005	14,005
At 31 March 2013	161,262	190,359	201,994	191,554	8,266	737,216	1,490,651
At 1 April 2013	161,262	190,359	201,994	191,554	8,266	737,216	1,490,651
Profit for the year	—	—	—	—	—	57,196	57,196
Revaluation of land and buildings, net of tax	—	94,210	—	—	—	—	94,210
Reversal of deferred tax on fair value gains upon transfer from property, plant and equipment to investment properties	—	5,400	—	—	—	—	5,400
Revaluation of available-for-sale financial assets (note 18)	—	118	—	—	—	—	118
Currency translation differences	—	—	—	(12,189)	—	—	(12,189)
2012–2013 final dividend paid	—	—	—	—	—	(14,005)	(14,005)
2013–2014 interim dividend paid	—	—	—	—	—	(5,092)	(5,092)
Transfer to statutory reserve	—	—	—	—	682	(682)	—
	161,262	290,087	201,994	179,365	8,948	763,174	1,604,830
Proposed 2013–2014 final dividend	—	—	—	—	—	11,459	11,459
At 31 March 2014	161,262	290,087	201,994	179,365	8,948	774,633	1,616,289

30 RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus (note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2012	161,262	249,697	17,624	428,583
Profit for the year (note 9)	—	—	19,581	19,581
2011–2012 final dividend paid	—	—	(12,477)	(12,477)
2012–2013 interim dividend paid	—	—	(5,092)	(5,092)
	161,262	249,697	5,631	416,590
Proposed 2012–2013 final dividend	—	—	14,005	14,005
At 31 March 2013	161,262	249,697	19,636	430,595
At 1 April 2013	161,262	249,697	19,636	430,595
Profit for the year (note 9)	—	—	16,774	16,774
2012–2013 final dividend paid	—	—	(14,005)	(14,005)
2013–2014 interim dividend paid	—	—	(5,092)	(5,092)
	161,262	249,697	5,854	416,813
Proposed 2013–2014 final dividend	—	—	11,459	11,459
At 31 March 2014	161,262	249,697	17,313	428,272

(a) The capital reserve of the Group includes 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 amounted to HK$33,311,000. In addition, it also includes the loss from the acquisition of additional interests in subsidiaries of HK$1,977,000 in 2011 and the gain on disposal of 22.3% equity interests in a subsidiary of HK$170,660,000 in 2012.

(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.

(c) The amount is determined under the relevant laws and regulations in the PRC.

31 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2013: 16.5%).

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

	Group	
	2014 HK$'000	2013 HK$'000
At 1 April	61,518	63,130
Charged to consolidated profit and loss account (note 8)	9,884	4,667
Credited/(charged) directly to equity	16,225	(6,720)
Exchange difference	(3,228)	441
At 31 March	84,399	61,518

The movement of 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					
	Provisions		Tax losses		Total	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
At 1 April	10,998	—	25,968	12,639	36,966	12,639
(Charged)/credited to consolidated profit and loss account	(3,808)	10,916	(12,753)	13,129	(16,561)	24,045
Exchange difference	812	82	(23)	200	789	282
At 31 March	8,002	10,998	13,192	25,968	21,194	36,966

Deferred tax liabilities

	Group							
	Accelerated tax depreciation		Fair value gains		Others		Total	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
At 1 April	58,932	29,497	16,457	23,177	23,095	23,095	98,484	75,769
Charged/(credited) directly to equity (notes 8)	—	—	16,225	(6,720)	—	—	16,225	(6,720)
(Credited)/charged to consolidated profit and loss account	(6,676)	28,712	—	—	—	—	(6,676)	28,712
Exchange difference	(2,440)	723	—	—	—	—	(2,440)	723
At 31 March	49,816	58,932	32,682	16,457	23,095	23,095	105,593	98,484

31 DEFERRED TAXATION (continued)

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

	Group	
	2014 HK$'000	2013 HK$'000
Deferred tax assets to be recovered after more than 12 months	7,120	8,249
Deferred tax liabilities to be settled after more than 12 months	(91,519)	(69,767)
	(84,399)	(61,518)

32 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent an interest rate swap entered into by the Group. The notional principal amount of the outstanding interest rate swap contract as at 31 March 2014 was HK$20,000,000 (2013: HK$20,000,000). As at 31 March 2014, the interest rate under the interest rate swap was 1.73% (2013: 1.73%) per annum.

33 CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Group	
	2014 HK$'000	2013 HK$'000
Operating profit	179,650	172,576
Depreciation of property, plant and equipment	68,664	57,620
Amortisation of prepaid premium for land leases	4,350	3,487
Amortisation of intangible assets	896	759
Fair value gains on investment properties	(24,399)	(76,604)
Fair value gains on non-current assets held for sale	(8,000)	—
Losses on disposal of non-current assets held for sale	—	726
Gains on disposal of property, plant and equipment	(2,662)	(174)
Realised and unrealised gains on derivative financial instruments	(88)	(14)
Realised and unrealised gains on investments in financial assets at fair value through profit and loss	(51)	(1,398)
(Written-back)/provision for impairment on receivables, net	(4,817)	4,442
(Written-back)/provision for impairment on inventories	(10,782)	25,979
Dividend income	—	(8)
Interest income	(9,134)	(10,897)
Operating profit before working capital changes	193,627	176,494
Increase in inventories	(44,162)	(19,362)
Increase in accounts receivable, deposits and prepayments	(176,936)	(141,797)
Increase/(decrease) in accounts payable and accruals	239,516	(59,317)
Effect of change in exchange rates	(12,536)	(4,404)
Net cash generated from/(used in) operations	199,509	(48,386)

33 CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Analysis of changes in financing during the year

	Group	
	Bank loans	
	2014 HK$'000	2013 HK$'000
At 1 April	1,312,627	1,304,674
Exchange differences	(2,007)	7,101
Bank loans raised	1,098,228	1,094,928
Repayment of bank loans	(1,007,479)	(1,094,076)
At 31 March	1,401,369	1,312,627

(c) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Group	
	2014 HK$'000	2013 HK$'000
Net book amount	412	1,325
Gains on disposal of property, plant and equipment	2,662	174
	3,074	1,499

(d) Non-cash transaction

During the year, a non-controlling shareholder has undertaken a shareholder loan of HK$59,343,000 to a subsidiary of the Group. Such contribution was satisfied by debiting against the payable balances due to certain subsidiaries of the non-controlling shareholder as mutually agreed by the parties involved.

34 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of 1% additional interest in a subsidiary

On 7 March 2013, the Group acquired the remaining 1% of equity interests in Universal Pulp & Paper (Jiangsu) Company Limited ("UPP Jiangsu") at a consideration of RMB2,323,000 (equivalents to HK$2,910,000) from a non-controlling shareholder. The effect of changes in the ownership interest of UPP Jiangsu on the equity attributable to owners of the Company during the year is summarised as follows:

	2013 HK$'000
Carrying amount of non-controlling interests acquired	193
Consideration paid	(2,910)
Excess of consideration paid recognised within equity	(2,717)

35 BANK GUARANTEES

At 31 March 2014, the Company continues to provide corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2014 amounted to HK$2,040,822,000 (2013: HK$2,089,890,000).

36 COMMITMENTS

(a) Capital commitments

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

	Group	
	2014 HK$'000	2013 HK$'000
Contracted but not provided		
Property, plant and equipment		
Contracted but not provided for	158,080	176,501

(b) Operating lease commitments

The Group leases various warehouses under non-cancellable operating lease agreements. The lease terms are mainly 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 aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Not later than one year	27,197	29,674
Later than one year and not later than five years	17,204	30,852
Later than five years	1,920	2,707
	46,321	63,233

(c) Operating lease receivable

The Group leases out various warehouses under non-cancellable operating lease agreements. The lease terms are between one to five 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	
	2014 HK$'000	2013 HK$'000
Not later than one year	15,245	12,381
Later than one year and not later than five years	26,681	38,604
	41,926	50,985

37 CHARGE OF ASSETS

At 31 March 2014, trust receipt loans of HK$77,750,000 (2013: HK$71,188,000) and bank loans of HK$90,520,000 (2013: HK$70,711,000) are secured by legal charges on the Group's land and buildings, investment properties and non-current asset held for sale with aggregate net book amount of HK$400,681,000 (2013: HK$328,378,000) (notes 14, 16 and 21).

At 31 March 2014, bills payables of HK$734,927,000 (2013: HK$669,373,000) are secured by restricted bank deposits of HK$205,893,000 (2013: HK$182,948,000) (note 25).

38 RELATED PARTY TRANSACTIONS

Related parties refer to entities in which the Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. A summary of significant related party transactions, which are carried out in the normal course of the Group's business, are as follows:

(a) Purchase from related party

	Group	
	2014 HK$'000	2013 HK$'000
Purchase of merchandise from an investee company	227,486	226,942

The above transactions were conducted at negotiated prices between transacting parties.

(b) Year-end balances arising from purchases of goods

	Group	
	2014 HK$'000	2013 HK$'000
Payables to an investee company	102,246	88,299

As at 31 March 2014, accounts payable of HK$58,402,000 were unsecured, interest-free and were repayable with credit period of 90 days. The remaining balances of HK$43,844,000 were unsecured, interest-free and were repayable twelve months after the balance sheet date (note 27).

The carrying amounts are denominated in RMB (2013: same).

(c) Key management compensation

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

39 ULTIMATE HOLDING COMPANY

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

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES

	Name of subsidiar(ies)	Place(s) of incorporation/ establishment	Particulars of issued and fully paid up share capital/registered capital	Percentage holding(s) (%)	Nature of business
				2014 & 2013	
	Shares held directly:				
1	Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK$1 each	100	Investment holding in Hong Kong
	Shares held indirectly:				
	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 in Hong Kong
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 in the PRC
	High Flyer International Limited (Formerly known as “High Flyer Logistics (Hong Kong) Limited”)	Hong Kong	1,000,000 ordinary shares of HK$1 each	100	Logistics services and others in Hong Kong
1	Hypex Holdings Limited	British Virgin Islands	2 ordinary shares of US$1 each	100	Investment holding in Singapore
1	Shenzhen High Flyer International Transportation Co. Ltd.[2]	The PRC	Registered capital RMB10,000,000	80.4	Container transport services in the PRC
	Samson Paper Company Limited	Hong Kong	10 ordinary shares of HK$100 each	100	Trading of paper products in Hong Kong
			28,500 non-voting shares of HK$100 each	100	

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	Name of subsidiar(ies)	Place(s) of incorporation/ establishment	Particulars of issued and fully paid up share capital/registered capital	Percentage holding(s) (%)	Nature of business
				2014 & 2013	
	Shares held indirectly: (continued)				
1	Samson Paper (Beijing) Company Limited[2]	The PRC	Registered capital HK$16,380,000	100	Trading of paper products in the PRC
	Samson Paper (China) Company Limited	Hong Kong	1,000 ordinary shares of HK$10 each	100	Investment holding in Hong Kong
1	Samson Paper (M) Sdn. Bhd.	Malaysia	7,500,000 ordinary shares of RM1 each	100	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$48,300,000	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 in Hong Kong
			2,400 non-voting shares of HK$100 each	100	
	United Aviation (Singapore) Pte. Ltd.	Singapore	2 ordinary shares of US$1 each	100	Trading of aeronautical parts in Singapore
1	Universal Pulp and Paper (Jiangsu) Co. Ltd.[2]	The PRC	Registered capital US$30,000,000	100	Manufacturing & trading of paper products in the PRC
1	Universal Pulp and Paper (Shandong) Co. Ltd.[2]	The PRC	Registered capital US$51,741,300	79.93	Manufacturing & trading of paper products in the PRC

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

2 Foreign investment enterprises.

All subsidiaries operate in Hong Kong unless otherwise stated. All of the subsidiaries established in the PRC are limited liability companies.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group.

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