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Samson group

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Samson Paper Holdings Limited

(Provisional Liquidators Appointed)

(For Restructuring Purposes Only)

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

2020

Annual Report





Contents

Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Corporate Governance Report	16
Environmental, Social and Governance Report	24
Report of the Directors	40
Independent Auditor's Report	56
Consolidated Statement of Profit or Loss	61
Consolidated Statement of Comprehensive Income	62
Consolidated Statement of Financial Position	63
Consolidated Statement of Changes in Equity	65
Consolidated Statement of Cash Flows	66
Notes to the Consolidated Financial Statements	68
Contacts	156

Board of Directors

Executive Directors

SHAM Kit Ying (Chairman) (alias SHAM Kit)
(resigned on 9 December 2019)
LEE Seng Jin (appointed as Deputy Chairman on
9 December 2019, resigned on 20 May 2021)
CHOW Wing Yuen (resigned on 6 February 2021)
SHAM Yee Lan, Peggy (resigned on 20 May 2021)
LEE Yue Kong, Albert (resigned on
6 February 2021)
CHOI Wai Hong, Clifford (appointed as
independent non-executive director on 16 July
2020 and re-designated as executive director on
20 May 2021)
LAU Wai Leung, Alfred (appointed as
independent non-executive director on 17 July
2020 and re-designated as executive director on
20 May 2021)

Non-executive Director

LAU Wang Yip, Eric (resigned on 12 July 2020)

Independent Non-executive Directors

PANG Wing Kin, Patrick (resigned on
12 July 2020)
TONG Yat Chong (resigned on 12 July 2020)
NG Hung Sui, Kenneth (resigned on 12 July 2020)
LEUNG Vincent Gar-gene (appointed on
17 July 2020)

Company Secretary

LEE Yue Kong, Albert (resigned on
6 February 2021)
YU Ngai (appointed on 6 February 2021)

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

RSM Hong Kong
Certified Public Accountants
29 Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Registered Office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

Head Office and Principal Place of Business

Unit D, 13/F, World Tech Centre
95 How Ming Street
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

Consolidated Statement of Profit or Loss

	For the year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Revenue	5,736,917	5,907,821
Operating (loss)/profit	(432,699)	210,993
Finance costs	81,017	71,174
(Loss)/profit before tax	(513,716)	139,819
(Loss)/profit attributable to owners of the Company	(550,566)	109,206

Consolidated Statement of Financial Position

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Non-current assets	2,929,083	2,989,026
Current assets	2,929,542	3,533,818
Current liabilities	4,227,146	3,183,004
Shareholders' funds	1,257,709	1,959,883
Non-current liabilities	131,838	1,153,517

Share Statistics

(Loss)/earnings per share — basic	HK(48.3) CENTS	HK9.2 CENTS
(Loss)/earnings per share — diluted	HK(48.3) CENTS	HK8.6 CENTS
Dividends per share	HK0.40 CENTS	HK2.4 CENTS
Net asset value per ordinary share	HK110 CENTS	HK172 CENTS

Management Discussion and Analysis

Business Review and Events after Reporting Period

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

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

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

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

Listing status of the Company

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

1. Address all audit issues raised by the Former Auditors (the “Audit Issues”);
2. Conduct an appropriate independent investigation into the Audit Issues, announce the findings and take appropriate remedial actions;
3. Publish all outstanding financial results required under the Listing Rules and address any audit modifications;
4. Have the winding-up petition (or winding-up order, if made) against the Company withdrawn or dismissed;
5. Announce all material information for the Company’s shareholders and investors to appraise the Company’s position;
6. Demonstrate its compliance with Rule 13.24 of the Listing Rules;
7. Conduct an independent internal control review and demonstrate adequate internal control systems being put in place to meet the obligations under the Listing Rules; and
8. Re-comply with Rules 3.05, 3.10(1), 3.21 and 3.25 of the Listing Rules.

Business Review and Events after Reporting Period (continued)

Listing status of the Company (continued)

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

Liquidation and winding down of paper trading business

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

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

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

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

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

Business Review and Events after Reporting Period (continued)

Deconsolidation of Property Development and Investment (“PID”) segment

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

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

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

Disposal of other auxiliary businesses

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

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

Resignation of directors and senior management

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

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

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

Business Review and Events after Reporting Period (continued)

Proposed Restructuring of the Group

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

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

Subscription

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

Group Reorganisation

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

- a. the incorporation of Greater Paper Development Limited (“SPV1”), a company incorporated in Hong Kong with limited liability, owned as to 100% by the Company;
- b. the incorporation of Greater Paper (Shenzhen) Paper Limited (“SPV2”), a company incorporated in the PRC with limited liability and owned as to 100% by SPV1;
- c. SPV2 becoming the sole registered shareholder of Universal Pulp & Paper (Shandong) Co. Ltd. (“UPPSD”) through the UPPSD Bankruptcy Reorganisation;
- d. upon the completion of all the transactions under the Restructuring Agreement (the “Closing”), to effectuate the transfer of the subsidiaries of the Group other than SPV1, SPV2 and UPPSD (the “Excluded Subsidiaries”) to the SchemeCo (as defined below) for the Scheme Creditors (as defined below) pursuant to the terms of the ListCo Scheme by transferring the entire equity interests of Samson Paper (BVI) Ltd. (being the holding company of the Excluded Subsidiaries and a directly wholly-owned subsidiary of the Company) held by the Company to the SchemeCo at a nominal consideration of HK\$1.0. The Group upon the completion of the Proposed Restructuring (the “Retained Group”) shall comprise of the Company, SPV1, SPV2 and UPPSD and will be principally engaged in manufacturing of paper product;
- e. provision of a loan not less than RMB80,000,000 by Shandong Bairun to SPV2 which will be used in the daily business operations of UPPSD (which forms part of the loan of not less than RMB250,000,000 to be provided by Shandong Bairun to SPV2 under the UPPSD Bankruptcy Reorganisation, the remaining RMB170,000,000 of which will be used for the first instalment payment under the UPPSD Bankruptcy Reorganisation plan);

Business Review and Events after Reporting Period (continued)

Proposed Restructuring of the Group (continued)

Group Reorganisation (continued)

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

Placement

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

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

ListCo Scheme

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

- a. upon the ListCo Scheme become effective, the scheme administrators shall incorporate a special purpose vehicle (the "SchemeCo") to hold and realise assets of the SchemeCo for distribution to the creditors of the Company with unsecured claims admitted by the scheme administrators in accordance with the terms of the ListCo Scheme (the "Scheme Creditors") and settle the costs and expenses arising from the implementation of the ListCo Scheme in accordance with the terms of the ListCo Scheme;
- b. all the claims against the Company shall be fully and finally discharged under ListCo Scheme by way of the SchemeCo accepting and assuming an equivalent liability in place of the Company in respect of the claims of the creditors of the Company. In return, the Scheme Creditors will be entitled to receive dividends from the realization of the assets of the SchemeCo pursuant to the ListCo Scheme in full and final settlement of their claims against the SchemeCo;
- c. the assets of the SchemeCo to be realised for the benefit of the Scheme Creditors shall include:
 - (i) the remaining balance of the gross Subscription Proceeds of approximately HK\$119,872,142 after deducting the costs of implementing the Proposed Restructuring;
 - (ii) 240,482,142 New Shares to be issued and allotted by the Company to the SchemeCo (the "Creditors' Shares") for the benefit of the Scheme Creditors, representing approximately 17% of the issued ordinary share capital of the Company after the completion of the Capital Reorganisation and as enlarged by the issue and allotment of the Subscription Shares, Placement Shares and Creditors' Shares and assuming all preference shares have been converted, subject to the right to dispose the Creditors' Shares as detailed in paragraph (viii) below;
 - (iii) gross proceeds from the Placement of approximately HK\$6,849,837;
 - (iv) the shares and/other assets of the Excluded Subsidiaries;
 - (v) the inter-company account receivables due from the Excluded Subsidiaries to the Retained Group in the amount of approximately HK\$300 million;
 - (vi) the cash, bank deposits and account receivables of the Company as at the effective date of the ListCo Scheme (apart from the account receivables due from the Retained Group);

Business Review and Events after Reporting Period (continued)

Proposed Restructuring of the Group (continued)

ListCo Scheme (continued)

c. (continued)

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

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

UPPSD Bankruptcy Reorganisation

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

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

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

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

Business Review and Events after Reporting Period (continued)

Proposed Restructuring of the Group (continued)

UPPSD Bankruptcy Reorganisation (continued)

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

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

Following the execution of a term sheet in relation to the proposed restructuring of the Group (the "Term Sheet"), UPPSD submitted an application to the Shandong Court and the UPPSD Bankruptcy Administrator to seek for a conversion of the bankruptcy proceedings of UPPSD into a bankruptcy reorganisation, which was approved by the Shandong Court with effect from 20 April 2021.

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

- a. UPPSD shall become a wholly-owned subsidiary of the Company (through SPV1 and SPV2) through the UPPSD Bankruptcy Reorganisation;
- b. settlement of four creditors' priority claims with an aggregate amount of RMB4,960,533.58 in one lump sum payment by cash in priority to other creditors with unsecured claims, with their unsecured claims totalling RMB1,084,101,760.80 settled in the method as provided in (d), (e) and (f) below;
- c. settlement of two creditors' verified tax claims with an aggregate amount of RMB48,333,787.65 in one lump sum payment by cash;
- d. settlement of each creditor's unsecured claims with principal amount of RMB200,000 (inclusive) or below in full by way of cash;
- e. for each creditor's unsecured claims with principal amount exceeding RMB200,000, settlement will be completed within four (4) years in five (5) instalments of 20% every year. The first instalment payment shall be made to repay creditor's unsecured claim of principal amount below RMB200,000 (inclusive) and 20% of the principal amount in excess of RMB200,000. The four subsequent instalments of 20% of the principal amount in excess of RMB200,000 shall be paid on or before the first, second, third and fourth anniversary date of the first instalment payment. Remaining debts shall not bear any interest for the period of settlement in instalments;
- f. the settlement of the inter-company debts due by UPPSD to the Excluded Subsidiaries in the total sum of RMB741,989,908.38 as recognised by the UPPSD Bankruptcy Administrator in one lump sum payment of RMB50,000,000;
- g. upon the completion of UPPSD Bankruptcy Reorganisation, UPPSD shall forfeit its all accounts receivables, prepayments and other receivables due by the Group to UPPSD, which amounted to RMB156,943,268.36 based on the liquidation audit on UPPSD commissioned by the UPPSD Bankruptcy Administrator; and
- h. termination of the Entrusted Operation Agreement.

Business Review and Events after Reporting Period (continued)

Proposed Restructuring of the Group (continued)

UPPSD Bankruptcy Reorganisation (continued)

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

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

The Audit Issues, Establishment of an Independent Board Committee (“IBC”) and Appointment of an Independent Investigator

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

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

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

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

Transactions and balances with two suppliers

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

(1) Deferred payment agreements with two suppliers

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

The Audit Issues, Establishment of an Independent Board Committee (“IBC”) and Appointment of an Independent Investigator (continued)

Transactions and balances with two suppliers (continued)

(1) *Deferred payment agreements with two suppliers (continued)*

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

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

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

(2) *Purchase prepayments*

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

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

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

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

The Audit Issues, Establishment of an Independent Board Committee (“IBC”) and Appointment of an Independent Investigator (continued)

Transactions and balances with two suppliers (continued)

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

The Former Auditor was advised by the former financial controller of UPPSD that there were certain payment on behalf arrangements made for and on behalf of supplier A amounting to HK\$416,237,000 by Samson Shenzhen Company Limited (“SMSZ”) and UPPSD, both being subsidiaries of the Company, to certain suppliers of supplier A, which were also suppliers of the Group in the PRC. The Former Auditor was also informed that such payment on behalf was to facilitate supplier A to make Renminbi payments in the PRC and had no fixed term of repayment. These payment on behalf were approved by a former executive director of the Company and subsequently authorized and signed by UPPSD’s former financial controller and SMSZ’s former financial controller.

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

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

(4) *Unreconciled intercompany balances*

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

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

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

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

The Audit Issues, Establishment of an Independent Board Committee (“IBC”) and Appointment of an Independent Investigator (continued)

Transactions and balances with two suppliers (continued)

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

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

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

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

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

Prospects

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

Financial Performance

Revenue

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

Gross profit

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

Loss for the year

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

Financial Performance (continued)

Liquidity and financial resources

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

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

Contingent liabilities and charge of assets

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

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

Foreign exchange risk

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

Employees and remuneration policies

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

Corporate Governance Report

This Corporate Governance Report covered the year ended 31 March 2020 is prepared by the current Directors of the Company as at the date of this annual report based on the available information.

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 Provision(s)") of the "Code on Corporate Governance Practices" (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Failure to Comply with the Main Board Listing Rules

The Company failed to comply with the following financial reporting provisions under the Listing Rules in due course: (i) announce the annual results for the year ended 31 March 2020; and (ii) issue the annual report for the year ended 31 March 2020. Such delays constituted the violation of Rule 13.46(2)(a) and Rule 13.49(1) of the Listing Rules. The Company failed to hold the annual general meeting for the year ended 31 March 2020 within the time prescribed by the Listing Rules and the Company's Bye-laws. The annual general meeting will be convened on Monday, 31 January 2022, at which the Board will present the audited consolidated financial statements for the year ended 31 March 2020 of the Group to the shareholders for their consideration. The circular and notice of the annual general meeting will be despatched as soon as reasonably practicable.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules as the code of conduct for dealings in securities by Directors. There was no information noted that there was non-compliance with the required standard set out in the Model Code throughout the year.

Board of Directors

As at 31 March 2020, the Board comprises four executive Directors and four non-executive Directors, of whom three are independent as defined by the Stock Exchange. The composition of the Board is as below:

Executive Directors

Mr. LEE Seng Jin (Chairman and Chief Executive Officer) (subsequently resigned on 20 May 2021)
 Ms. SHAM Yee Lan, Peggy (Deputy Chief Executive Officer) (subsequently resigned on 20 May 2021)
 Mr. CHOW Wing Yuen (subsequently resigned on 6 February 2021)
 Mr. LEE Yue Kong, Albert (subsequently resigned on 6 February 2021)

Independent Non-executive Directors

Mr. PANG Wing Kin, Patrick (subsequently resigned on 12 July 2020)
 Mr. TONG Yat Chong (subsequently resigned on 12 July 2020)
 Mr. NG Hung Sui, Kenneth (subsequently resigned on 12 July 2020)

Non-executive Director

Mr. LAU Wang Yip, Eric (subsequently resigned on 12 July 2020)

Mr. LEE Seng Jin is the husband of Ms. SHAM Yee Lan, Peggy and a son-in-law of Mr. SHAM Kit Ying. Ms. SHAM Yee Lan, Peggy is the wife of Mr. LEE Seng Jin and a daughter of Mr. SHAM Kit Ying.

Independent non-executive Directors represent one-third of the Board. Under the Company's Bye-laws, every Director is subject to retirement by rotation at least once every three years. 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 the voting 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 chief executive 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.

Directors' Training and Professional Development

Directors keep abreast of responsibilities as a director of the Company and are understood of business activities and the development of the Company.

All Directors are encouraged to attend relevant training courses at the Company's expense.

Board of Directors (continued)

Directors' Training and Professional Development (continued)

Details of the number of Board meetings and general meeting held during the year ended 31 March 2020 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:

Directors	Board	Attendance/Number of Meetings			General Meeting
		Audit Committee	Remuneration Committee	Nomination Committee	
Executive Directors					
Mr. SHAM Kit Ying (resigned with effect from 9 December 2019)	4/5				2/2
Mr. LEE Seng Jin (Chairman and Chief Executive Officer) (note 3)	2/5		0/0	0/0	1/2
Mr. CHOW Wing Yuen	5/5				1/2
Ms. SHAM Yee Lan, Peggy (Deputy Chief Executive Officer)	2/5				2/2
Mr. LEE Yue Kong, Albert	5/5				2/2
Independent Non-executive Directors					
Mr. PANG Wing Kin, Patrick (note 2)	1/5	0/0		0/0	0/2
Mr. TONG Yat Chong (note 1)	2/5	0/0	0/0		2/2
Mr. NG Hung Sui, Kenneth	1/5		0/0	0/0	0/2
Non-executive Director					
Mr. LAU Wang Yip, Eric	2/5	0/0			0/2

Note 1: Chairman of Remuneration Committee

Note 2: Chairman of Audit Committee

Note 3: Chairman of Nomination Committee

Chairman and Chief Executive Officer

As of 8 December 2019, Mr. SHAM Kit Ying served as the Chairman of the Company and Mr. LEE Seng Jin served as the Chief Executive Officer ("CEO") of the Company. On 9 December 2019, Mr. SHAM Kit Ying resigned as the Chairman and executive Director of the Company, and Mr. LEE Seng Jin was appointed as the Chairman of the Company. Since 9 December 2019, Mr. LEE Seng Jin performs the roles of both the Chairman and CEO of the Company. The primary role of the Chairman is to provide leadership for the Board, and the primary role of the CEO is to take up responsibilities over the business direction and operational decisions of the Group.

Chairman and Chief Executive Officer (continued)

Code Provision A.2.1 of the Code provides that the roles of the Chairman and CEO should be separate and should not be performed by the same person. Since the roles of both Chairman and CEO of the Group are performed by the same person, the Group deviates from the Code. Nonetheless, the Board considers that the vesting of the roles of Chairman and CEO on the same person is beneficial to the management of the Group for effective execution of long-term strategies. As at 31 March 2020, the structure of the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors, where the independent non-executive Directors provide independent and professional opinions on matters proposed at the meetings of the Board, which is sufficient to ensure the check and balance of power. The Board will continue to review the composition of the Board from time to time, and will make necessary changes on a timely basis at appropriate times and will notify the shareholders of the Company thereof.

Code Provision A.2.7 of the Code provides that the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other directors. According to the record available to the Company, the Chairman did not hold any meeting with the independent non-executive Directors during the year.

Non-executive Directors

As at 31 March 2020, the Company has four non-executive Directors, of which three are independent non-executive Directors. Under the requirements of the Code Provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. As a derivation from the Code, the term of office for Mr. LAU Wang Yip, Eric, a non-executive Director of the Company, and Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong and Mr. NG Hung Sui, Kenneth, the independent non-executive Directors of the Company, were 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.

Pursuant to the requirements under the Code Provision A.4.3, if any independent non-executive Director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the Board believes he is still independent and should be re-elected. Mr. PANG Wing Kin, Patrick, Mr. NG Hung Sui, Kenneth and Mr. TONG Yat Chong, the independent non-executive Directors of the Company, have served more than nine years. Mr. TONG Yat Chong has retired from office by rotation at the annual general meeting held on 25 September 2019, and was eligible and willing to be subject to re-election at that meeting. Although it was not included in the papers to shareholders accompanying that resolution why the Board considered Mr. TONG Yat Chong was still independent and should be re-elected, the Company still believes that Mr. TONG Yat Chong could independently express his opinions on matters of the Company without interference, and since there was no evidence showing that his independence was affected by over nine years of service with the Company, his independence could be ensured. Mr. TONG Yat Chong's further appointment has been considered and passed by shareholders at that meeting by the way of a separate resolution.

Mr. PANG Wing Kin, Patrick and Mr. NG Hung Sui, Kenneth have retired from office by rotation at the annual general meeting held on 20 September 2017, and were eligible and willing to be subject to re-election at that meeting. Although it was not included in the papers to shareholders accompanying that resolution why the Board considered Mr. PANG Wing Kin, Patrick and Mr. NG Hung Sui, Kenneth were still independent and should be re-elected, the Company still believes that Mr. PANG Wing Kin, Patrick and Mr. NG Hung Sui, Kenneth could independently express their opinions on matters of the Company without interference, and since there was no evidence showing that their independence was affected by over nine years of service with the Company, their independence could be ensured. Mr. PANG Wing Kin, Patrick's and Mr. NG Hung Sui, Kenneth's further appointments have been considered and passed by shareholders at that meeting by the way of a separate resolution.

Non-executive Directors (continued)

During their term of office, Mr. PANG Wing Kin, Patrick, Mr. NG Hung Sui, Kenneth and Mr. TONG Yat Chong have made contributions to the Company in terms of business, operation, future development and strategic directions via providing independent views and opinions. The Board believes that Mr. PANG Wing Kin, Patrick, Mr. NG Hung Sui, Kenneth and Mr. TONG Yat Chong possess the necessary character, integrity, ability and experience to continue to fulfil their roles effectively.

For the year ended 31 March 2020, the Board has always complied with the requirements under Rule 3.10(1), Rule 3.10(2) and Rule 3.10(A) of the Listing Rules on the appointment of at least three independent non-executive Directors, of which at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise, and that the number of independent non-executive Directors shall account for at least one-third of the total number of the members of the Board.

Remuneration of Directors

The Remuneration Committee has clear terms of reference and is accountable to the Board. The principal 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 such remuneration policy. The Remuneration Committee comprises three members, including one executive Director and two independent non-executive Directors. The members of the Remuneration Committee are:

Mr. LEE Seng Jin
Mr. TONG Yat Chong (Chairman)
Mr. NG Hung Sui, Kenneth

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salaries and bonuses of the executive Directors and certain chief executives. No executive Director has taken part in any discussion about his 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 15 to the consolidated financial statements of this Annual Report.

Pursuant to the Code Provision B.1.5, the remuneration of the members of the senior management (including Directors) for the year ended 31 March 2020 by band is set out below:

Remuneration band (HK\$)	Number of persons
Nil to 2,000,000	6
Above 2,000,000	3

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 with Mr. Lee Seng Jin as the chairman of the Nomination Committee. 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.

Pursuant to the Code Provision A.5.2 and the terms of reference of the Nomination Committee, the Nomination Committee should at least annually review the structure, size and composition (including the skills, knowledge and experience) of the Board, and make recommendations on any proposed changes to the Board to complement the issuer's corporate strategy. There was no record noted that Nomination Committee involving has been held during the reporting period.

Audit Committee

The Audit Committee of the Company 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, with Mr. Pang Wing Kin, Patrick as the chairman of the Audit Committee. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The annual results for the year ended 31 March 2020 was reviewed by the current Audit Committee on 15 December 2021 before recommending them to the Board for approval on the same date. Therefore, the management's position, view and assessment on the disclaimer of opinion and the Audit Committee's view towards the disclaimer of opinion are further elaborated in the report of the directors for this year.

Company Secretary

Mr. Lee Yue Kong, Albert, 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 Chairman of the Board and the chief executives.

Internal Control and Risk Management

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

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

There was no evidence noted that there was non-compliance with requirements of Securities and Futures Ordinance (“SFO”) and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, or false or misleading due to an omission of a material fact in view of a clear and balanced presentation of information, which requires equal disclosure of both positive and negative facts.

Accountability and Auditing

PricewaterhouseCoopers (“PwC”) has resigned as the auditor of the Company with effect from 26 March 2021. For details, please refer to the announcement made by the Company dated 28 March 2021. RSM Hong Kong has been appointed as the auditor of the Company, with effect from 25 August 2021.

Remuneration of the Auditor

During the reporting period, the fees paid or payable to the external auditor are set out as follows:

Payable to the current auditor	Fees charged HK\$’000
Audit services	1,400
Payable to the Former Auditor	Fees charged HK\$’000
Audit services	3,768

Financial Reporting

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

The Board is responsible for presenting a clear and balanced view of the Company’s annual and interim reports and 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 Group has adopted and select appropriate accounting policies and applied them consistently, with reasonable and prudent judgements and estimates as necessary.

Communication with Shareholders

The Board and senior management recognise their responsibilities to safeguard 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, provides the Company's shareholders with immediate access to the information of the Group.

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 depositing a written requisition signed by the shareholders concerned to the Board or the Company Secretary at the principal place of business of the Company at Unit D, 13/F, World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong, require a special general meeting to be convened by the Board for the transaction of any business specified in such requisition.

Changes in Constitutional Documents

Reference is made to the circular of the Company dated 14 November 2019. At the special general meeting of the Company held on 9 December 2019, the Company proposed to amend its Bye-laws to allow flexibility. The revised Bye-laws of the Company has been adopted, and its copy is published on the website of the Company (http://www.samsonpaper.com/index_e.html) and the website of the Stock Exchange (<http://www.hkexnews.hk>) for investors' inspection at all times.

Environmental, Social and Governance Report

Introduction

Samson Paper Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group” or “we” or “us”) is pleased to present our Environmental, Social and Governance Report (the “ESG Report”) for the year ended 31 March 2020 (the “Reporting Period”) in accordance with Appendix 27 – Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). In this report, the Group has complied with the “comply or explain” provisions set out in the ESG Reporting Guide and the recommended disclosure principles to disclose the ESG matters during the Reporting Period.

Governance Structure

The board of directors (the “Board”) of the Group has responsibility for the Group’s ESG strategy and reporting. The Board is also responsible for identifying and assessing the risks that may arise in the governance process and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

Reporting Principles

With reference to the ESG Reporting Guide, the Group has compiled, evaluated and presented the relevant information in this report. The following principles outlined in the ESG Reporting Guide are integrated into this report.

1. **Materiality:** When the Board determines that the ESG matters will have an important impact on investors and other stakeholders, the Group shall report.
2. **Quantitative:** ESG targets that have been identified shall be measurable to ensure comparability to previous years, competitors and industry standards.
3. **Balance:** Information provided in this report shall be unbiased to provide a clear picture of the Group’s ESG performance. There should not be any selection, omission or presentation format that may inappropriately mislead a stakeholder’s decision or judgment.
4. **Consistency:** The KPI assumptions and calculations shall be consistent with the previous years to ensure comparability of relevant data. If there are any changes to the relevant assumptions or calculations, it shall be clearly disclosed to inform the stakeholders.

Scope of Report

The information stated in this ESG Report covers the period from 1 April 2019 to 31 March 2020 (the “Reporting Period”). The information in this report was gathered and organized through various channels, including but not limited to the internal control policies of the Group, the factual evidences of the implementation of ESG-related initiatives, the key performance indicators (the “KPI”) set out in the ESG Reporting Guide, and the annual performance quantitative data of the Group in its business operations and ESG management. This report mainly covers the operations of the Group’s paper manufacturing business units at the Group’s headquarter in Hong Kong, the PRC and Universal Pulp and Paper (Shandong) Co., Ltd in Shandong Province.

Stakeholder Engagement

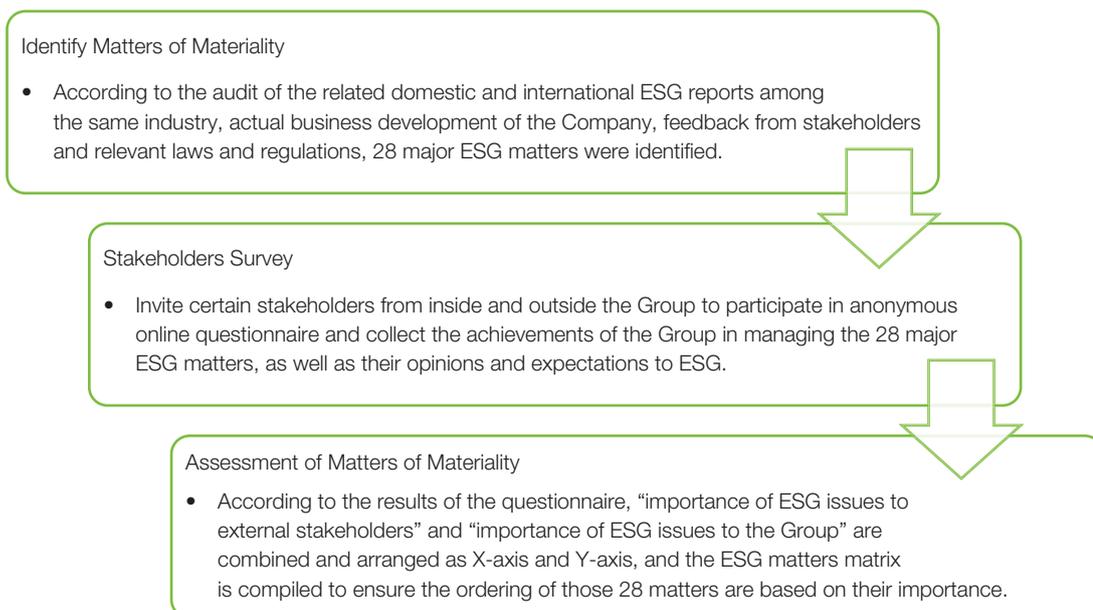
In order to define our current and future sustainability strategies, it is important to understand our stakeholders' perspectives and expectations on the development and success of the Group and help us to assess the potential environmental and social impacts caused by our future business activities.

Stakeholder Engagement		Key Concerns	Major Communication Channels
Internal stakeholders	Shareholders and Investors	<ul style="list-style-type: none"> • Return on investments • Profitability and financial stability • Information disclosure and transparency 	<ul style="list-style-type: none"> • Regular reports • Annual general meetings • Corporate website and email
	Employees	<ul style="list-style-type: none"> • Employees' remuneration and benefits • Health and safety working environment • Career development and training opportunities 	<ul style="list-style-type: none"> • Regular meetings and trainings • Performance appraisals • Team building activities
External stakeholders	Customers	<ul style="list-style-type: none"> • Quality products and services • Protection of customers' privacy and rights • Business ethics 	<ul style="list-style-type: none"> • Customer service hotlines and emails • Face-to-face meetings and onsite visits • Customers' satisfaction surveys
	Suppliers	<ul style="list-style-type: none"> • Fair and open procurement • Win-win cooperation • Environmental protection 	<ul style="list-style-type: none"> • Open tenders • Standard procurement processes • Face-to-face meetings and onsite visits • Industry seminars
	Professional Institutions	<ul style="list-style-type: none"> • Environmental protection and social responsibilities • Formulation regulating the practice of employees and business operations 	<ul style="list-style-type: none"> • Questionnaires and online engagements • Telephone discussions
	Government and Regulatory Bodies	<ul style="list-style-type: none"> • Compliance with laws, regulations and national policies • Occupational health and safety 	<ul style="list-style-type: none"> • Monitor the compliance with the related laws and regulations • Routine reports and tax payments

During the Reporting Period, the Group has actively engaged with various stakeholders and have taken measures to promote stakeholder relations and maintain good relations with various stakeholders. Apart from the aforementioned communication channels, the Board has also held stakeholder meetings to provide them with an effective communication platform. Periodically, we issue interim reports, annual reports, announcements and circulars to inform the Group's progress on responding to stakeholder's concerns.

ESG Materiality Assessment

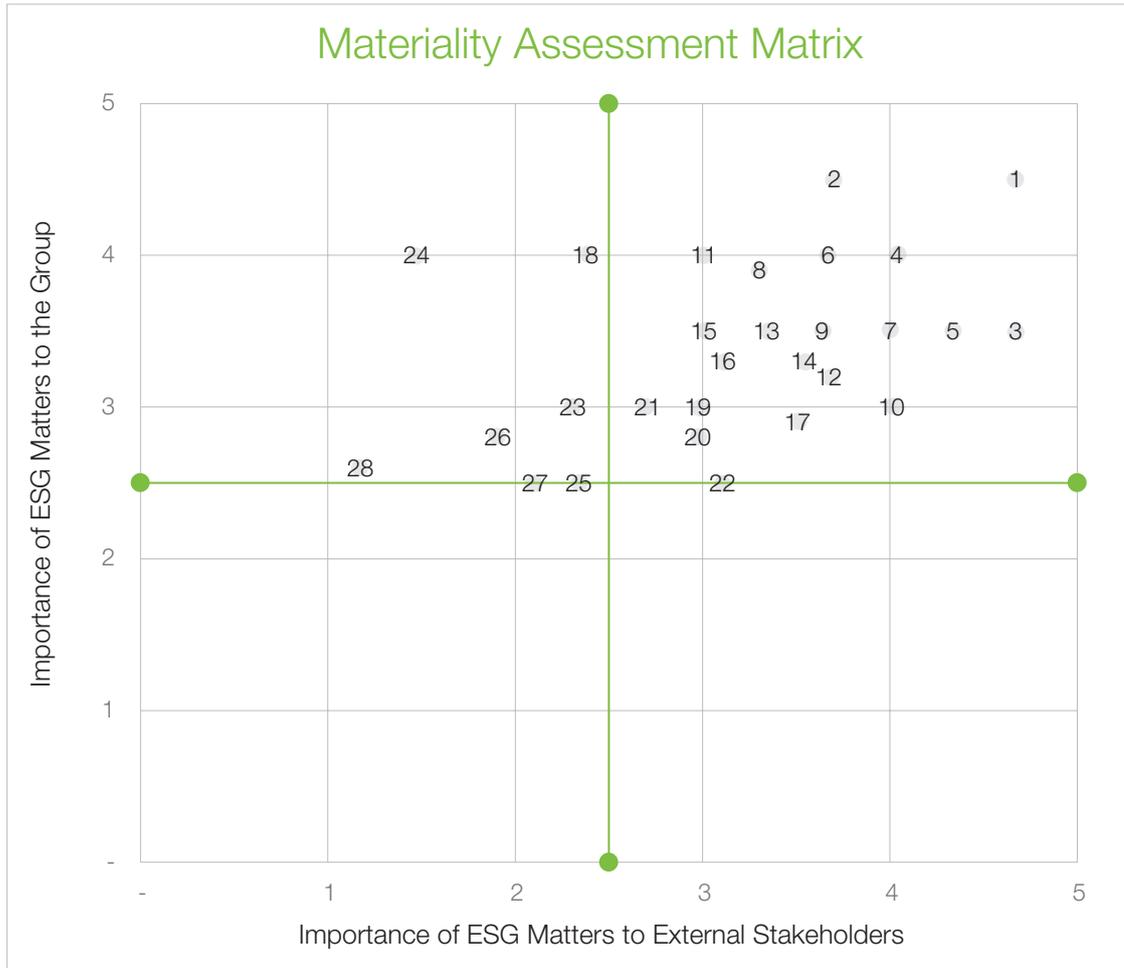
During the Reporting Period, the Group has conducted an annual review to identify the main concerns and major interests of stakeholders on ESG issues by inviting stakeholders to participate in the substantive assessment survey. According to the influence and dependence of internal and external stakeholders on the Group, certain internal and external stakeholders (including senior management, employees and suppliers) had participated in the Group’s materiality assessment which was conducted for the purpose of this report. Selected stakeholders were invited to complete an electronic survey to comment on the key ESG issues. The purpose of the survey is to determine stakeholders’ perceptions of the Group’s ESG practice and to make a substantive assessment of the Group. We have assessed and identified key ESG issues for the Group and evaluated their importance to the business and stakeholders to further drive our sustainable business strategy. The following chart shows the process of the assessment:



The following table is the key issues table of this evaluation:

Item	ESG issue	Item	ESG issue
1.	Product health and safety	15.	Water use
2.	Occupational health and safety	16.	Hazardous waste production
3.	Selection and monitoring of supply chain	17.	Greenhouse gas emissions
4.	Measures to protect environment and natural resources	18.	Diversity and equal opportunity of employees
5.	Customer information and privacy protection	19.	Environmentally procuring products and services
6.	Number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering	20.	Air emissions
7.	Preventing child and forced labour	21.	Community support (e.g. donation, volunteering)
8.	Anti-corruption policies and whistleblowing procedures	22.	Non-hazardous waste production
9.	Use of materials (e.g. paper, packaging, raw materials)	23.	Promotion of local employment
10.	Anti-corruption trainings provided to directors and staff	24.	Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions)
11.	Employee development and training and promotion	25.	Climate change
12.	Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of the suppliers	26.	Observing and protecting intellectual property rights
13.	Energy use (e.g. power, gas, fuel)	27.	Product and service labelling
14.	Customer satisfaction	28.	Marketing and promotion (e.g. advertisement)

The following graph shows the results of this materiality assessment:



From the materiality matrix, the issues positioned in the top right quadrant of matrix are relatively more important ESG issues. “Product health and safety”, “occupational health and safety”, “selection and monitoring of supply chain”, “measures to protect environment and natural resources”, “customer information and privacy protection”, “number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering” and “preventing child and force labour”, are currently identified as highly material matters of the Group. The above issues are classified as the main drivers for the Group’s sustainable business and are further elaborated in the sections below.

Stakeholders’ Feedback

Investors and the public can access the latest business information on the website of the Group (http://www.samsonpaper.com/index_e.html). The Group welcomes stakeholders’ feedback on its identified issues of the key ESG matters. You are welcomed to provide your suggestions or share your views with the Group through any channel below:

Email : info@samsonpaper.com
 Website : http://www.samsonpaper.com/index_e.html
 Phone : (852) 3169 7220

A. Environmental

Paper sales, paper manufacturing and other businesses are the major businesses of the Group. The raw material and energy consumption capacity of paper sales and other businesses are relatively low, and the key environmental impact by the Group is caused by paper manufacturing business. The Group is establishing a more comprehensive set of environmental protection management policies, mechanisms and measures to ensure the sustainable development and operations of the Group. During the Reporting Period, the Group was not aware of any violation of laws or regulations related to environmental protection.

A.1. Emissions

The new power supply device in the Group's power plant for paper manufacturing business has been inspected and completed in late May 2019, and has commenced operation in June 2019.

Sewage Discharge

Currently, the sewage in the production workshop is first filtered through a slant net and enters a primary sedimentation tank for primary sedimentation, then enters into the anaerobic system, and then the aerobic system. After that, it goes to a secondary sedimentation tank to undergo sedimentation in muddy water. The treated sewage is discharged to a city sewage treatment plant for handling through a pipeline. A small amount of sludge and methane will be produced during the sewage treatment process. The Group uses the boilers of its self-provided power plant to incinerate the sludge, while the methane is used for fuel in self-provided power plant.

To further reduce the unpleasant smell that arise from the sewage treatment process, the paper manufacturing business has added extra equipment to the original unpleasant smell reduction process. The sources of smell are contained and sealed, and stench is transmitted to and treated at cleansing systems such as chemical washing and ion deodorization facilities. Through these measures, the Group further improves its performance in gas emission.

Gas Emissions

Our paper manufacturing business has self-provided power supply system to ensure adequate power supply for the production process. The power supply units are designed not only to meet the requirements of ultra-low emissions, but also to reduce the production costs of the Group. During the Reporting Period, the Group further optimizes the emission performance with the support of the power plant. The coal warehouses in the power plants are fully enclosed and equipped with standard fire prevention and safety facilities to avoid dust pollution in loading and unloading, storage and transportation of coal as well as possible water pollution during rainy days. In addition, the boiler in thermal plant can effectively incinerate all types of coal, and reduce energy consumption and environmental impact at source. The boiler exhaust gas is undergone by low-NOx combustion, SNCR denitrification, bag filtering, limestone wet desulfurization and wet electric dust removal, which reduce the exhaust gas emission to a certain extent. In term of micro-dust in boiler exhaust gas, the Group disposes the particulate matter by performing bag filtering and wet electric dust removal.

Waste Control

In the course of the Group's operation, except for the paper manufacturing business, the waste from other businesses mainly comes from daily office activities, such as general domestic waste, which are all non-hazardous waste. The above non-hazardous waste is directly disposed by property management and eventually collected and disposed of at the municipal waste disposal center.

For the paper manufacturing business, the Group generates a small amount of hazardous waste (mainly fly ash and plastics waste) as there is specific to particularity of the Group's business. The fly ash is mainly generated from thermal power plants, and we choose to sell to qualified units as construction materials. The non-hazardous waste is mainly domestic waste and slurry waste. We will reuse or sell the above non-hazardous waste to the units that need them based on their availability. Hazardous wastes generated from the Group's paper manufacturing business, such as mineral oil waste, oil drums waste, laboratory waste solutions, lead-acid batteries waste, asbestos waste, catalysts waste and packaging waste, are properly disposed by the qualified hazardous waste disposal companies entrusted by the Group. All the above wastes are managed by the Group in a standardized manner, and different types of waste are stored at designated points and handled separately.

A.2. Use of Resources

The Group continuously introduces resource efficiency and environmental protection measures in its operation and is committed to improving the use of resources in each business. In order to improve energy efficiency and reduce unnecessary consumption of resources, the Group has formulated policies and procedures to regulate the use of resources. At the beginning of each year, the Group sets energy saving target for the year by taking into account the relevant national energy saving laws and regulations and the performance in achieving the energy saving target in the previous year, and carries out target decomposition among departments. Each department strictly implements the energy saving target plans in accordance with its respective responsibility in respect of energy saving targets, and strives to achieve the energy saving targets.

In addition, the Group's paper manufacturing business has successively obtained the "ISO9001 Quality Management System", "ISO14001 Environmental Management System", "OHSAS18001 Occupational Health and Safety Management System", "FSC Certification for Supervision Chain on Manufacturing and Marketing" and "ISO50001 Energy Management System Certification". Samson Paper Company Limited under the Group, which has received accolades consecutively over the past years from Carbon Care Asia, was awarded the "CarbonCare® Label" and "CarbonCare® Star Label". The above sets out the effective control results over the use of resources of the Group. The Group will continuously improve the efficiency of using resources and create greater social benefits with the least energy consumption.

In order to save energy, the Group's paper manufacturing business has developed the following solutions and measures:

- **Energy Saving Solutions and Measures**
 - Use of advanced energy-saving lamps, renovate the lighting system to reduce electricity consumption.
 - Phase out outdated and inefficient electrical appliances, and use advanced electrical appliances currently suggested by the PRC to reduce electricity consumption.
 - Strengthen the repair and maintenance of equipment operation, avoid excessive energy losses from frequent starting and shutting down of the machines.
 - Each employee shall strengthen the awareness of energy saving and save every kilowatt of electricity; maintain the value of energy conservation and the disgrace of wastage; everyone's involvement by beginning with trivial things.

➤ **Water Saving Solutions and Measures**

- In accordance with the Group's current production and domestic water use, the Company achieves water saving goals mainly by analyzing and exploring the greater water saving potential items in our production system.
- Strengthen domestic water management, reduce consumption to our best, and gradually realize the recycling of domestic water.
- The amount of fresh water per ton of paper is reduced and the recycling rate of production wastewater is improved through the reformed production process and technique, thus the comprehensive recycling rate of production wastewater is continuously improved.
- Each employee of the Group shall strengthen the awareness of water saving and save every drop of water; maintain the value of water conservation and the disgrace of wastage; everyone's involvement by beginning with trivial things.

➤ **Steam Saving Solutions and Measures**

- The cogeneration mechanism of our self-provided thermal power plant is developed, which reasonably allocates the ratio of electricity to steam, and the consumption of steam is reduced by improving the input piping and production process.
- Strengthen the equipment management, especially the transmission pipeline, drying cylinder and related facilities, protection and maintenance and temperature preservation work, and eliminate steam leakage and temperature loss.

➤ **Fuel Saving Solutions and Measures**

- The thermal plant should strengthen the inspection and checking of the fuel facilitates, and handle at once when the leakage is found to avoid the damage of the equipment caused by oil leakage or fire.
- Strengthen the operation adjustment, strictly supervise the discipline and inspection regulations, avoid the coking in the boiler. Abnormal boiler flame-out is strictly prohibited.
- Ignition technology with using small diameter oil gun is commonly adopted to reduce the amount of oil used for boiler ignition.
- Strengthen the management of motor vehicle fuel consumption, enhance the maintenance and repair of vehicles in our plant, and eliminate motor vehicles with high fuel consumption. Replacement of motor vehicles in our plant: National III emission standard vehicles replace National II and National I emission standard vehicles to reduce exhaust gas emissions and save diesel consumption.
- To regulate the motor vehicles management and optimize their routes to avoid detours and repeated reversals.
- The use of vehicles for purposes other than vehicle reversals is prohibited.

A.3. Environment and Natural Resources

The Group actively advocates resource recycling, and the paper manufacturing business is equipped with a sewage treatment plant furnished with advanced Fenton technology and a well-established anaerobic system. CH₄ (methane) generated in the course of sewage treatment is sent to the thermal power plant's incinerator for incineration after being pressurized by blowers. The heat value generated is supplied to the thermal power plant for power generation. If the power plant is in normal operation, about 7 tons of standard coal can be saved each day.

The Group actively promotes the recycling of water resources. The paper manufacturing business is also equipped with a wastewater reuse system. Pulp and paper manufacturing sewage, boiler sewage, domestic sewage and initial rainwater are collected and treated, including production sewage and domestic sewage. The sewage is collected and being treated in the sewage treatment station of the Company, and the treated sewage is partially used for pulp manufacturing and other production processes. The water resources can thus be recycled.

The Group has green office practices in place at present, such as promoting the use of recycled paper and recycling of waste paper, turning off idle lighting equipment and electrical appliances. In addition, the Group is implementing the national unified computer document processing system by stages, which is expected to substantially reduce the amount of paper for office use. In addition, the paper manufacturing business is gradually installing energy-efficient lights and replacing the old lights with energy-efficient ones in its plant, in a bid to further reduce power consumption.

B. Social

B.1. Employment

Since its inception in 1965, the Group has currently grown into a corporation with 982 current employees. The Group promotes the corporate culture of "people-oriented, leading technology, and be genuine" as talents are the most important assets. We are committed to creating a healthy and safe working environment for each employee, and providing training and development for them. The Group continuously treats all employees equally in respect of recruitment, training and development, promotion and welfare. All discrimination on gender, ethnic background, religion and color are prohibited. We strongly believe that diversity in our workforce brings more benefits to the Group and we strive in creating a diverse and closely-connected workforce as combining different cultures can bring us more ideas and innovations.

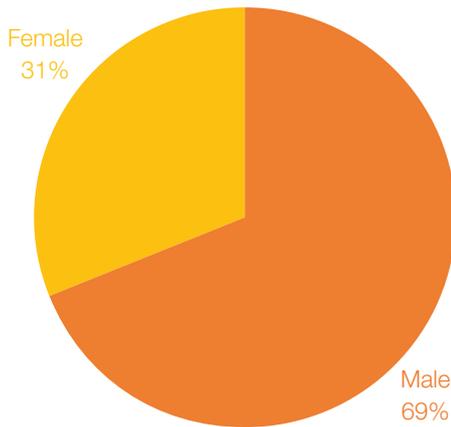
The Group has offices in Mainland China and Hong Kong, and our extensive scope of business gives us the opportunity of providing employment opportunities for local staff. In addition, to cherish the existing competent employees, retain the competent employees, attract competent potential employees and train competent employees, the Group has set up a comprehensive staff salary assessment system, a sound salary increase system and a sales commission mechanism. There is also a system for offering additional subsidies and benefits to employees, as well as bonuses linked to the employees' performance and the Group's profitability, so that the value of employees' contributions to the Group can be recognized in a more direct manner. The Group also has a long service award scheme in place to commend and express appreciation to employees for their long-time contributions.

To fully reflect the Group's care for its employees, further enhance employees' cohesion and sense of belonging, the Group carries out group-wise or regional cultural and sport entertainment competitions on a regular basis and organizes team-building trips for employees. Entertainment evening parties, sports events and gatherings for enhancing the communication and team spirit among employees are organized during public holidays as well. The paper manufacturing business of the Group offers free accommodation for employees living in remote areas, free shuttle bus service for employees living in the surrounding urban areas, and free work meals for employees with a view to providing employees with a comfortable working and living environment. A basketball court and table tennis facilities have been set up in the plant. Our staff can enjoy them for free, which enrich their spare time.

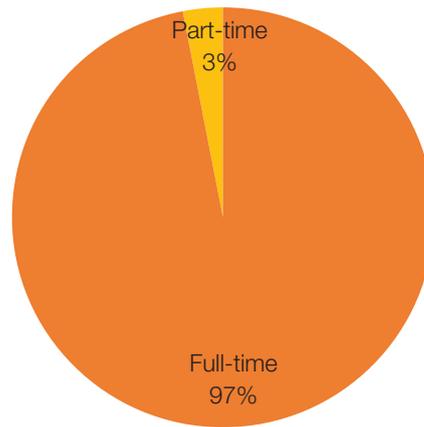
As to working hours and holidays, the Group schedules working hours and make arrangements for employees to take leave on statutory public holidays in accordance with the laws of various places. Production departments in the paper manufacturing business implement three shifts system to allow employees to have adequate time for rest.

Details of the Group's employment segments as of 31 March 2020 are shown in the following charts:

Total workforce by gender

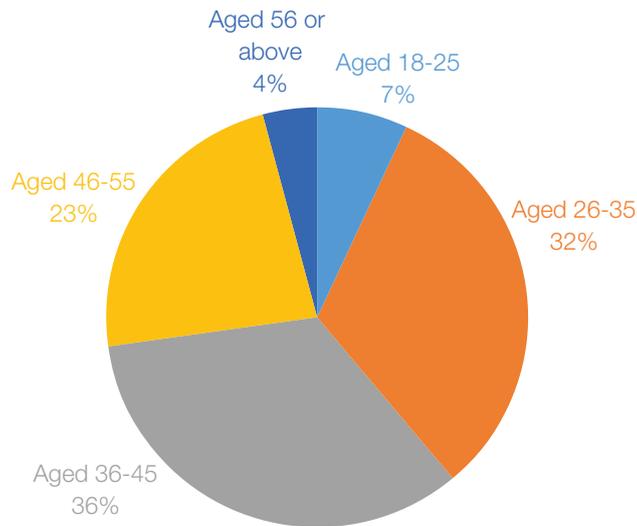


Total workforce by type of employment

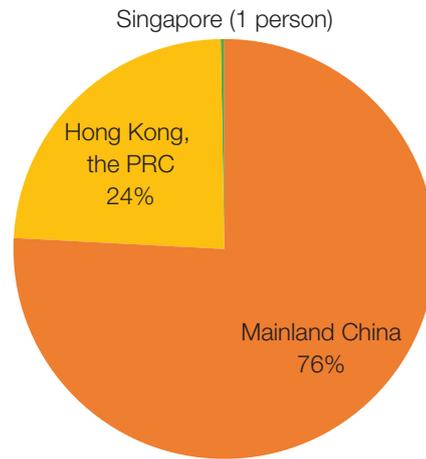


■ Full-time ■ Part-time

Total workforce by age group

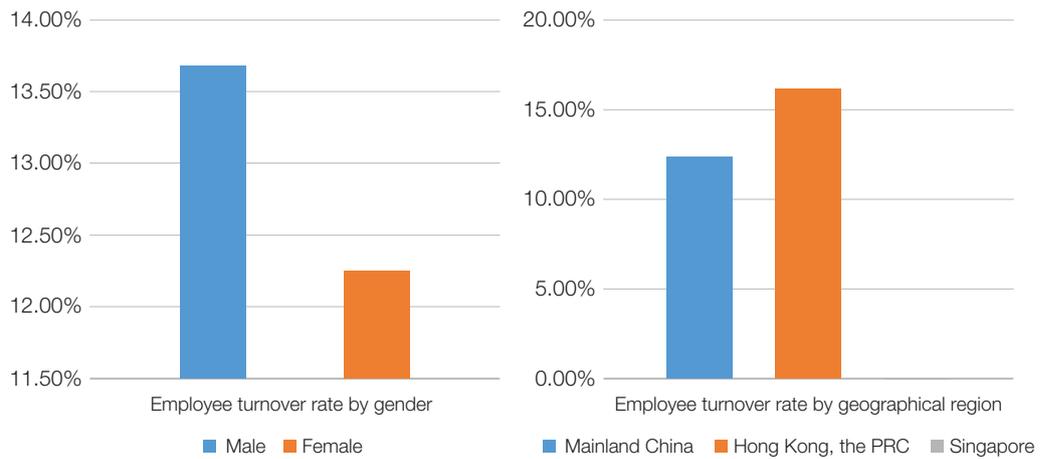


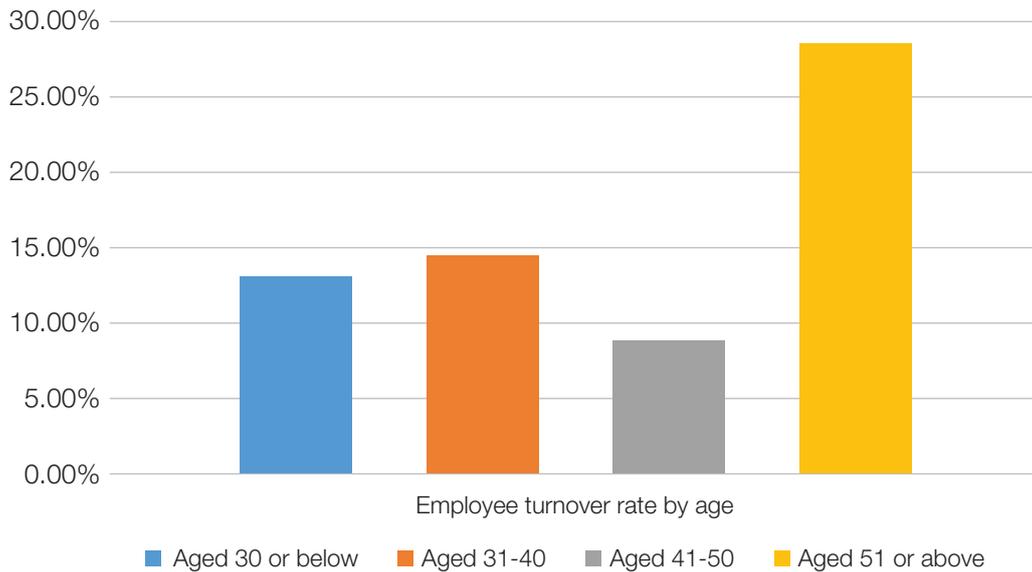
Total workforce by geographical region



■ Mainland China ■ Hong Kong, the PRC ■ Singapore

During the Reporting Period, our employee turnover rate:





B.2. Health and Safety

Employees’ health and work safety has always been our core concern, with an aim to carry out safety management effectively and protect the safety of our employees. Our paper manufacturing business makes arrangements with medical institutions to carry out physical checkups for our employees on regular basis; publishes the test results of noise, dust concentration and production temperature on the production line; ensures the environmental safety of the production workshop and takes appropriate protective measures for the employees.

Our paper manufacturing business has set up the safety division while established a safety committee comprising of all department management. The committee has established two systems on safety risks management and control as well as safety hazards inspection and resolution, and conducts monthly safety work reporting. Besides, prize-giving competitions on safety, firefighting, environmental protection, energy conservation and knowledge are conducted on a regular basis to enhance the concepts and awareness on work safety among all staff, so as to educate staff on work safety and production safety from the source.

As a result of the Group’s emphasis on building a corporate safety culture and proactive efforts to carry out safety cultural exchanges, the paper manufacturing business was named as “A Production Safety Advanced Work Unit in Xuecheng District for 2017” (2017年度薛城區安全生產先進單位) by Xuecheng District Government, and was awarded the title of “Worker Pioneer” (工人先鋒) by Xuecheng District General Union.

Following the outbreak of novel coronavirus in early 2020, a series of precautionary measures were implemented nationally and in various regions. The Group also followed the government and its guidelines. We place the safety of our employees in the first place so we suspended the work under emergency or arranged working in non-peak hours. Novel coronavirus has been currently controlled under the efforts of the PRC government and the general public, however, the Group will remain vigilant and closely monitor the development of the pandemic, and we will keep evaluating the potential impact of the pandemic on the health and safety of our employees. In addition to improving operational hygiene level and ensuring a healthy and safe working environment, the Group has also implemented a number of preventive and control measures, such as setting up temperature screening station at the guards at company building entrances and ensuring the offices are equipped with sufficient hand sanitizer and other epidemic prevention supplies.

As the Group places emphasize on production safety, there was no work-related fatality or injury in the past three years.

B.3. Development and Training

The Group aims to create an environment of continuous improvement and encourage employees to pursue excellence in their work and career development. As employees are part of the Group’s valuable assets, we are committed to supporting the development of our employees and helping them to enrich their knowledge, skills and abilities. The Group offers skill operation training and on job education and training for new recruits. The training content is updated regularly to ensure it keeps up with the ever-changing laws and regulations, markets and products. During the Reporting Period, we launched a number of training contents such as fire training, limited space training and employee safety training, which are carried out once to twice a month to meet the training needs of our staff.

Meanwhile, through an annual assessment of functions, the Group can understand employees’ performance. Together with the key KPI of each department, the Group evaluates individual employee’s annual performance on the basis. The Group also has trainers with professional management capability to provide employees with professional management training to enrich their management knowledge and facilitate their development. To encourage and assist employees to actively pursue further studies, the Group has an employee subsidy scheme for further studies to assist needy employees.

In addition to the above-mentioned, the Group also encourages employees at all levels to seek relevant education or training opportunities for their personal growth and professional development. The Group gives priority to internal promotions when there are job vacancies in order to motivate their employees. The selection criteria is based on the candidate’s performance rather than qualifications, creating an external environment of equal competition for employees and promoting mutual progress between employees and the Company.

During the Reporting Period, 100% of our staff from paper manufacturing business have received training and the statistics on the average training hours received are as follow:

Training and Development Data	2019.4.1–2020.3.31
Total duration	5,764
Average training hours per employee	7.63
By gender	
Male	3,606
Average training hours per male employee	6.40
Female	2,158
Average training hours per female employee	11.24
By type of employment	
Senior management	46
Average training hours per senior management	3.83
Intermediate managers	951
Average training hours per intermediate managers	12.04
Frontline and other employees	4,767
Average training hours per frontline and other employees	7.00

B.4. Labour Guidelines

The Group strictly complies with Labour Contract Law of the People’s Republic of China, Labour Law of the People’s Republic of China, Employment Ordinance, Chapter 57 of the Laws of Hong Kong and other applicable employment laws and regulations. Child labour and forced labour are not permitted in the recruitment process of the Group as it is mandated by law.

The Group has established a comprehensive recruitment process by collecting personal information of candidates and conducting stringent qualification and background checks during the recruitment process to ensure the identity of the candidates is valid and does not violate the relevant legal requirements. In addition, the Group will enter into labour contracts with all official employees, which must be signed by both employees and the Group as a safeguard against child labour or forced labour.

As at 31 March, 2020, the Group has not identified any material non-compliance with relevant laws and regulations in respect of the prevention of child labour or forced labour that would result in material impact to the Group.

B.5. Supply Chain Management

The Group has established a comprehensive supplier evaluation system, set up a “Qualified Suppliers List”, conducted continuous evaluation on suppliers’ supplying performance and established a profile of qualified suppliers. The Group has established a good relationship with major suppliers to safeguard product quality and timely supply, and ensure compliance with the policies and environmental protection requirements of local governments during the suppliers’ production process.

For the paper manufacturing business, professional procurement teams carry out reasonable and effective management of the procurement of raw materials to ensure the normal operation of production and business activities. At present, the paper manufacturing business of the Group has in place a system for controlling qualified suppliers for selecting, evaluating and controlling suppliers. The procurement staff will collect information on the supplier’s production capacity, quality system, environmental certification and environmental protection when selecting a supplier. The procurement staff will, based on the needs, conduct an on-site assessment and inspection of the supplier’s capacity to safeguard the stable and reliable quality of the raw materials procured and ensure compliance with relevant national requirements on safe production and environmental protection. There are currently over 100 suppliers on the list of qualified suppliers.

The Group conducts annual assessment on the delivery schedules, delivery quality and services as well as the safe production and environmental protection standards of the suppliers.

B.6. Product Responsibility

Our paper manufacturing business has allocated professional quality inspectors to each production line to test the quality of products and to test whether products contain harmful substances. No sales of products will be allowed once these products fail to comply with the output standard of the respective product.

For after-sale services, the Group has a professional customer service team to follow up all matters in the course of the sale of goods. For the questions about products raised by customers, the Group is able to solve them for the customers immediately.



B.7. Anti-corruption

The Group has strictly complied with the laws and regulations of various places since its establishment and makes every effort to maintain a healthy internal control environment. For acts impairing the Group's internal management order and violating corporate business laws, the Group's professional audit department at our headquarter regularly conducts daily management and operation audit works as well as relevant specific audit works for all subsidiaries under the Group, while formulates anti-corruption related policies in the staff code.

Comprehensive whistleblowing channels have also been established for the employees to report relevant misconduct. The Group adopts a multi-control approach to ensure that the internal control system can effectively identify non-compliance incidents and take preventative and prohibiting measures in a timely manner. The audit department also regularly reviews relevant policies on combating corrupt practices.

B.8. Community Investment

In addition to the daily operating activities, the Group actively engages in social responsibility and public welfare undertakings, and has been successively elected as:

- “Advanced Enterprise of Safety Production in Shandong Province”;
- “Advanced Enterprise of Energy Conservation in Shandong Province”;
- “Advanced Collective of Water Diversion from South to North in Shandong Province”;
- “Qualified Enterprise of Clean Production”;
- “Charity and Love Enterprise of Zaozhuang City”

by the provincial and municipal government. We should strive to build a modern enterprise with customer satisfaction, social satisfaction and employee satisfaction.

The Group is enthusiastic in contributing to social causes, attaches importance to the relationship between the local community and our business operation, and actively participates in community care events. Over the years, we have helped the needy in society through different means, including making donations in cash and in kind to various charitable agencies and children welfare institutions.



Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2020.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are paper manufacturing, sale of paper and board, office supplies and consumable, supplies for paper manufacturing and FMCG business, property development as well as leasing of investment properties as set out in note 42 to the consolidated financial statements. The Group also engages in trading of consumable aeronautic parts and provision of related services and 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 10 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 61.

The Directors have declared an interim dividend of HK0.4 cent per share, totalling HK\$5,092,000, which was paid on 16 January 2020.

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

Donations

Charitable and other donations made by the Group during the year amounted to HK\$589,000.

Principal Properties

Details of the principal properties held for investment and for development purpose are set out in notes 20 and 27 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 35 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 March 2020, calculated under the Companies Act of 1981 of Bermuda (as amended), details are set out in note 36(b) to the consolidated financial statements.

Equity Linked Agreements

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Company at any time during the year ended 31 March 2020 or subsisted at the end of the year.

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:

	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	5,000,852	5,173,620	5,759,596	5,907,821	5,736,917
Profit/(loss) attributable to owners of the Company	46,675	84,714	196,755	109,206	(550,566)
Total assets	5,698,294	5,642,514	6,666,970	6,522,844	5,858,625
Total liabilities	3,810,173	3,766,396	4,321,113	4,336,521	4,408,984
Total equity	1,888,121	1,876,118	2,345,857	2,186,323	1,499,641

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 option scheme

At the Special General Meeting of the Company held on 18 September 2015, 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. As at 31 March 2020, no option was granted under the Option Scheme. A summary of the 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% in 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 share available for issue under the Option Scheme is nil as at the date of this report.

Share option scheme (continued)

(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 i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; ii) 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 iii) 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 17 September 2025.

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) (resigned on 9 December 2019)

Mr. LEE Seng Jin (Deputy Chairman) (resigned on 20 May 2021)

Mr. CHOW Wing Yuen (resigned on 6 February 2021)

Ms. SHAM Yee Lan, Peggy (resigned on 20 May 2021)

Mr. LEE Yue Kong, Albert (resigned on 6 February 2021)

Mr. CHOI Wai Hong, Clifford (appointed as independent non-executive director on 16 July 2020 and re-designated as executive director on 20 May 2021)

Mr. LAU Wai Leung, Alfred (appointed as independent non-executive director on 17 July 2020 and re-designated as executive director on 20 May 2021)

Non-executive Director

Mr. LAU Wang Yip, Eric (resigned on 12 July 2020)

Independent non-executive Directors

Mr. PANG Wing Kin, Patrick (resigned on 12 July 2020)

Mr. TONG Yat Chong (resigned on 12 July 2020)

Mr. NG Hung Sui, Kenneth (resigned on 12 July 2020)

Mr. LEUNG Vincent Gar-gene (appointed on 17 July 2020)

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has maintained liability insurance to provide appropriate cover for the directors of the Company and its subsidiaries.

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' Material Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the 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 save as disclosed under the "Related Party Transactions and Continuing Connected Transactions" section stated below and note 41 "Related Party Transactions" to the consolidated financial statements.

Biographical Details of Directors

Brief biographical details of the Directors of the Group at the date of this report are set out as follows:

Executive Directors

Mr. Choi Wai Hong, Clifford (蔡偉康), aged 63, obtained a finance degree in finance and accounting from The Victoria University of Manchester, United Kingdom, in 1982. Mr. Choi is a member of (i) The Hong Kong Institute of Certified Public Accountants; (ii) The Institute of Chartered Accountants in England and Wales; (iii) The Association of Chartered Certified Accountants; and (iv) The Taxation Institute of Hong Kong. Mr. Choi currently holds the Hong Kong Institute of Certified Public Accountants Practising Certificate. Mr. Choi joined Pricewaterhouse (currently known as PricewaterhouseCoopers) in Hong Kong since January 1983 and departed in July 1992 with his last position as manager. He was subsequently a general manager in DCH MSC (China) Limited, NHK Distribution Company Limited and Porsche Centre Hangzhou from July 1992 to June 1999, July 1999 to December 2003 and January 2004 to August 2012, respectively. He then joined Princess Yacht Southern China Limited as a chief executive officer from September 2012 to November 2012 and later on as a director in the NHK Yacht Services division of NHK Distribution Company Limited from December 2012 to August 2017. Mr. Choi then joined Beijing Glory Star Centre Automotive Sales and Service Company Limited* (北京極光星徽汽車銷售服務有限公司) as its general manager from September 2017 to January 2018. He re-joined NHK Distribution Company Limited since 2003 and currently serves as its director. Mr. Choi served as an executive director and an authorised representative of Arta TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 279) from 19 November 2020 to 29 October 2021, and also served as a non-executive director of Silk Road Logistics Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 988) from 4 June 2021 to 14 December 2021. Mr. Choi served as an independent non-executive director of Bolina Holding Co., Ltd, which was incorporated in the Cayman Islands with limited liability and was delisted from the Main Board of the Stock Exchange on 10 March 2021, from 29 January 2021 to 10 March 2021.

* For identification purpose only

Biographical Details of Directors (continued)

Executive Directors (continued)

Mr. Choi is a non-executive director of Xinming China Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2699) from 16 April 2021; an independent non-executive director of South Shore Holdings Limited (Provisional Liquidators Appointed), a company listed on the Main Board of the Stock Exchange (stock code: 577) from 18 May 2021, and an independent non-executive director of DreamEast Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 593) from 10 December 2021.

Mr. Lau Wai Leung, Alfred (劉偉樑), aged 41, has over 18 years of working experience in accounting, corporate finance, debt restructuring and private equity investment. He obtained a bachelor's degree in business administration from the City University of Hong Kong in 2002. He is a member of the American Institute of Certified Public Accountants and is also certified as a certified public accountant in Washington State of the United States of America. Mr. Lau has been an independent non-executive director of Sau San Tong Holdings Limited, a company listed on the GEM Board of the Stock Exchange (stock code: 8200), since December 2016. Mr. Lau served as a non-executive director of Risecomm Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1679) from 22 November 2017, and was subsequently re-designated as an executive director on 21 January 2019 until 24 June 2020. Mr. Lau was appointed as the company secretary from 3 July 2020 and was appointed as an executive director from 19 January 2021.

Non-executive Director

Mr. Leung Vincent Gar-gene (梁家進), aged 36, has over 12 years of experience in auditing, accounting, finance and management. He has been an independent non-executive director of Prosperous Printing Company Limited, a company listed on the Stock Exchange (stock code: 8385), since 15 November 2017. He is also currently a director of Gemcoast Limited, a private company in Hong Kong principally engaged in providing financial consultancy services to its clients. He is a member of Chartered Accountants in Australia and New Zealand and is a member of its Hong Kong Committee. He is also a licensed person to carry on Type 9 (asset management) regulated activity under the SFO since 19 July 2019. Mr. Leung previously worked for PricewaterhouseCoopers within its financial assurance division in its Sydney and Hong Kong offices from January 2006 to May 2012 and from January 2013 to September 2014 respectively. From June to December 2012, Mr. Leung worked as the group finance manager for Bega Cheese Limited, the shares of which are listed on the Australian Securities Exchange (ASX securities code: BGA). From 12 February 2018 to 22 February 2019, Mr. Leung served as an independent non-executive director of Martin Aircraft Company Limited ("Martin Aircraft"), the shares of which were formerly listed on the Australian Securities Exchange (ASX Securities code: MJP). On 4 June 2018, Martin Aircraft was delisted because of the low trade volume of its shares, and to save listing and associated costs. Mr. Leung confirmed that the delisting of Martin Aircraft was voluntary, and he was not involved in the day-to-day management of Martin Aircraft. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Mr. Leung involved in the delisting of Martin Aircraft.

Mr. Leung obtained a bachelor of commerce degree from The University of New South Wales, Australia in March 2006.

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 2020, 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

Capacity	Number of ordinary shares beneficially held				Total	Percentage
	Personal interest	Corporate interest	Family interest			
Mr. LEE Seng Jin	Beneficial owner	128,459,688	688,533,247 (note)	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%

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

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

Note: The 688,533,247 ordinary shares and 132,064,935 CP shares are held by Quinselle Holdings Limited which is wholly owned by Mr. Lee Seng Jin. Mr. Lee Seng Jin therefore deemed under the SFO to be interested in such Shares and CP shares.

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

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

Save as disclosed above, as at 31 March 2020, 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 2020, 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 2020.

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.

Events after the Reporting Period

For details, please refer to the Management Discussion and Analysis in this annual report.

Prospects

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

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 41 to the consolidated financial statements. Details of any related party transaction which constitute continuing connected transaction not exempted under Rule 14A.31 or Rule 14A.33 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are disclosed below.

Continuing connected transactions

On 1 April 2019, 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 the 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) are 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 supply and purchase transactions with KPP Group under the KPP Master Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the financial year ended 31 March 2020, approximate HK\$504 million in respect of the total purchases by the Group from KPP Group and approximate HK\$92 million in respect of the total sales to KPP Group by the Group.

The Management's Position, View and Assessment on the Disclaimer of Opinion

The Auditor gave a disclaimer of opinion on the consolidated financial statements for the year ended 31 March 2020 in relation to a) Material uncertainties related to the going concern basis; b) Insufficient accounting records of certain subsidiaries of the Group in paper trading segment; c) Unavailability of accounting records of certain subsidiaries of the Group in PID segment; d) Unavailability of accounting records of certain subsidiaries of the Group in others segment; e) Unreconciled differences in balances between group companies and f) Opening balances and the comparative information of certain deconsolidated subsidiaries of the Group.

The Board considered that these were factual descriptions in nature as set out in detail in note 2 to the consolidated financial statements. Despite the effort made by the Company to address the concern, the Auditor issued the disclaimer of opinion. The Board has considered the Auditor's rationale and understood its consideration in arriving the disclaimer of opinion.

The Management's Position, View and Assessment on the Disclaimer of Opinion (continued)

Measures to address the disclaimer of opinion

Set out below the basis for the disclaimers of opinion/conclusion issued by the Auditors on the consolidated financial statements of the Company for the year ended 31 March 2020, and actions taken/to be taken by the Company to address each of the basis for the disclaimers of opinion/conclusion:

Disclaimer of opinion/conclusion	Basis of disclaimer	Actions taken/to be taken
1 Material uncertainties relating to going concern basis	<p>The Group's current liabilities exceeded its current assets. The Group had failed to comply with financial covenant of those loan facilities in respect of the Group's current ratio as stipulated in the loan agreements to which the Company was a guarantor. This non-compliance constituted an event of default under the loan agreements.</p> <p>These may cast significant doubt about the Group's ability to continue as a going concern.</p>	<p>Matters relating to uncertainties relating to going concern will be resolved upon the absence of events or conditions which may cast significant doubt about the going concern assumption of the Group and the occurrence of the following events, including but not limited to 1) the Group's maintenance of a net asset and net current asset position and sufficient working capital; and 2) the withdrawal of the Petition.</p> <p>1) Net Assets Position</p> <p>Upon Closing, the Group shall consist of the Company, SPV1, SPV2 and UPPSD only.</p> <p>As at the Latest Practicable Date, the UPPSD Bankruptcy Reorganisation has been completed and UPPSD has returned to solvency.</p> <p>The Company will restructure its debt by way of the Listco Scheme. All claims against the Company as at the date on which the Listco Scheme becoming effective (i.e. upon Closing), will be fully and finally discharged by virtue of the implementation of the Listco Scheme. Thereafter, the Group will remain in a net assets position.</p> <p>Based on the working capital forecast prepared by the Company on the assumption that the proposed Restructuring will be implemented successfully, the Retained Group will have sufficient working capital for its requirement for at least the next 12 months from the date of completion of the Restructuring.</p> <p>2) Withdrawal of the Petition</p> <p>On 10 December 2021, the Bermuda Court granted an order to withdraw the Petition and to discharge the JPLs. The order shall take effect upon the Listco Scheme becoming effective and the Listco Scheme shall take effect no earlier than the date of Closing.</p>

The Management's Position, View and Assessment on the Disclaimer of Opinion (continued)

Measures to address the disclaimer of opinion (continued)

Disclaimer of opinion/conclusion	Basis of disclaimer	Actions taken/to be taken
2 Insufficient accounting records of certain subsidiaries of the Group in paper trading segment	<p>The SMHK Liquidators were appointed to SMHK pursuant to written resolutions of the sole shareholder of SMHK dated 14 August 2020. The De-consolidated Group A were deconsolidated from the consolidated financial statements of the Group with effect from 15 August 2020.</p> <p>The SMC Liquidators were appointed to SMC an indirect wholly-owned subsidiary of the Company, pursuant to the written resolutions of the sole shareholder of SMC dated 30 June 2021. The De-consolidated Group B were deconsolidated from the consolidated financial statements of the Group with effect from 1 July 2021.</p> <p>Basic business records that were left behind by the former management and accounting departments of the De-consolidated Group A and the De-consolidated Group B and retained by the SMHK Liquidators, SMC Liquidators and the Directors of the Company were not found to be of a sufficient level for the Auditors' audit purposes. The Specific Records are required.</p> <p>The SMHK Liquidators, the SMC Liquidators and the Directors of the Company consider that it was impracticable to provide the Specific Records to the Auditors for carrying audit work given that:</p> <ul style="list-style-type: none"> (i) the former management and the majority of the accounting staff responsible for keeping the books and records of the De-consolidated Group A and the De-consolidated Group B have departed from the Group; (ii) the SMHK Liquidators, the SMC Liquidators and the Directors of the Company could only use their best endeavor to preserve the books and records that were left behind by the former management and the accounting department and were unable to determine whether the Specific Records were complete in the first place; and (iii) the SMHK Liquidators, the SMC Liquidators and the Directors of the Company had no other access to the Specific Records despite having taken all reasonable steps and have used their best endeavor to locate such Specific Records. 	<p>Matters relating to the disclaimer of opinion in relation to insufficient accounting records of the paper trading segment have been addressed by:</p> <ul style="list-style-type: none"> – the deconsolidation of the financial results and position of the De-consolidated Group A and the De-consolidated Group B from those of the Group with effect from 15 August 2020 and 1 July 2021 respectively following the commencement of insolvent liquidation of SMHK and SMC. – the deconsolidation of the financial results and position of certain subsidiaries in the segment that were disposed or deregistered subsequent to the reporting date from those of the Group following the completion of the disposal or deregistration. <p>Based on the discussion with the Auditors, in view of the above deconsolidation recognized in the year ended 31 March 2021 and the year ended 31 March 2022, it is expected that</p> <ul style="list-style-type: none"> – disclaimer of opinion relating to the accounting treatment in relation to the deconsolidation will be issued on the consolidated income statement of the Group for the year ended 31 March 2022. – the consolidated financial statements of the Group for the year ended 31 March 2023 will not carry any audit modifications in this regard.
	<p>Unable to obtain sufficient appropriate audit evidence for certain subsidiaries of the Group in paper trading segment that were disposed of or deregistered subsequent to the reporting date.</p>	

The Management's Position, View and Assessment on the Disclaimer of Opinion (continued)

Measures to address the disclaimer of opinion (continued)

Disclaimer of opinion/conclusion	Basis of disclaimer	Actions taken/to be taken
3 Unavailability of accounting records of certain subsidiaries of the Group in Property Development and Investment segment	<p>The Seng Jin Liquidators were appointed to SJ Limited, pursuant to written resolutions of the sole shareholder of SJ Limited dated 16 September 2021. The De-consolidated Group C were deconsolidated from the consolidated financial statements of the Group with effect from 17 September 2021.</p> <p>Due to the non-cooperation of the local management and staff of the De-consolidated Group C, neither the Company nor the Auditors were able to access the sufficient books and records of the De-consolidated Group C for purpose of the audit.</p> <p>Other than the De-consolidated Group C, the Auditors were unable to obtain sufficient audit evidence for certain subsidiaries in the property development and investment segment that were under the De-consolidated Group A.</p>	<p>Matters relating to the disclaimer of opinion in relation to unavailability of accounting records of the Property Development and Investment segment have been addressed by:</p> <ul style="list-style-type: none"> – the deconsolidation of the financial results and position of the De-consolidated Group C from those of the Group on 17 September 2021 following the commencement of insolvent liquidation of SJ Limited. – the deconsolidation of the financial results and position of the De-consolidated Group A from those of the Group with effect from 15 August 2020 following the commencement of insolvent liquidation of SMHK. <p>Based on the discussion with the Auditors, in view of the above deconsolidation recognized in the year ended 31 March 2021 and the year ended 31 March 2022, it is expected that</p> <ul style="list-style-type: none"> – disclaimer of opinion relating to the accounting treatment in relation to the deconsolidation will be issued on the consolidated income statement of the Group for the year ended 31 March 2022. – the consolidated financial statements of the Group for the year ended 31 March 2023 will not carry any audit modifications.
4 Unavailability of accounting records of certain subsidiaries of the Group in others segment	<p>The De-consolidated Group D were disposed subsequent to the reporting dates of 31 March 2020 and 31 March 2021.</p> <p>Books and records of the De-consolidated Group D available to the Group at the material time and which were retained by the Group, were not found to be of a sufficient level for audit purposes.</p> <p>Other than Hypex Group, the Auditors were unable to obtain sufficient audit evidence for certain subsidiaries in others segment that were under the De-consolidated Group A and the De-consolidated Group B or disposed of or deregistered subsequent to the reporting dates as the books and records were not at a sufficient level for audit purposes.</p>	<p>Matters relating to the disclaimer of opinion in relation to unavailability of accounting records of certain subsidiaries of the Group in Others segment have been addressed by the deconsolidation of the financial results and position of the De-consolidated Group A, the De-consolidated Group B, the De-consolidated Group D and subsidiaries of the Group in the other segments that were disposed or deregistered, from those of the Group.</p> <p>Based on the discussion with the Auditors, in view of the above deconsolidation recognized in the year ended 31 March 2021 and the year ended 31 March 2022, it is expected that</p> <ul style="list-style-type: none"> – disclaimer of opinion relating to the accounting treatment in relation to the deconsolidation will be issued on the consolidated income statement of the Group for the year ended 31 March 2022. – the consolidated financial statements of the Group for the year ended 31 March 2023 will not carry any audit modifications in this regard.

The Management's Position, View and Assessment on the Disclaimer of Opinion (continued)

Measures to address the disclaimer of opinion (continued)

Disclaimer of opinion/conclusion	Basis of disclaimer	Actions taken/to be taken
5 Unreconciled differences in balances between group companies	<p>Unreconciled balances between intra-group balances were recorded as consolidation adjustment by the former management as additions to Property, Plant and Equipment, addition to other receivables and reduction of other payable as at 31 March 2020. The reduction of other payables was subsequently adjusted to other receivables by the former management.</p> <p>The Directors of the Company consider that such adjustments were not supported by sufficient documents and explanations and reviewed the unreconciled differences which had arose over a number of years. The Directors of the Company identified net payments to a number of parties outside the Group without sufficient reasonable explanations recorded. The Directors of the Company have been taking steps to recover the monies paid but consider the amounts to be irrecoverable.</p> <p>In the absence of sufficient supporting documents and explanation available to the current management, the property, plant and equipment of approximately HK\$25 million and other receivables of approximately HK\$555 million have been fully impaired during the year.</p> <p>Auditors were unable to obtain sufficient and appropriate audit evidence about the nature of the payments and whether the balance of property, plant and equipment and other receivables before impairment were properly stated and whether the related impairment losses were properly recorded.</p>	<p>Matters relating to disclaimer of unreconciled differences in balances between group companies have been resolved upon impairment of the property, plant and equipment and other receivables during the year ended 31 March 2020.</p> <p>This audit qualification has been removed in the year ended 31 March 2021.</p>

The Management's Position, View and Assessment on the Disclaimer of Opinion (continued)

Measures to address the disclaimer of opinion (continued)

Disclaimer of opinion/conclusion	Basis of disclaimer	Actions taken/to be taken
6 Opening balances and the comparative information	<p>Unable to obtain sufficient appropriate audit evidence over the account balances as at 31 March 2019 and 31 March 2020 and the transactions and notes to financial statements of the Group, due to the absence of sufficient supporting documents and more detailed explanation in relation to the accounting records in connection to the opening balances and comparative information in respect of the paper trading segment, property development and investment segment and others segment of the Group that were made available to the Directors of the Company from the former management of the Group.</p> <p>In relation to the impairment of property, plant and equipment and other receivables as set out in item 5 above, the Auditors were unable to satisfy themselves about the nature of the payments and whether the balances of property, plant and equipment and other receivables before impairment were properly recorded and that the impairment losses were properly recognised.</p>	<p>Upon Closing which is expected to take place during the year ended 31 March 2022, with the exception of SPV1, SPV2 and UPPSD, the Excluded Subsidiaries will be transferred to the SchemeCo and their financial results and position will be deconsolidated from the Group. Only the paper manufacturing segment of the Group (i.e. SPV1, SPV2 and UPPSD) will be retained in the consolidated financial statements of the Group.</p> <p>Therefore, the matters relating to the disclaimer of opinion in relation to the opening balance and the comparative information, which relate to the paper trading segment, property development and investment segment and others segment, will be resolved following the deconsolidation of the aforesaid segments as explained in items 1-4 above and the ultimate transfer of the Excluded Subsidiaries to the SchemeCo upon Closing.</p> <p>Based on the discussion with the Auditors, it is expected that, upon Closing by the end of the year ended 31 March 2022,</p> <ul style="list-style-type: none"> — an unqualified opinion will be issued on the consolidated statement of financial position of the Retained Group as at 31 March 2022, with a disclaimer of opinion on the consolidated income statement of the Retained Group for the year ended 31 March 2022 for the accounting treatment in relation to the deconsolidation. — Unqualified opinion will be issued for the consolidated financial statements for the year ended 31 March 2023.

The Auditor expected that the audit qualifications above will be carried forward for the year ending 31 March 2022 in relation to (i) the gain/loss from the deconsolidation of subsidiaries of the Group during the year ending 31 March 2022 (by way of liquidation/deregistration/transfer of the subsidiaries to the SchemeCo pursuant to the terms of the Listco Scheme); (ii) profit and loss of the Excluded Subsidiaries which would be deconsolidated from the Group in the year ending 31 March 2022; and (iii) the opening balances of paper trading segment, property development and investment segment and others segment as at 31 March 2021.

The Auditor agreed that in the absence of the unforeseen circumstances, the consolidated financial statements of the Company for the year ending 31 March 2023 will not carry the audit modifications.

The Audit Committee's View on the Disclaimer of Opinion

The members of the Audit Committee has critically reviewed the disclaimer of opinion and the management's position, view and assessment concerning the disclaimer. The Audit Committee has also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood its consideration in arriving opinion.

After careful deliberation, the Audit Committee agreed with the management's position based on the reasons above. Moreover, the Audit Committee requested the management to take all necessary actions to address the impact of the disclaimer of opinion so that no such disclaimer will be issued in the forthcoming audited financial statements.

Independence of Independent Non-executive Directors

The Company has received, from Mr. Leung Vincent Gar-gene, Independent Non-executive Directors of the Company, a confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers 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\$780,000,000 in September 2017. 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

Following the resignation of Pricewaterhouse Cooper (“PwC”) as the auditor of the Company on 26 March 2021, RSM Hong Kong (“RSM”) was appointed as the auditor of the Company by the shareholders of the Company at the special general meeting held on 25 August 2021 to fill in the vacancy following the resignation of PwC.

Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

The consolidated financial statements for the year ended 31 March 2020 have been audited by RSM who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of RSM as auditors of the Company.

On behalf of the Board

CHOI Wai Hong, Clifford
Executive Director

Hong Kong, 15 December 2021

Independent Auditor's Report



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TO THE SHAREHOLDERS OF SAMSON PAPER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Samson Paper Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 155, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

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

56

Basis for Disclaimer of Opinion

Material uncertainties related to going concern basis

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

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

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

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

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

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

The SMHK Liquidators, the SMC Liquidators and the Directors of the Company advised that since the appointment of the liquidators, the Company has retained the basic business records of the De-consolidated Group A and the De-consolidated Group B, including but not limited management accounts, ledgers and sub-ledgers account, vouchers, bank statements agreements and documentation (collectively referred to as the "Basic Records"), that were left behind by the former management and accounting departments of the De-consolidated Group A and the De-consolidated Group B as far as possible. The Basic Records were not found to be of a sufficient level for our audit purposes. More specific business records and the supporting explanations of the De-consolidated Group A's and the De-consolidated Group B's accounting records were needed, including but not limited to, (i) certain supporting documents of certain business transactions, such as invoices, receipts and purchase orders; (ii) detailed explanation on the accounting entries made (collectively, the "Specific Records").

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

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

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

As explained in the section entitled "Basis of consolidation" in note 2 to the consolidated financial statements, the joint and several liquidators (the "Seng Jin Liquidators") were appointed to Seng Jin Group Limited ("SJ Limited"), an indirect wholly-owned subsidiary of the Company, pursuant to written resolutions of the sole shareholder of SJ Limited dated 16 September 2021. The Seng Jin Liquidators are empowered to, inter alia, preserve the assets of SJ Limited and take control of and exercise all rights which SJ Limited may have in relation to entities in which SJ Limited holds an interest. The SJ Limited and its subsidiaries (the "De-consolidated Group C") will be deconsolidated from the consolidated financial statements of the Group with effect from 17 September 2021.

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

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

58

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

As explained in the section entitled "Basis of consolidation" in note 2 to the consolidated financial statements, the Group has disposed Hypex International Pte Ltd. and its subsidiaries ("Hypex International") subsequent to the reporting date. The books and records of Hypex International available to the Group at the material time and which were retained by the Group, were not found to be of a sufficient level for audit purposes, despite the fact that the Directors of the Company have taken all reasonable steps and have used their best endeavours to resolve the matter. Other than Hypex International, we were unable to obtain sufficient audit evidence for certain subsidiaries in others segment that were under the De-consolidated Group A and the De-consolidated Group B, disposed of or deregistered as the books and records were not at a sufficient level for audit purposes as explained in note 2 in the section entitled "Others segment". As a result, we were unable to carry out audit procedures to satisfy ourselves as to whether the income and expenses for the year ended 31 March 2020 and the assets and liabilities as at 31 March 2020 as detailed in note 2 in the section entitled "Others segment", and the segment information and other related disclosure noted in relation to the Group's others segment, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

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

Unreconciled differences in balances between group companies

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

Opening balances and the comparative information

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

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the 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 (the "HKICPA") 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Liu Eugene.

RSM Hong Kong

Certified Public Accountants

Hong Kong
15 December 2021

Consolidated Statement of Profit or Loss

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	8	5,736,917	5,907,821
Cost of sales		<u>(5,218,080)</u>	<u>(5,347,831)</u>
Gross profit		518,837	559,990
Fair value (losses)/gains on investment properties		(15,900)	31,716
Other gains and income, net	9	60,453	64,618
Selling expenses		(196,716)	(213,882)
Administrative expenses		(230,320)	(233,318)
(Impairment losses)/reversal for impairment losses of financial assets, net		(543,535)	1,463
Impairment losses of property, plant and equipment		(25,801)	—
Other operating income, net		<u>283</u>	<u>406</u>
(Loss)/profit from operations		(432,699)	210,993
Finance costs	11	<u>(81,017)</u>	<u>(71,174)</u>
(Loss)/profit before tax		(513,716)	139,819
Income tax expense	12	<u>(29,236)</u>	<u>(20,142)</u>
(Loss)/profit for the year	13	<u>(542,952)</u>	<u>119,677</u>
Attributable to:			
Owners of the Company		(550,566)	109,206
Non-controlling interests		<u>7,614</u>	<u>10,471</u>
		<u>(542,952)</u>	<u>119,677</u>
(Loss)/earnings per share	17		
Basic		<u>HK(48.3) cents</u>	<u>HK9.2 cents</u>
Diluted		<u>HK(48.3) cents</u>	<u>HK8.6 cents</u>

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

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

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	18	1,802,114	2,056,466
Land use rights	19	—	113,553
Investment properties	20	725,785	742,676
Right-of-use assets	21	325,113	—
Goodwill	22	35,699	37,622
Other intangible assets	23	4,540	4,071
Financial assets at FVTOCI	24	1,700	1,335
Financial assets at fair value through profit or loss ("FVTPL")	25	5,169	4,692
Non-current deposits and prepayments	26	20,858	21,268
Deferred tax assets	34	8,105	7,343
		<u>2,929,083</u>	<u>2,989,026</u>
Current assets			
Properties under development	27	211,701	206,127
Inventories	28	735,885	700,884
Accounts and other receivables	26	1,675,549	2,101,742
Taxation recoverable		7,906	8,313
Restricted bank deposits	29	92,673	184,344
Bank and cash balances	29	205,828	332,408
		<u>2,929,542</u>	<u>3,533,818</u>
Total assets		<u>5,858,625</u>	<u>6,522,844</u>
Current liabilities			
Accounts and other payables	30	1,192,171	909,415
Contract liabilities	31	3,362	25,263
Trust receipt loans	32	1,303,045	1,051,271
Taxation payable		110,411	106,467
Borrowings	32	1,601,097	1,089,070
Finance lease payables	33	—	1,518
Lease liabilities	33	17,060	—
		<u>4,227,146</u>	<u>3,183,004</u>
Net current (liabilities)/assets		<u>(1,297,604)</u>	<u>350,814</u>
Total assets less current liabilities		<u>1,631,479</u>	<u>3,339,840</u>

63

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Accounts and other payables	30	1,018	451,566
Finance lease payables	33	—	1,760
Lease liabilities	33	10,154	—
Borrowings	32	12,088	603,600
Deferred tax liabilities	34	108,578	96,591
		<u>131,838</u>	<u>1,153,517</u>
NET ASSETS		<u>1,499,641</u>	<u>2,186,323</u>
Equity			
Share capital	35	127,315	127,315
Reserves	37	1,130,394	1,832,568
		<u>1,257,709</u>	<u>1,959,883</u>
Non-controlling interests		<u>241,932</u>	<u>226,440</u>
TOTAL EQUITY		<u>1,499,641</u>	<u>2,186,323</u>

Approved by the Board of Directors on 15 December 2021 and are signed on its behalf by:

Choi Wai Hong, Clifford

Lau Wai Leung, Alfred

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve HK\$'000 (note 37 (b)(i))	Exchange reserve HK\$'000 (note 37 (b)(ii))	Statutory reserve HK\$'000 (note 37 (b)(iii))	Retained earnings HK\$'000			
At 1 April 2018	127,315	161,262	345,223	201,994	139,287	21,752	1,108,077	2,104,910	240,947	2,345,857
Adjustment on initial application of HKFRS 9	—	—	(671)	—	—	—	671	—	—	—
Balance at 1 April 2018	127,315	161,262	344,552	201,994	139,287	21,752	1,108,748	2,104,910	240,947	2,345,857
Total comprehensive income for the year	—	—	10,637	—	(224,766)	—	109,206	(104,923)	(14,507)	(119,430)
Final dividends paid	—	—	—	—	—	—	(35,012)	(35,012)	—	(35,012)
Interim dividends paid	—	—	—	—	—	—	(5,092)	(5,092)	—	(5,092)
Transfer from retained earnings to statutory reserve	—	—	—	—	—	5,495	(5,495)	—	—	—
Changes in equity for the year	—	—	10,637	—	(224,766)	5,495	63,607	(145,027)	(14,507)	(159,534)
At 31 March 2019	127,315	161,262	355,189	201,994	(85,479)	27,247	1,172,355	1,959,883	226,440	2,186,323
Adjustment on initial application of HKFRS 16 (note 3)	—	—	70,994	—	—	—	—	70,994	8,282	79,276
Balance at 1 April 2019	127,315	161,262	426,183	201,994	(85,479)	27,247	1,172,355	2,030,877	234,722	2,265,599
Total comprehensive income for the year	—	—	14,958	—	(207,005)	—	(550,566)	(742,613)	(9,114)	(751,727)
Capital contribution from non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	16,324	16,324
Final dividends paid	—	—	—	—	—	—	(25,463)	(25,463)	—	(25,463)
Interim dividends paid	—	—	—	—	—	—	(5,092)	(5,092)	—	(5,092)
Change in equity for the year	—	—	14,958	—	(207,005)	—	(581,121)	(773,168)	7,210	(765,958)
At 31 March 2020	127,315	161,262	441,141	201,994	(292,484)	27,247	591,234	1,257,709	241,932	1,499,641

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(513,716)	139,819
Adjustments for:		
Depreciation of property, plant and equipment	84,232	73,124
Depreciation of right-of-use assets	36,850	—
Amortisation of land use rights	—	4,257
Amortisation of intangible assets	1,054	1,181
Fair value losses/(gains) on investment properties	15,900	(31,716)
Gains on disposal of property, plant and equipment	(379)	(540)
Fair value (gains)/losses on financial assets at fair value through profit or loss	(477)	125
Impairment losses/(reversal for impairment losses) of accounts and other receivables, net	543,535	(1,463)
Impairment losses of property, plant and equipment	25,801	—
Provision for inventories obsolescence	3,872	2,445
Finance costs	81,017	71,174
Interest income	(4,676)	(6,458)
Operating profit before working capital changes	273,013	251,948
(Increase)/decrease in inventories	(79,553)	92,513
Decrease/(increase) in properties under development	2,093	(76,586)
Decrease/(increase) in accounts and other receivables	153,081	(58,227)
Decrease/(increase) in non-current deposits and prepayments	410	(13,132)
Decrease in accounts and other payables	(344,476)	(139,710)
Decrease in contract liabilities	(21,901)	(3,151)
Cash (used in)/generated from operations	(17,333)	53,655
Income taxes paid	(25,415)	(14,473)
Interest paid	—	(71,174)
Interest on lease liabilities	(1,308)	—
Net cash used in operating activities	(44,056)	(31,992)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(189,196)	(170,331)
Purchase of intangible assets	(1,546)	(2,099)
Proceeds from disposal of land use rights	—	919
Proceeds from disposal of property, plant and equipment	5,538	6,401
Release/(placement) in restricted bank deposits	91,671	(27,512)
Interest received	4,676	6,458
Net cash used in investing activities	(88,857)	(186,164)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loans raised	698,052	1,080,373
Repayment of bank loans	(763,238)	(930,429)
Increase in trust receipt loans	253,208	96,423
Principal elements of lease payment (2019: Repayment of finance lease payables)	(22,951)	(1,890)
Dividends paid to shareholders	(30,555)	(40,104)
Interest paid	(105,543)	—
Net cash generated from financing activities	28,973	204,373
NET DECREASE IN CASH AND CASH EQUIVALENTS	(103,940)	(13,783)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	330,982	357,369
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(21,214)	(12,604)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	205,828	330,982
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	205,828	332,408
Bank overdrafts	—	(1,426)
	205,828	330,982

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. General Information

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its principal place of business is Unit D, 13/F., World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The trading in the shares of the Company has been suspended since 2 July 2020.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements.

In the opinion of the directors of the Company, Quinselle Holdings Limited, a company incorporated in the British Virgin Islands, is the ultimate parent.

2. Basis of Preparation

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

On 30 June 2020, the Company published an announcement on the Stock Exchange containing extracts of its Unaudited Results.

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

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

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

2. Basis of Preparation (continued)

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

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

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

Going Concern

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. Basis of Preparation (continued)

Listing status of the Company

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

1. Address all audit issues raised by the Former Auditors (the “Audit Issues”);
2. Conduct an appropriate independent investigation into the Audit Issues, announce the findings and take appropriate remedial actions;
3. Publish all outstanding financial results required under the Listing Rules and address any audit modifications;
4. Have the winding-up petition (or winding-up order, if made) against the Company withdrawn or dismissed;
5. Announce all material information for the Company’s shareholders and investors to appraise the Company’s position;
6. Demonstrate its compliance with Rule 13.24 of the Listing Rules;
7. Conduct an independent internal control review and demonstrate adequate internal control systems being put in place to meet the obligations under the Listing Rules; and
8. Re-comply with Rules 3.05, 3.10(1), 3.21 and 3.25 of the Listing Rules.

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

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

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

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

2. Basis of Preparation (continued)

Proposed Restructuring of the Group

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

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

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

(1) Capital Reorganisation

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

- (a) the reduction of the issued capital of the Company by cancelling the paid up capital to the extent of HK\$0.095 on each of the issued ordinary shares in the issued capital of the Company before the Capital Reorganisation becoming effective (the “Existing Shares”) such that the par value of each of the Existing Shares shall be reduced from HK\$0.10 to HK\$0.005 (the “Capital Reduction”);
- (b) the cancellation of the authorised but unissued ordinary share capital of the Company in its entirety upon the Capital Reduction becoming effective (the “Authorised Share Capital Diminution”);
- (c) the cancellation of entire amount standing to the credit of the share premium account of the Company (the “Share Premium Cancellation”) of approximately HK\$161,000,000, being the aggregate amount subscribed for the Existing Shares in excess of such Existing Shares’ par value at that time, and credit the amount cancelled to the contributed surplus reserve account of the Company;
- (d) the consolidation of every ten issued and unissued shares of HK\$0.005 each into one new ordinary share of the Company of HK\$0.05 (the “New Shares”) upon the Capital Reduction, the Authorised Share Capital Diminution and the Share Premium Cancellation becoming effective (the “Share Consolidation”); and
- (e) the increase in authorised share capital — upon the Capital Reduction, the Authorised Share Capital Diminution, the Share Premium Cancellation and the Share Consolidation becoming effective, the Company’s authorised ordinary share capital will be increased from approximately HK\$5,710,000 divided into 114,107,582 New Shares of HK\$0.05 each to HK\$100,000,000 divided into 2,000,000,000 New Shares of HK\$0.05 each.

2. Basis of Preparation (continued)

Proposed Restructuring of the Group (continued)

(2) Subscription

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

(3) Group Reorganisation

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

- (a) the incorporation of Greater Paper Development Limited ("SPV1"), a company incorporated in Hong Kong with limited liability, owned as to 100% by the Company;
- (b) the incorporation of Greater Paper (Shenzhen) Paper Limited ("SPV2"), a company incorporated in the People's Republic of China (the "PRC") with limited liability and owned as to 100% by SPV1;
- (c) SPV2 becoming the sole registered shareholder of UPPSD through the UPPSD Bankruptcy Reorganisation;
- (d) upon the completion of all the transactions under the Restructuring Agreement (the "Closing"), to effectuate the transfer of the subsidiaries of the Group (the "Excluded Subsidiaries") to the SchemeCo (as defined below) for the Scheme Creditors (as defined below) pursuant to the terms of the ListCo Scheme by transferring the entire equity interests of Samson Paper (BVI) Ltd (being the holding company of the Excluded Subsidiaries and a directly wholly-owned subsidiary of the Company) held by the Company to the SchemeCo at a nominal consideration of HK\$1.0. The Retained Group shall comprise of the Company, SPV1, SPV2 and UPPSD and will be principally engaged in manufacturing of paper product;
- (e) provision of a loan not less than RMB80,000,000 by Shandong Bairun to SPV2 which will be used in the daily business operations of UPPSD (which forms part of the loan of not less than RMB250,000,000 to be provided by Shandong Bairun to SPV2 under the UPPSD Bankruptcy Reorganisation, the remaining RMB170,000,000 of which will be used for the first instalment payment under the UPPSD Bankruptcy Reorganisation plan);
- (f) the completion of the implementation of the UPPSD Bankruptcy Reorganisation plan; and
- (g) the above-mentioned loan would be secured by charge over the shares of SPV1, SPV2 and UPPSD and the appropriate assets of UPPSD created in favour of the Investor or Shandong Bairun (as the case may be) by way of a first priority fixed charge, which shall be discharged upon the completion of the Group Reorganisation.

2. Basis of Preparation (continued)

Proposed Restructuring of the Group (continued)

(4) Placement

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

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

(5) Listco scheme

- (a) upon the ListCo Scheme become effective, the scheme administrators shall incorporate a special purpose vehicle (the "SchemeCo") to hold and realise assets of the SchemeCo for distribution to the creditors of the Company with unsecured claims admitted by the scheme administrators in accordance with the terms of the ListCo Scheme (the "Scheme Creditors") and settle the costs and expenses arising from the implementation of the ListCo Scheme in accordance with the terms of the ListCo Scheme;
- (b) all the claims against the Company shall be fully and finally discharged under ListCo Scheme by way of the SchemeCo accepting and assuming an equivalent liability in place of the Company in respect of the claims of the creditors of the Company. In return, the Scheme Creditors will be entitled to receive dividends from the realization of the assets of the SchemeCo pursuant to the ListCo Scheme in full and final settlement of their claims against the SchemeCo;
- (c) the assets of the SchemeCo to be realised for the benefit of the Scheme Creditors shall include:
 - (i) the remaining balance of the gross Subscription Proceeds of approximately HK\$119,872,142 after deducting the costs of implementing the Proposed Restructuring;
 - (ii) 240,482,142 New Shares to be issued and allotted by the Company to the SchemeCo (the "Creditors' Shares") for the benefit of the Scheme Creditors, representing approximately 17% of the issued ordinary share capital of the Company after the completion of the Capital Reorganisation and as enlarged by the issue and allotment of the Subscription Shares, Placement Shares and Creditors' Shares and assuming all preference shares have been converted, subject to the right to dispose the Creditors' Shares as detailed in paragraph (viii) below;
 - (iii) gross proceeds from the Placement of approximately HK\$6,849,837;
 - (iv) the shares and/other assets of the Excluded Subsidiaries;
 - (v) the inter-company account receivables due from the Excluded Subsidiaries to the Retained Group in the amount of approximately HK\$300 million;
 - (vi) the cash, bank deposits and account receivables of the Company as at the effective date of the ListCo Scheme (apart from the account receivables due from the Retained Group);
 - (vii) all claims or litigations and all potential claims or litigation rights against third parties raised by the Retained Group (to the extent transferrable under the applicable law and approved by the relevant party);

2. Basis of Preparation (continued)

Proposed Restructuring of the Group (continued)

(5) Listco scheme (continued)

(c) (continued)

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

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

(6) UPPSD bankruptcy reorganisation

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

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

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

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

2. Basis of Preparation (continued)

Proposed Restructuring of the Group (continued)

(6) UPPSD bankruptcy reorganisation (continued)

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

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

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

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

- (a) UPPSD shall become a wholly-owned subsidiary of the Company (through SPV1 and SPV2) through the UPPSD Bankruptcy Reorganisation;
- (b) settlement of four creditors' priority claims with an aggregate amount of RMB4,960,533.58 in one lump sum payment by cash in priority to other creditors with unsecured claims, with their unsecured claims totalling RMB1,084,101,760.80 settled in the method as provided in (d), (e) and (f) below;
- (c) settlement of two creditors' verified tax claims with an aggregate amount of RMB48,333,787.65 in one lump sum payment by cash;
- (d) settlement of each creditor's unsecured claims with principal amount of RMB200,000 (inclusive) or below in full by way of cash;
- (e) for each creditor's unsecured claims with principal amount exceeding RMB200,000, settlement will be completed within four (4) years in five (5) instalments of 20% every year. The first instalment payment shall be made to repay creditor's unsecured claim of principal amount below RMB200,000 (inclusive) and 20% of the principal amount in excess of RMB200,000. The four subsequent instalments of 20% of the principal amount in excess of RMB200,000 shall be paid on or before the first, second, third and fourth anniversary date of the first instalment payment. Remaining debts shall not bear any interest for the period of settlement in instalments;
- (f) the settlement of the inter-company debts due by UPPSD to the Excluded Subsidiaries in the total sum of RMB741,989,908.38 as recognised by the UPPSD Bankruptcy Administrator in one lump sum payment of RMB50,000,000;

75

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. Basis of Preparation (continued)

Proposed Restructuring of the Group (continued)

(6) UPPSD bankruptcy reorganisation (continued)

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

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

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

(7) Resumption

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

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

2. Basis of Preparation (continued)

Basis of consolidation (continued)

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

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

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

Paper manufacturing segment

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

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

Paper trading segment

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. Basis of Preparation (continued)

Paper trading segment (continued)

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

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

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

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

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

2. Basis of Preparation (continued)

Paper trading segment (continued)

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

Statement of profit or loss

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. Basis of Preparation (continued)

Paper trading segment (continued) Statement of financial position

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

2. Basis of Preparation (continued)

Property development and investment (“PID”) segment

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. Basis of Preparation (continued)

Property development and investment (“PID”) segment (continued)

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

Statement of profit or loss

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

2. Basis of Preparation (continued)**Property development and investment (“PID”) segment (continued)**
Statement of financial position

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2. Basis of Preparation (continued)

Others segment

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

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

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

Statement of profit or loss

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

2. Basis of Preparation (continued)**Others segment (continued)**
Statement of financial position

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

3. Adoption of New and Revised Hong Kong Financial Reporting Standards

(a) Application of new and revised HKFRSs

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

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

HKFRS 16 Leases

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

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

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

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

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

(a) New definition of a lease

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

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

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (continued)

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact

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

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

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

- (i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;
- (ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;
- (iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (continued)

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 33 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

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

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 had been applied since the commencement date of the leases using the relevant incremental borrowing rate at the date of initial application of HKFRS16.

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

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

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (continued)

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact (continued)

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

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

Note:

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

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

- (ii) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 April 2019 amounting to HK\$7,156,000 as right-of-use assets.
- (iii) The Group reclassified the obligation under finance leases of HK\$1,518,000 and HK\$1,760,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (continued)

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

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

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

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

(d) *Leasehold investment property*

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

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

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

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

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

4. Significant Accounting Policies

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. property, plant and equipment, investment properties and certain financial instruments that are measured at fair value).

The preparation of the financial statements in conformity with HKFRSs 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 5.

4. Significant Accounting Policies (continued)

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

4. Significant Accounting Policies (continued)

(b) Business combination and goodwill (continued)

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. 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 Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Foreign currency translation

(i) 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 is presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

The functional currency of subsidiaries established in the People's Republic of China ("PRC") is Renminbi ("RMB"). The functional currency of other major subsidiaries are HK\$, United States Dollar ("US\$"), Singapore Dollars ("SGD"), South Korean Won ("WON") and Malaysian Ringgit ("RM"). The directors consider that choosing HK\$ as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. Significant Accounting Policies (continued)

(c) **Foreign currency translation (continued)**

(iii) **Translation on consolidation**

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (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 exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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.

(d) **Property, plant and equipment**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed on a regular basis with an interval of not more than 3 years, such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

All other property, plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

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 recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Shorter of remaining lease term of 50 years or useful life
Buildings	2.5%–5.9%
Furniture and fixtures	10%–25%
Machinery and equipment	4%–20%
Office and computer equipment	10%–20%
Motor vehicles and vessels	20%
Leasehold improvements	20% or over the unexpired lease term, whichever is shorter

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

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

94

(e) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An owned investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4(u).

4. Significant Accounting Policies (continued)

(f) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Policy applicable from 1 April 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses except for the right-of-use assets that meet the definition of investment property are carried at fair value.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. Significant Accounting Policies (continued)

(f) Leases (continued)

(i) The Group as a lessee (continued)

Policy applicable from 1 April 2019 (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 April 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified measured at its fair value.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

4. Significant Accounting Policies (continued)

(g) Other intangible assets

Intangible assets acquired separately — software

Software are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

(h) 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 comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(j) Properties under development and held for sale

Properties for sale under development and held for sale are stated at the lower of cost and net realisable value. Costs include the acquisition cost of interest in leasehold land, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. Significant Accounting Policies (continued)

(k) Recognition and derecognition of financial instruments (continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(m) Accounts and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. Significant Accounting Policies (continued)

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost 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 12 months after the reporting period.

(q) Accounts and other payables

Accounts and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(s) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of goods is recognised when control of the products has transferred, being when the products are delivered to the customers. Delivery occurs when the products have been shipped to the specific location. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Franchise income in respect of the use of the Group's trademark is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

4. Significant Accounting Policies (continued)

(t) Employees benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service 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.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits. The Group provides for the probable future redundancy cost expected to be made to employees under relevant terms of service contracts and the Hong Kong Employment Ordinance.

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

(u) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The Group issues equity-settled share-based payments to 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 entity in which the Group holds any equity interest.

Equity-settled share-based payments to other parties are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

4. Significant Accounting Policies (continued)

(v) Borrowing costs

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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Effective 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. Significant Accounting Policies (continued)

(w) Taxation (continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment losses is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment losses is treated as a revaluation increase.

(y) Impairment of financial assets

The Group recognises a loss allowance for ECL on accounts and other receivables as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for accounts and other receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

4. Significant Accounting Policies (continued)

(y) Impairment of financial assets (continued)

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default,

4. Significant Accounting Policies (continued)

(y) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty’s financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4. Significant Accounting Policies (continued)

(y) Impairment of financial assets (continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of account receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the restructuring of the Group. Details are explained in note 2 to the consolidated financial statements.

(b) Distinction between investment properties and owner-occupied properties

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the production of goods. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production of goods. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

(c) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

(d) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 33 to the consolidated financial statements for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

5. Critical Judgements and Key Estimates (continued)

Critical judgements in applying accounting policies (continued)

(f) *Significant increase in credit risk*

As explained in note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant estimates are 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. 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. During the year, HK\$29,236,000 (2019: HK\$20,142,000) of income tax was charged to profit or loss based on the estimated profit.

(b) *Impairment of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 March 2020 were approximately HK\$1,802,114,000 (2019: HK\$2,056,466,000) and HK\$325,113,000 (2019: HK\$Nil) respectively.

(c) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK\$35,699,000 after an impairment loss of HK\$Nil was recognised during the year. Details of the impairment loss calculation are provided in note 22 to the consolidated financial statements.

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

(d) *Fair value of investment properties and land and building included in property, plant and equipment*

The Group appointed an independent professional valuer to assess the fair value of the investment properties. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 31 March 2020 were approximately HK\$725,785,000 (2019: HK\$742,676,000).

The carrying amount of land and building as at 31 March 2020 were approximately HK\$413,606,000 (2019: HK\$386,080,000).

(e) *Impairment of accounts and bills receivables*

The management of the Group estimates the amount of impairment loss for ECL on account receivables based on the credit risk of account receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2020, the carrying amount of accounts and bills receivable is HK\$926,380,000 (net of allowance for doubtful debts of approximately HK\$75,180,000) (2019: HK\$1,246,301,000 (net of allowance for doubtful debts of approximately HK\$90,941,000)).

(f) *Allowance for slow-moving inventories*

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Allowance for slow-moving inventories was HK\$20,275,000 as at 31 March 2020 (2019: HK\$16,159,000).

(g) *Fair value measurement of financial instruments*

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investment in Keishin Papers Trade (Shanghai) Company Limited ("Keishin"), details of which are set out in note 24 to the consolidated financial statements, by considering information from a variety of sources, including the latest financial information as well as the price and industry and sector performance of Keishin.

The carrying amount of the investment as at 31 March 2020 was HK\$1,700,000 (2019: HK\$1,335,000).

(h) *Leases — Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs when available.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2020, if the Hong Kong dollar had weakened or strengthened 1% against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK\$841,000 higher or lower (2019: consolidated profit for the year would have been HK\$96,000 lower or higher), arising mainly as a result of the net foreign exchange gain or loss on trade payables, trade receivables and borrowings denominated in RMB.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily account receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Accounts and bills receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Account receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for account receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

6. Financial Risk Management (continued)

(b) Credit risk (continued)

Accounts and bills receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for accounts and bills receivables as at 31 March 2020:

	2020		
	Expected loss rate (note 1) %	Gross carrying amount HK\$'000	Loss allowance (note 2) HK\$'000
Current (not past due)	*%	647,581	*
Up to 60 days past due	*%	159,648	*
61–90 days past due	*%	13,763	*
More than 90 days past due	41.6%	180,568	75,180
		<u>1,001,560</u>	<u>75,180</u>
	2019		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	*%	1,040,328	*
Up to 60 days past due	*%	126,782	*
61–90 days past due	*%	17,750	*
More than 90 days past due	59.7%	152,382	90,941
		<u>1,337,242</u>	<u>90,941</u>

Note 1: * Less than 0.1%

Note 2: * Less than HK\$1,000

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance for account receivables during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 April	90,941	94,892
Allowance for accounts receivables recognised for the year	5,900	3,491
Reversal of allowance for accounts receivables recognised for the year	(18,175)	(4,954)
Exchange differences	<u>(3,486)</u>	<u>(2,488)</u>
At 31 March	<u>75,180</u>	<u>90,941</u>

6. Financial Risk Management (continued)

(b) Credit risk (continued)

Other receivables

The allowance for impairment of other receivables was provided using the “three-stage” approach by referring to changes in credit quality since the initial recognition of other receivables as mentioned in note 4(y) to the consolidated financial statements.

Movement in the loss allowance for other receivables during the year is as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1 April 2018, 31 March 2019 and 1 April 2019	—	—	—	—
Allowance for other receivables recognised for the year	—	—	555,810	555,810
At 31 March 2020	—	—	555,810	555,810

The allowance for impairment loss of other receivables that categorised under “Stage 3” is made for net payments to a number of parties outside the Group identified by the Directors of the Company during the investigation of unreconciled differences in balances between group companies. The Directors of the Company have been taking steps to recover the monies paid but consider the amounts to be irrecoverable. Except for these, the remaining other receivables balances are considered to have low credit risk, and the allowance for impairment recognised during the years was therefore limited to 12-month expected losses. The Group’s management considers these balances to be of low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at FVTOCI and amortised cost

All of the Group’s investments at FVTOCI and amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Management considers ‘low credit risk’ for listed debt securities to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include deposits and other receivables.

The carrying amount of deposits and other receivables approximated to their fair value as at the end of each reporting period. Their recoverability was assessed with reference to the credit status of the debtors, and the ECL is considered to be immaterial.

Financial assets at FVTPL

The Group is also exposed to credit risk in relation to insurance premium that are measured at FVTPL. The maximum exposure at the end of the period is the carrying amount of these insurance policies of approximately HK\$5,169,000 (2019: HK\$4,692,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

6. Financial Risk Management (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or 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	Total HK\$'000
At 31 March 2020					
Borrowings	1,626,243	2,049	5,556	9,157	1,643,005
Trust receipt loans	1,312,118	—	—	—	1,312,118
Accounts and other payables	1,145,803	1,018	—	—	1,146,821
Lease liabilities	17,848	8,732	1,871	—	28,451
At 31 March 2019					
Borrowings	1,713,426	635	1,750	5,908	1,721,719
Trust receipt loans	1,058,460	—	—	—	1,058,460
Accounts and other payables	854,053	451,566	—	—	1,305,619
Finance lease payables	1,664	1,472	464	—	3,600

(d) Interest rate risk

The Group's exposure to cash flow interest rate risk arises from its variable-rate bank loans. It is the Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowing.

The Group's bank borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank borrowings and accounts payable. These borrowings and accounts payable bear interests at variable rates that vary with the then prevailing market condition.

At 31 March 2020, if interest rates had been 50 basis points lower/higher, with all other variables held constant, consolidated loss after tax for the year would have been HK\$11,063,000 (2019: HK\$9,749,000) lower/higher respectively (2019: consolidated profit after tax for the year would have been HK\$9,749,000 higher/lower respectively), arising mainly as a result of lower/higher interest expense on borrowings and accounts payable.

6. Financial Risk Management (continued)

(e) Categories of financial instruments as at 31 March

	2020 HK\$'000	2019 HK\$'000
Financial assets:		
Financial assets at FVTOCI		
— Equity instruments	1,700	1,335
Financial assets at FVTPL		
— Mandatorily measured at FVTPL	5,169	4,692
Financial assets at amortised cost	1,947,090	2,254,300
Financial liabilities:		
Financial liabilities at amortised cost	<u>4,136,633</u>	<u>4,108,200</u>

(f) Fair values

Except as disclosed in note 7 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. Fair Value Measurements (continued)

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements using:			Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	31 March 2020 HK\$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
Investments in unlisted equity securities	—	—	1,700	1,700
Financial assets at FVTPL				
Investments in life insurance	—	—	5,169	5,169
Investment properties				
Factory buildings — Hong Kong	—	709,700	—	709,700
Factory buildings — PRC	—	—	16,085	16,085
	—	709,700	16,085	725,785
Total	—	709,700	22,954	732,654

Description	Fair value measurements using:			Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	31 March 2019 HK\$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
Investments in unlisted equity securities	—	—	1,335	1,335
Financial assets at FVTPL				
Investments in life insurance	—	—	4,692	4,692
Investment properties				
Factory buildings — Hong Kong	—	725,600	—	725,600
Factory buildings — PRC	—	—	17,076	17,076
	—	725,600	17,076	742,676
Total	—	725,600	23,103	748,703

7. Fair Value Measurements (continued)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Financial asset at FVTOCI	Financial assets at FVTPL	Investment properties	2020
	Investments in unlisted equity securities HK\$'000	Investments in life insurance HK\$'000	Factory buildings — PRC HK\$'000	Total HK\$'000
At 1 April 2019	1,335	4,692	17,076	23,103
Total gains or losses recognised in profit or loss	—	477	—	477
Total gains or losses recognised in other comprehensive income	365	—	—	365
Exchange differences	—	—	(991)	(991)
At 31 March 2020	1,700	5,169	16,085	22,954

Description	Financial asset at FVTOCI	Financial assets at FVTPL	Investment properties	2019
	Investments in unlisted equity securities HK\$'000	Investments in life insurance HK\$'000	Factory buildings — PRC HK\$'000	Total HK\$'000
At 1 April 2018	1,169	4,817	—	5,986
Transfer from property, plant and equipment	—	—	10,445	10,445
Transfer from land use rights	—	—	6,515	6,515
Total gains or losses recognised in profit or loss	—	(125)	116	(9)
Total gains or losses recognised in other comprehensive income	166	—	—	166
At 31 March 2019	1,335	4,692	17,076	23,103

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

7. Fair Value Measurements (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (continued)

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value	
			2020 HK\$'000	2019 HK\$'000
			Assets	
Investment properties	Market comparable approach	Market prices	709,700	725,600
– Factory buildings				
– Hong Kong				

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value	
					2020 HK\$'000	2019 HK\$'000
					Assets	
Financial assets at FVTOCI	Market comparable approach	Price-to-earnings ratio	2.2–7.8 (2019: 2.8–6.1)	Decrease	1,700	1,335
– Unlisted equity securities		Discount for lack of marketability	20% (2019: 20%)	Increase		
Financial assets at FVTPL	N/A	Surrender value	N/A	N/A	5,169	4,692
– Investments in life insurance						
Investment properties	Income capitalisation method	Adopted unit rent	RMB16.1–RMB27.4 per sqm per month (2019: RMB16.1–RMB27.4 per sqm per month)	Increase	16,085	17,076
– Factory buildings		Adopted term/ reversionary yield	6.0%–16.5% (2019: 6.0%–16.5%)	Increase		
– PRC						

There were no changes in the valuation techniques used.

8. Revenue

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year is as follows:

	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of goods	5,643,103	5,842,018
Provision of services	47,755	43,251
	<u>5,690,858</u>	<u>5,885,269</u>
Revenue from other sources		
Rental income	46,059	22,552
	<u>5,736,917</u>	<u>5,907,821</u>

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

For the year ended 31 March 2020	Paper trading HK\$'000	Paper manufacturing and selling HK\$'000	Property development and investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue	4,597,576	1,447,242	50,370	63,727	6,158,915
Intersegment revenue	<u>(325,612)</u>	<u>(87,085)</u>	<u>(4,311)</u>	<u>(4,990)</u>	<u>(421,998)</u>
Revenue from external customers	<u>4,271,964</u>	<u>1,360,157</u>	<u>46,059</u>	<u>58,737</u>	<u>5,736,917</u>
Timing of revenue recognition					
Products transferred at a point in time	4,271,964	1,360,157	—	12,831	5,644,952
Products and services transferred over time	—	—	—	45,906	45,906
Revenue from other sources					
Rental income	<u>—</u>	<u>—</u>	<u>46,059</u>	<u>—</u>	<u>46,059</u>
Total	<u>4,271,964</u>	<u>1,360,157</u>	<u>46,059</u>	<u>58,737</u>	<u>5,736,917</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

8. Revenue (continued)

Disaggregation of revenue (continued)

For the year ended 31 March 2019	Paper trading HK\$'000	Paper manufacturing and selling HK\$'000	Property development and investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue	4,572,001	1,565,127	50,028	60,327	6,247,483
Intersegment revenue	(269,202)	(37,700)	(27,476)	(5,284)	(339,662)
Revenue from external customers	<u>4,302,799</u>	<u>1,527,427</u>	<u>22,552</u>	<u>55,043</u>	<u>5,907,821</u>
Timing of revenue recognition					
Products transferred at a point in time	4,302,799	1,527,427	—	14,024	5,844,250
Products and services transferred over time	—	—	—	41,019	41,019
Revenue from other sources					
Rental income	—	—	22,552	—	22,552
Total	<u>4,302,799</u>	<u>1,527,427</u>	<u>22,552</u>	<u>55,043</u>	<u>5,907,821</u>

9. Other Gains and Income, Net

	2020 HK\$'000	2019 HK\$'000
Interest income	4,676	6,458
Sales of scrap materials	7,580	9,182
Gain on disposal of property, plant and equipment	379	540
Franchise income	46,452	48,001
Others	1,366	437
	<u>60,453</u>	<u>64,618</u>

10. Segment Information

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

The Group has four operating segments as follows:

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

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

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include unallocated administrative expenses, finance costs and income tax expense. Segment assets do not include current and deferred tax assets and corporate assets. Segment liabilities do not include current and deferred tax liabilities and corporate liabilities. Segment non-current assets do not include financial assets at FVTPL, financial assets at FVTOCI and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

10. Segment Information (continued)

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

	Paper trading HK\$'000	Paper manufacturing and selling HK\$'000	Property development and investment HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 March 2020					
Revenue from external customers	4,271,964	1,360,157	46,059	58,737	5,736,917
Intersegment revenue	325,612	87,085	4,311	4,990	421,998
Segment (losses)/profits	(436,270)	45,092	5,817	(42,609)	(427,970)
Interest income	3,171	—	383	1,122	4,676
Depreciation of property, plant and equipment	8,926	70,332	3,447	1,527	84,232
Depreciation of right-of-use assets	7,898	5,056	10,336	13,560	36,850
Amortisation of intangible assets	593	153	308	—	1,054
Impairment losses of financial assets, net	543,507	—	—	28	543,535
Impairment losses of property, plant and equipment	25,801	—	—	—	25,801
Fair value losses on investment properties	—	—	15,900	—	15,900
Capital expenditure	3,367	156,177	4,157	5,121	168,822
As at 31 March 2020					
Segment assets	2,135,644	2,459,414	1,108,482	138,840	5,842,380
Segment liabilities	3,261,756	380,059	66,224	73,993	3,782,032
Year ended 31 March 2019					
Revenue from external customers	4,302,799	1,527,427	22,552	55,043	5,907,821
Intersegment revenue	269,202	37,700	27,476	5,284	339,662
Segment profits/(losses)	109,351	59,412	55,055	(6,810)	217,008
Interest income	4,602	401	1,438	17	6,458
Depreciation of property, plant and equipment	15,089	53,609	833	3,593	73,124
Depreciation of land use rights	173	4,014	70	—	4,257
Amortisation of intangible assets	1,106	75	—	—	1,181
Reversal for impairment losses of financial assets, net	1,463	—	—	—	1,463
Fair value gains on investment properties	—	—	31,716	—	31,176
Capital expenditure	13,797	145,493	12,229	6,534	178,053
As at 31 March 2019					
Segment assets	2,402,364	2,984,087	1,015,292	105,233	6,506,976
Segment liabilities	2,226,401	139,747	43,333	27,710	2,437,191

10. Segment Information (continued)**Reconciliations of segment revenue and profit or loss:**

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

Reconciliations of segment assets and liabilities:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

10. Segment Information (continued)

Geographical information:

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

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

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

Revenue from major customers:

There was no single customer whose revenue amounted to 10% or more of the Group's revenue for the years ended 31 March 2020 and 2019.

11. Finance Costs

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	73,585	87,042
Interest on lease liabilities (2019: finance lease charges)	1,308	142
Interest on trade credit facilities	<u>31,958</u>	<u>13,926</u>
Amount capitalised	<u>106,851</u> <u>(25,834)</u>	<u>101,110</u> <u>(29,936)</u>
	<u>81,017</u>	<u>71,174</u>

The weighted average capitalisation rate on funds borrowed generally is at a rate of 4.2% per annum (2019: 4.1%).

12. Income Tax Expense

	2020 HK\$'000	2019 HK\$'000
Current tax — Hong Kong		
Provision for the year	7,539	10,557
Under-provision in prior years	3,180	—
	<u>10,719</u>	<u>10,557</u>
Current tax — the PRC		
Provision for the year	25,249	26,876
Over-provision in prior years	—	(13,739)
	<u>25,249</u>	<u>13,137</u>
Deferred tax (note 34)	<u>(6,732)</u>	<u>(3,552)</u>
	<u>29,236</u>	<u>20,142</u>

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

12. Income Tax Expense (continued)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before tax	(513,716)	139,819
Tax at the Hong Kong Profits Tax rate of 16.5% (2019:16.5%)	(84,763)	23,070
Tax effect of income that is not taxable	(11,471)	(9,837)
Tax effect of expenses that are not deductible	140,917	12,100
Tax effect of tax losses not recognised	4,460	2,341
Over-provision in prior years	3,180	(13,739)
Effect of different tax rates of subsidiaries	(23,087)	6,207
Income tax expense	29,236	20,142

13. (Loss)/Profit for the Year

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

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

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

14. Employee Benefit Expenses

	2020 HK\$'000	2019 HK\$'000
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	146,815	141,192
Retirement benefit scheme contributions	5,065	4,845
	<u>151,880</u>	<u>146,037</u>

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included five directors (2019: five) whose emoluments are reflected in the analysis presented in note 15.

15. Benefits and Interest of Directors

(a) Directors' emoluments

The remuneration of every director is set out below:

Name of director	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
	Fees HK\$'000	Salaries HK\$'000	Estimated money value of other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
For the year ended 31 March 2020					
Executive Directors					
Sham Kit Ying (note (i))	—	1,350	3,059	—	4,409
Lee Seng Jin (note (ii))	—	7,177	1,560	354	9,091
Sham Yee Lan, Peggy (note (iii))	—	2,850	—	200	3,050
Chow Wing Yuen (note (iv))	—	1,800	—	126	1,926
Lee Yue Kong, Albert (note (v))	—	1,344	456	94	1,894
Non-executive Director					
Lau Wang Yip, Eric (note (vi))	200	—	—	—	200
Independent Non-executive Directors					
Pang Wing Kin, Patrick (note (vii))	200	—	—	—	200
Tong Yat Chong (note (vii))	200	—	—	—	200
Ng Hung Sui, Kenneth (note (vii))	200	—	—	—	200
	<u>800</u>	<u>14,521</u>	<u>5,075</u>	<u>774</u>	<u>21,170</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

15. Benefits and Interest of Directors (continued)

(a) Directors' emoluments (continued)

The remuneration of every director is set out below:

Name of director	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
	Fees HK\$'000	Salaries HK\$'000	Estimated money value of other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
For the year ended 31 March 2019					
Executive Directors					
Sham Kit Ying (note (i))	—	1,800	4,079	—	5,879
Lee Seng Jin (note (ii))	—	7,318	1,560	322	9,200
Sham Yee Lan, Peggy (note (iii))	—	1,800	—	117	1,917
Chow Wing Yuen (note (iv))	—	1,800	—	126	1,926
Lee Yue Kong, Albert (note (v))	—	1,344	456	84	1,884
Non-executive Director					
Lau Wang Yip, Eric (note (vi))	200	—	—	—	200
Independent Non-executive Directors					
Pang Wing Kin, Patrick (note (vii))	200	—	—	—	200
Tong Yat Chong (note (vii))	200	—	—	—	200
Ng Hung Sui, Kenneth (note (vii))	200	—	—	—	200
	<u>800</u>	<u>14,062</u>	<u>6,095</u>	<u>649</u>	<u>21,606</u>

Notes:

- (i) Mr. Sham Kit Ying was also the Chairman of the Company and his emoluments disclosed above include those for services rendered by him as Chairman. He resigned as the Chairman and Executive Director on 9 December 2019.
- (ii) Mr. Lee Seng Jin was appointed as Chairman on 9 December 2019. He is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as Chairman and Chief Executive Officer. He resigned as an Executive Director on 20 May 2021.
- (iii) Ms. Sham Yee Lan, Peggy was appointed as Deputy Chief Executive Officer on 18 January 2020 and her emoluments disclosed above include those for services rendered by her as Deputy Chief Executive Officer. She resigned as an Executive Director on 20 May 2021.
- (iv) Mr. Chow Wing Yuen resigned as an Executive Director on 6 February 2021.
- (v) Mr. Lee Yue Kong, Albert resigned as an Executive Director on 6 February 2021.
- (vi) Mr. Lau Wang Yip, Eric resigned as a Non-executive Director on 12 July 2020.
- (vii) Mr. Pang Wing Kin, Patrick, Mr. Tong Yat Chong and Mr. Ng Hung Sui, Kenneth resigned as Independent Non-executive Directors on 12 July 2020.

15. Benefits and Interest of Directors (continued)

(a) Directors' emoluments (continued)

During the years, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office, whether directly or indirectly, subsisting at the end of the year or any time during the year.

Neither the chief executive nor any of the directors waived any emoluments during the year (2019: HK\$Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. Dividends

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

17. (Loss)/Earnings Per Share

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	<u>(551,094)</u>	<u>109,206</u>
	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	1,141,076	1,141,076
Effect of dilutive potential ordinary shares arising from conversion of preference shares issued by the Company	<u>—</u>	<u>132,065</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u>1,141,076</u>	<u>1,273,141</u>

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

18. Property, Plant and Equipment

	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
Cost or valuation								
At 1 April 2018	403,755	14,312	1,504,406	64,032	50,370	35,194	476,966	2,549,035
Additions	1,499	4,165	53,168	7,073	1,144	2,256	194,528	263,833
Revaluation surplus on the transfer date	2,616	—	—	—	—	—	—	2,616
Transfer	26,312	—	23,830	—	—	—	(50,142)	—
Transfer to investment properties (note 20)	(10,445)	—	—	—	—	—	—	(10,445)
Revaluation surplus	6,160	—	—	—	—	—	—	6,160
Disposals	(1,426)	(149)	(15,524)	(1,430)	(43)	(611)	—	(19,183)
Exchange differences	(22,296)	(964)	(119,799)	(2,460)	(1,427)	(1,208)	(26,345)	(174,499)
At 31 March 2019 and 1 April 2019	406,175	17,364	1,446,081	67,215	50,044	35,631	595,007	2,617,517
Reclassification due to adoption of HKFRS 16 (note 3)	(109,385)	—	—	(13,096)	—	—	—	(122,481)
	296,790	17,364	1,446,081	54,119	50,044	35,631	595,007	2,495,036
Additions	2,251	616	41,662	1,730	1,906	3,021	156,177	207,363
Transfer	148,358	—	252,738	—	—	—	(537,829)	(136,733)
Revaluation surplus	2,016	—	—	—	—	—	—	2,016
Disposals	—	(1,640)	(18,731)	(1,775)	(6,233)	(3,918)	—	(32,297)
Exchange differences	(26,141)	(414)	(91,186)	(3,724)	(2,311)	(1,072)	(25,740)	(150,588)
At 31 March 2020	423,274	15,926	1,630,564	50,350	43,406	33,662	187,615	2,384,797
Accumulated depreciation								
At 1 April 2018	9,861	10,120	405,040	47,400	30,441	29,542	—	532,404
Charge for the year	14,655	1,893	51,898	4,936	3,234	2,258	—	78,874
Disposals	(190)	(143)	(11,021)	(1,362)	(22)	(584)	—	(13,322)
Exchange difference	(4,231)	(537)	(29,611)	(1,585)	(21)	(920)	—	(36,905)
At 31 March 2019 and 1 April 2019	20,095	11,333	416,306	49,389	33,632	30,296	—	561,051
Reclassification due to adoption of HKFRS 16 (note 3)	(20,095)	—	—	(5,940)	—	—	—	(26,035)
	—	11,333	416,306	43,449	33,632	30,296	—	535,016
Charge for the year	13,794	1,816	59,573	3,387	2,749	2,913	—	84,232
Disposals	—	(1,441)	(15,697)	(1,633)	(6,207)	(2,160)	—	(27,138)
Impairment loss	—	—	—	—	—	—	25,801	25,801
Exchange differences	(4,126)	(239)	(25,031)	(3,372)	(1,742)	(718)	—	(35,228)
At 31 March 2020	9,668	11,469	435,151	41,831	28,432	30,331	25,801	582,683
Carrying amount								
At 31 March 2020	413,606	4,457	1,195,413	8,519	14,974	3,331	161,814	1,802,114
At 31 March 2019	386,080	6,031	1,029,775	17,826	16,412	5,335	595,007	2,056,466

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

18. Property, Plant and Equipment (continued)

At 31 March 2020, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to HK\$29,076,000 (2019: HK\$35,490,000).

The Group's leasehold land and buildings were revalued at 31 March 2020 and 2019 on the open market value basis by reference to market evidence of recent transactions for similar properties by Savills Valuation and Professional Services Limited, an independent firm of chartered surveyors.

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

	2020 HK\$'000	2019 HK\$'000
Cost	185,551	185,551
Accumulated depreciation	(41,519)	(36,400)
Net book amounts	<u>144,032</u>	<u>149,151</u>

The analysis of the cost or valuation at 31 March 2020 and 2019 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	—	15,926	1,630,564	50,350	43,406	33,662	187,615	1,961,523
At valuation	423,274	—	—	—	—	—	—	423,274
At 31 March 2020	<u>423,274</u>	<u>15,926</u>	<u>1,630,564</u>	<u>50,350</u>	<u>43,406</u>	<u>33,662</u>	<u>187,615</u>	<u>2,384,797</u>
At cost	—	17,364	1,446,081	67,215	50,044	35,631	595,007	2,211,342
At valuation	406,175	—	—	—	—	—	—	406,175
At 31 March 2019	<u>406,175</u>	<u>17,364</u>	<u>1,446,081</u>	<u>67,215</u>	<u>50,044</u>	<u>35,631</u>	<u>595,007</u>	<u>2,617,517</u>

19. Land Use Rights

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

	2020 HK\$'000	2019 HK\$'000
At 1 April	113,553	128,067
Reclassification due to adoption of HKFRS 16 (note 3)	(113,553)	—
Restated balance at 1 April	—	128,067
Exchange differences	—	(8,008)
Disposal	—	(919)
Revaluation gains	—	5,185
Transfer to investment properties	—	(6,515)
Amortisation	—	(4,257)
At end of year, analysed as non-current assets	—	113,553

20. Investment Properties

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

The Group leases out various factory buildings, office buildings and warehouses under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 –6 years, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2020 HK\$'000	2019 HK\$'000
At 1 April	742,676	494,000
Fair value (losses)/gains	(15,900)	31,716
Transfer from assets classified as held for sale	—	200,000
Transfer from property, plant and equipment	—	10,445
Transfer from land use rights	—	6,515
Exchange differences	(991)	—
At 31 March	725,785	742,676

Investment properties were revalued at 31 March 2020 and 2019 on the open market value basis by reference to market evidence of recent transactions for similar properties by Savills Valuation and Professional Services Limited, an independent firm of chartered surveyors.

Valuation for commercial properties and offices was derived using the income capitalisation approach.

At 31 March 2020, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to HK\$294,700,000 (2019: HK\$301,600,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

21. Right-of-Use Assets

	Land use rights and leasehold land HK\$'000	Office buildings and warehouses HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2019 (note 3)	302,970	40,095	7,156	350,221
Additions	—	6,244	2,202	8,446
Depreciation	(12,243)	(22,212)	(2,395)	(36,850)
Revaluation gain	15,460	—	—	15,460
Exchange differences	(11,052)	(751)	(361)	(12,164)
At 31 March 2020	<u>295,135</u>	<u>23,376</u>	<u>6,602</u>	<u>325,113</u>

Lease liabilities of HK\$27,214,000 are recognised with related right-of-use assets of HK\$29,977,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for bank and other borrowing purposes. As at 31 March 2020, the leasehold lands were pledged as security for borrowings.

	2020 HK\$'000
Depreciation expenses on right-of-use assets	36,850
Interest expense on lease liabilities (included in finance costs)	1,308
Expenses relating to short-term lease (included in cost of goods sold and administrative expenses)	9,277
Expenses relating to leases of low value assets (included in administrative expenses)	121

Details of total cash outflow for leases is set out in note 40(c).

For both years, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of 12 months to 36 months, but may have extension and termination options as described below. Certain leases of motor vehicles were accounted for as finance leases during the year ended 31 March 2019 and carried interest ranged from 4.6% to 6.6%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

22. Goodwill

	2020 HK\$'000	2019 HK\$'000
Cost		
At 1 April	37,622	39,204
Exchange differences	(1,923)	(1,582)
	<u>35,699</u>	<u>37,622</u>
At 31 March	<u>35,699</u>	<u>37,622</u>
Accumulated impairment		
At 1 April and 31 March	—	—
	<u>—</u>	<u>—</u>
Carrying amount		
At 31 March	<u>35,699</u>	<u>37,622</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (“CGUs”) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to marine services.

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 2% (2019: 2%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group’s marine services activities is 3.5% (2019: 3.5%).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

23. Other Intangible Assets

	Computer software HK\$'000
Cost	
At 1 April 2018	10,502
Additions	2,099
Disposal	(24)
Exchange differences	(69)
	<hr/>
At 31 March 2019 and 1 April 2019	12,508
Additions	1,546
Exchange differences	(51)
	<hr/>
At 31 March 2020	14,003
	<hr/>
Accumulated amortisation	
At 1 April 2018	7,320
Amortisation for the year	1,181
Disposal	(24)
Exchange differences	(40)
	<hr/>
At 31 March 2019 and 1 April 2019	8,437
Amortisation for the year	1,054
Exchange differences	(28)
	<hr/>
At 31 March 2020	9,463
	<hr/>
Carrying amount	
At 31 March 2020	4,540
	<hr/>
At 31 March 2019	4,071
	<hr/>

The average remaining amortisation period of the computer software are 6 years (2019: 6 years).

24. Financial Assets at FVTOCI

	2020 HK\$'000	2019 HK\$'000
Unlisted investments, at fair value Equity securities	1,700	1,335
	<hr/>	<hr/>
Analysed as non-current assets	1,700	1,335
	<hr/>	<hr/>

As at 31 December 2020, as there is no quoted market price in an active market, the fair value of unlisted securities was determined by the directors with reference to the valuation carried out by an external independent valuer by using market comparable approach which is based on price-to-earnings ratio on certain market comparables (level 3 fair value measurements). The liquidity discount rate used is 20%.

Financial assets at FVTOCI are denominated in US\$.

25. Financial Assets at FVTPL

	2020 HK\$'000	2019 HK\$'000
Unlisted investments		
Investments in life insurance	5,169	4,692
	<u>5,169</u>	<u>4,692</u>
Analysed as non-current assets	<u>5,169</u>	<u>4,692</u>

Investments in life insurance represent investments in life insurance policies for the key management. There are no fixed maturity and no market price for such investment. The return of the investments will be based on the guaranteed minimum return rate. The fair values of investments in life insurance are based on the surrender value of the life insurance policies at the end of each reporting period.

Financial assets at FVTPL are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	547	547
US\$	4,622	4,145
	<u>5,169</u>	<u>4,692</u>

26. Accounts and Other Receivables

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

26. Accounts and Other Receivables (continued)

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

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

The carrying amounts of the Group's accounts and bills receivables are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	117,332	95,561
US\$	1,181	2,674
RMB	714,572	1,042,833
SGD	29,517	28,468
WON	41,394	55,494
RM	22,384	21,271
	<u>926,380</u>	<u>1,246,301</u>

27. Properties under Development

	2020 HK\$'000	2019 HK\$'000
At 1 April	206,127	139,502
Additions	27,976	76,586
Transfer	(12,598)	—
Exchange differences	(9,804)	(9,961)
	<u>211,701</u>	<u>206,127</u>

Properties under development comprise:

	2020 HK\$'000	2019 HK\$'000
Nantong		
— Land use rights	27,914	29,713
— Construction cost and capitalised expenditure	183,787	176,414
	<u>211,701</u>	<u>206,127</u>

As at 31 March 2020 and 2019, the properties under development are expected to be completed and recovered within normal operating cycle.

Properties under development are reclassified to inventory based on the floor areas, which will be held for sale when the related development plan is completed and approved by the relevant regulatory authorities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

28. Inventories

	2020 HK\$'000	2019 HK\$'000
Raw materials	128,957	185,657
Finished goods	606,928	515,227
	<u>735,885</u>	<u>700,884</u>

29. Restricted Bank Deposits and Bank and Cash Balances

The restricted bank deposits represented deposits pledged to banks to secure bill payables of the Group as set out in note 30 to the consolidated financial statements.

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	42,710	159,533
US\$	25,326	2,044
RMB	226,418	338,566
SGD	1,183	1,825
WON	874	484
RM	1,487	14,300
Euro ("EUR")	253	—
Australian Dollar ("AUD")	248	—
Japanese Yen ("JPY")	2	—
	<u>298,501</u>	<u>516,752</u>

As at 31 March 2020, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK\$226,418,000 (2019: HK\$338,566,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

30. Accounts and Other Payables

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

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

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

The carrying amounts of the Group's accounts and bills payables are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	6,077	151,511
US\$	1,386	862
RMB	825,887	970,843
SGD	7,629	4,884
WON	21,624	27,509
RM	10,689	10,744
	<u>873,292</u>	<u>1,166,353</u>

31. Contract Liabilities

Contract liabilities are advance from customers.

There were no significant changes in the contract liabilities balances during the reporting period.

	2020 HK\$'000	2019 HK\$'000
Balance at 1 April	25,263	—
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(25,263)	—
Increase in contract liabilities as a result of billing in advance	<u>3,362</u>	<u>25,263</u>
Balance at 31 March	<u>3,362</u>	<u>25,263</u>

No advance from customers that is excepted to be recognised as income after more than one year (2019: HK\$Nil).

32. Borrowings

	2020 HK\$'000	2019 HK\$'000
Bank loans	1,613,185	1,691,244
Trust receipt loans	1,303,045	1,051,271
Bank overdrafts	<u>—</u>	<u>1,426</u>
	<u>2,916,230</u>	<u>2,743,941</u>

The borrowings are repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year and on demand	2,548,347	2,140,340
More than one year, but not exceeding two years	119,267	315,954
More than two years, but not more than five years	242,838	283,895
More than five years	<u>5,778</u>	<u>3,752</u>
	2,916,230	2,743,941
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(2,904,142)</u>	<u>(2,140,341)</u>
Amount due for settlement after 12 months	<u>12,088</u>	<u>603,600</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

32. Borrowings (continued)

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

	Bank loans HK\$'000	Trust receipt loans HK\$'000	Total HK\$'000
As at 31 March 2020			
HK\$	1,377,590	1,303,045	2,680,635
RMB	230,516	—	230,516
RM	5,079	—	5,079
	<u>1,613,185</u>	<u>1,303,045</u>	<u>2,916,230</u>
As at 31 March 2019			
HK\$	1,458,415	1,051,271	2,509,686
RMB	186,134	—	186,134
US\$	40,839	—	40,839
SGD	1,426	—	1,426
RM	5,856	—	5,856
	<u>1,692,670</u>	<u>1,051,271</u>	<u>2,743,941</u>

The interest rates per annum were as follows:

	2020	2019
Bank loans	2.8%–6.1%	3.0%–5.7%
Trust receipt loans	4.0%	4.0%

Bank loans of HK\$235,595,000 (2019: HK\$232,828,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank loans of HK\$107,903,000 (2019: HK\$119,682,000) is secured by a charge over the Group's property, plant and equipment (note 18) and investment properties (note 20).

At 31 March 2020, the Group had HK\$1,361,939,000 (2019: HK\$1,617,072,000) of available undrawn borrowing facilities.

During the year ended 31 March 2020, the Group breached certain covenant clauses in bank loan agreements in relation to the maintenance of the current ratio of the Group. As a result, bank loans of HK\$2,902,565,000 were subject to an early repayment option by the banks. Such bank loans were reclassified as current liabilities as at 31 March 2020.

33. Lease Liabilities (2019: Finance Lease Payables)

	Minimum lease payments		Present value of minimum lease payments	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Within one year	17,848	1,664	17,060	1,518
In the second to fifth years, inclusive	10,603	1,936	10,154	1,760
Less: Future finance charges	28,451 (1,237)	3,600 (322)	27,214 N/A	3,278 N/A
Present value of lease obligations	<u>27,214</u>	<u>3,278</u>		
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(17,060)</u>	<u>(1,518)</u>
Amount due for settlement after 12 months			<u>10,154</u>	<u>1,760</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 1.88% to 6.55% (2019: 1.88% to 6.55%).

The carrying amounts of the Group's lease liabilities (2019: finance lease liabilities) are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	12,678	—
SGD	4,616	3,212
WON	248	—
RM	42	66
RMB	9,630	—
	<u>27,214</u>	<u>3,278</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

34. Deferred Tax

The following are the deferred tax liabilities and assets recognised by the Group.

Deferred tax liabilities

	Accelerated tax depreciation HK\$'000	Fair value gains HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2018	(34,560)	(42,259)	(25,253)	(102,072)
Credited to profit or loss for the year	999	2,418	—	3,417
Charged to other comprehensive income for the year	—	(3,490)	—	(3,490)
Exchange difference	1,566	2,349	1,639	5,554
At 31 March 2019 and 1 April 2019	(31,995)	(40,982)	(23,614)	(96,591)
Impact on initial application of HKFRS 16 (note 3)	—	(20,850)	—	(20,850)
	(31,995)	(61,832)	(23,614)	(117,441)
(Charge)/credited to profit or loss for the year	18,634	2,766	(15,928)	5,472
Charged to other comprehensive income for the year	—	(2,883)	—	(2,883)
Exchange difference	2,172	(13,931)	18,033	6,274
At 31 March 2020	(11,189)	(75,880)	(21,509)	(108,578)

Deferred tax assets

	Provisions HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2018	5,591	1,865	7,456
Credited/(charged) to profit or loss for the year	607	(472)	135
Exchange difference	(240)	(8)	(248)
At 31 March 2019 and 1 April 2019	5,958	1,385	7,343
Credited/(charged) to profit or loss for the year	(1,387)	2,647	1,260
Exchange difference	(404)	(94)	(498)
At 31 March 2020	4,167	3,938	8,105

34. Deferred Tax (continued)

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2020 HK\$'000	2019 HK\$'000
Deferred tax liabilities	(108,578)	(96,591)
Deferred tax assets	8,105	7,343
	<u>(100,473)</u>	<u>(89,248)</u>

Deferred income tax assets are recognised for tax losses carrying forwards to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 March 2020, the Group did not recognise deferred income tax assets of HK\$35,685,000 (2019: HK\$31,951,000) in respect of losses of approximately HK\$201,611,000 (2019: HK\$180,423,000). Tax losses amounting to approximately HK\$30,883,000 (2019: HK\$25,548,000) will be expired up to year 2026 (2019: 2023), while the remaining balance can be carried forward indefinitely.

35. Share Capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,456,913,987	145,691
Convertible non-voting preference shares of HK\$0.10 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>143,086,013</u>	<u>14,309</u>
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>1,600,000,000</u>	<u>160,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,141,075,827	114,108
Convertible non-voting preference shares of HK\$0.10 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>132,064,935</u>	<u>13,207</u>
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>1,273,140,762</u>	<u>127,315</u>

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

35. Share Capital (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 2020 and 2019, no convertible non-voting preference shares were converted.

35. Share Capital (continued)

Share option scheme

At the Special General Meeting of the Company held on 18 September 2015, 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. As at 31 March 2020, no option was granted under the Option Scheme. A summary of the 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% in 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 share available for issue under the Option Scheme is nil 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 (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) 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 (iii) 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 17 September 2025.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

35. Share Capital (continued)

Share option scheme (continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total debt comprises total borrowings (except for bank overdrafts) and lease liabilities. Total capital comprises all components of equity (i.e. share capital, share premium and retained earnings), plus net debt.

The Group's strategy, which was unchanged throughout the year, was to maintain the gearing ratio at a reasonable level in order to secure access to finance at a reasonable cost. The ratio is calculated as net debt divided by total capital. The gearing ratio at 31 March 2020 and 31 March 2019 were as follows:

	2020 HK\$'000	2019 HK\$'000
Total borrowings	2,943,444	2,747,219
Less: bank and cash balances	(298,501)	(516,752)
Net debt	2,644,943	2,230,467
Total equity	1,499,641	2,186,323
Total capital	4,144,584	4,416,790
Gearing ratio	63.8%	50.5%

The increase in the gearing ratio during 2020 resulted primarily from increase of total borrowings and decrease of bank and cash balances.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2020, 25% of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call certain borrowings. The Group breached certain covenant clauses in bank loan agreements in relation to the maintenance of the current ratio of the Group. As a result, bank loan of HK\$2,902,565,000 were subject to an early repayment option by the banks. Such bank loans were classified as current liabilities as at 31 March 2020.

36. Statement of Financial Position and Reserve Movement of the Company**(a) Statement of financial position of the Company**

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment in subsidiaries		1,557,446	249,897
Current Assets			
Amount due from subsidiaries		—	295,281
Prepayments		85	85
Bank balances		102	70
		187	295,436
Current liabilities			
Accruals		1,960	313
Financial guarantee liabilities		1,307,549	—
		1,309,509	313
Net current (liabilities)/assets		(1,309,322)	295,123
NET ASSETS		248,124	545,020
Equity			
Share capital	35	127,315	127,315
Reserves	36(b)	120,809	417,705
TOTAL EQUITY		248,124	545,020

Approved by the Board of Directors on 15 December 2021 and are signed on its behalf by:

Choi Wai Hong, Clifford

Lau Wai Leung, Alfred

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

36. Statement of Financial Position and Reserve Movement of the Company (continued)

(b) Reserve movement of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000 (note 37(b)(iv))	Retained earnings/ (Accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2018	161,262	249,697	41,730	452,689
Total comprehensive income for the year	—	—	5,120	5,120
Dividend paid	—	—	(40,104)	(40,104)
At 31 March 2019 and 1 April 2019	161,262	249,697	6,746	417,705
Total comprehensive income for the year	—	—	(266,341)	(266,341)
Dividend paid	—	—	(30,555)	(30,555)
At 31 March 2020	161,262	249,697	(290,150)	120,809

37. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Capital reserve

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.

(ii) Exchange reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the consolidated financial statements.

(iii) Statutory reserve

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

37. Reserves (continued)

(b) Nature and purpose of reserves (continued)

(iv) Contributed surplus

Contributed surplus of the Company represents the difference between the cost of the investment in a subsidiary pursuant to the Group Reorganisation over the nominal value of the Company's shares issued in exchange thereof.

The contributed surplus of the Company is available for distribution to owners, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

38. Capital Commitments

Capital commitments contracted for at the end of each reporting period but not yet incurred are as follows:

	2020 HK\$'000	2019 HK\$'000
Property, plant and equipment	124,991	81,534

39. Operating Lease Arrangements

The Group as lessee

At 31 March 2019 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK\$'000
Within one year	28,346
In the second to fifth years inclusive	22,478
	50,824

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouses. Leases are negotiated for an average term of one to three years and rentals are fixed over the lease terms and do not include contingent rentals.

The Group regularly entered into short-term leases for offices and warehouses. As at 31 March 2020, the outstanding lease commitments relating to these premises is approximately HK\$2,113,000.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

39. Operating Lease Arrangements (continued)

The Group as lessor

Property rental income earned for the year ended 31 March 2019 was HK\$22,552,000. All of the Group's investment properties are held for rental purposes.

At 31 March 2019 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK\$'000
Within one year	22,570
In the second to fifth years inclusive	15,496
After five years	800
	<u>38,866</u>

Operating leases relate to investment property owned by the Group with lease terms of 6 months to 3 years, with extension of 6 months to 3 years. All operating lease contracts contain market review clauses in the vent that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	2020 HK\$'000
Within year 1	14,647
In the second year	3,863
In the third year	1,052
	<u>19,562</u>

40. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, the additions to right-of-use assets and lease liabilities of HK\$8,446,000 were recognised.

40. Notes to the Consolidated Statement of Cash Flows (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities (note 33) HK\$'000	Finance lease liabilities (note 33) HK\$'000	Bank loans (note 32) HK\$'000	Trust receipt loans (note 32) HK\$'000	Total HK\$'000
At 1 April 2018	—	4,473	1,555,032	954,848	2,514,353
Additions	—	852	1,080,373	3,973,477	5,054,702
Repayments	—	(1,890)	(930,429)	(3,877,054)	(4,809,373)
Exchange differences	—	(157)	(13,732)	—	(13,889)
At 31 March 2019	—	3,278	1,691,244	1,051,271	2,745,793
Impact on initial application of HKFRS 16 (note 3)	43,374	(3,278)	—	—	40,096
Restated balance at 1 April 2019	43,374	—	1,691,244	1,051,271	2,785,889
Additions	—	—	698,052	1,180,194	1,878,246
Repayments	(24,259)	—	(836,823)	(958,944)	(1,820,026)
Interest expenses	1,308	—	73,585	31,958	106,851
Exchange differences	(1,655)	—	(12,873)	(1,434)	(15,962)
Non-cash movement (note 40(a))	8,446	—	—	—	8,446
At 31 March 2020	27,214	—	1,613,185	1,303,045	2,943,444

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2020 HK\$'000	2019 HK\$'000
Within operating cash flows	10,706	61,225
Within financing cash flows	22,951	1,890
	<u>33,657</u>	<u>63,115</u>

These amounts relate to the following:

	2020 HK\$'000	2019 HK\$'000
Lease rental paid	<u>33,657</u>	<u>63,115</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

41. Related Party Transactions

- (a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year.

	2020 HK\$'000	2019 HK\$'000
Sale of merchandise to an investee company	—	32,888
Purchase of merchandise from an investee company	—	811,833

The related party is an investee company, of which a director is a controlling shareholder of the Company. On 11 February 2019, the controlling shareholder has resigned as the director of the investee company.

- (b) The remuneration of directors of the Company and other members of key management personnel during the year were as follows:

	2020 HK\$'000	2019 HK\$'000
Basic salaries and allowances	20,396	20,957
Retirement benefit scheme contributions	774	649
	<u>21,170</u>	<u>21,606</u>

42. Principal Subsidiaries

Particulars of the Groups' major subsidiaries of 31 March 2020 and 2019 are set as follow:

Name	Place of incorporation/ establishment	Issued and paid up capital/ registered capital	Percentage of ownership interest/voting power/ profit sharing		Principal Activities/Place of operation
			2020	2019	
Directly held:					
Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK\$1 each	100	100	Investment holding in Hong Kong
Indirectly held:					
Burotech Limited	Hong Kong	4,000,000 ordinary shares of HK\$1 each	100	100	Printing and sales of computer forms and trading of commercial paper products in Hong Kong
Foshan NanHai JiaLing Paper Company Limited*	The PRC	Registered capital HK\$81,380,000	100	100	Processing and trading of paper products in the PRC
Global Century Investments Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Property holding in Hong Kong

42. Principal Subsidiaries (continued)

Name	Place of incorporation/ establishment	Issued and paid up capital/ registered capital	Percentage of ownership interest/voting power/ profit sharing		Principal Activities/Place of operation
			2020	2019	
Indirectly held: (continued)					
High Flyer International Limited#	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100	100	Retail business, leasing of investment property and logistics services in Hong Kong
Hypex Holdings Limited	British Virgin Islands	2 ordinary shares of US\$1 each	100	100	Investment holding in Singapore
NJ Trading (Shanghai) Company Limited*	The PRC	Registered capital RMB500,000	100	100	Trading of paper products in the PRC
Samson Paper (Beijing) Company Limited*	The PRC	Registered capital HK\$46,380,000	100	100	Trading of paper products in the PRC
Samson Paper (China) Company Limited	Hong Kong	1,000 ordinary shares of HK\$10 each	100	100	Investment holding in Hong Kong
Samson Paper (M) Sdn. Bhd.#	Malaysia	7,500,000 ordinary shares of RM1 each	100	100	Trading of paper products in Malaysia
Samson Paper (Shanghai) Company Limited*	The PRC	Registered capital RMB61,650,000	100	100	Trading of paper products in the PRC
Samson Paper (Shenzhen) Company Limited*	The PRC	Registered capital HK\$48,300,000	100	100	Trading of paper products in the PRC
Samson Paper Company Limited#	Hong Kong	10 ordinary shares of HK\$100 each 285,000 non-voting shares of HK\$100 each	100	100	Trading of paper products in Hong Kong
Shenzhen High Flyer International Transportation Co. Ltd.**	The PRC	Registered capital RMB10,000,000	100	100	Container transport services in the PRC
Shun Hing Paper Company Limited#	Hong Kong	7,600 ordinary shares of HK\$100 each 2,400 non-voting shares of HK\$100 each	100	100	Trading of paper products in Hong Kong
Jordan Property Investment (Xiamen) Co. Ltd.*	The PRC	Registered capital RMB3,000,000	100	100	Property management in PRC

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

42. Principal Subsidiaries (continued)

Name	Place of incorporation/ establishment	Issued and paid up capital/ registered capital	Percentage of ownership interest/voting power/ profit sharing		Principal Activities/Place of operation
			2020	2019	
Indirectly held: (continued)					
SJ (China) Company Limited*	The PRC	Registered capital US\$60,000,000	100	100	Property development, manufacturing & trading of paper products in the PRC
United Aviation (Singapore) Pte. Ltd.	Singapore	2 ordinary shares of US\$1 each	100	100	Trading of aeronautical parts in Singapore
Universal Pulp and Paper (Shandong) Co. Ltd.**	The PRC	Registered capital US\$97,418,900	79.9	79.9	Manufacturing & trading of paper products in the PRC

* The English name of these companies are used for identification purpose only. The official name of this entity is in Chinese.

Subsequent to the reporting period, these companies are disposed/deconsolidated from the Group.

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.

43. Events After the Reporting Period

Loan default and appointment of JPL

On 2 July 2020, trading of the Shares was halted pending the release by the Company of an announcement in relation to its audited annual results for the year ended 31 March 2020. As a result of the suspension of trading of the Shares, the repayment obligations of certain indebtedness of the Group had been accelerated by certain creditors and the Group was unable to meet the repayment obligations. As at 30 September 2020, based on the available books and records of the Company, the estimated total amount of claims against, and the liabilities of, the Company is approximately HK\$2,284 million, comprising of claims arising from guarantee granted by the Company to bank creditors and a supplier in relation to the indebtedness of the subsidiaries of the Company, and amounts due to Group companies.

To facilitate a restructuring of the Company's indebtedness, the Company filed with the Bermuda Court on 18 July 2020, a petition for the winding up of the Company, together with an application for the appointment of JPL to the Company on a "light touch" basis for restructuring purposes. On 24 July 2020, Bermuda Court ordered that the JPL to be appointed to the Company, for the purpose of, inter alia, formulating, proposing and implementing a restructuring plan of the indebtedness of the Company.

UPPSD Bankruptcy Reorganisation

On 23 December 2020, UPPSD was informed by the PRC Court, that a bankruptcy application was filed by a creditor of UPPSD, Weifang Red Automation Equipment Co., Ltd* (潍坊瑞德自动化设备有限公司) who was an equipment provider to UPPSD, against UPPSD. UPPSD filed an objection letter to the PRC Court against the bankruptcy application. On 30 December 2020, UPPSD received a civil judgement issued by the PRC Court advising that the bankruptcy application was accepted and that a Bankruptcy Administrator had been appointed. UPPSD was deconsolidated from the Group on 30 December 2020.

On 1 August 2021, the PRC Court approved the UPPSD Bankruptcy Reorganisation plan with effect on the same day. Following the PRC Court's approval of the UPPSD Bankruptcy Reorganisation plan, the Bankruptcy Administrator was discharged. UPPSD was consolidated into the Group since 1 August 2021.

43. Events After the Reporting Period (continued)

Proposed Restructuring

On 30 July 2021, the Company, the JPL, the Investors and Shandong Bairun entered into the Restructuring Agreement (as further amended and supplemented by the Supplemental Agreement to the Restructuring Agreement dated 22 November 2021) in relation to the proposed Restructuring of the Group, which shall include, (i) the Capital Reorganisation, (ii) the Subscription, (iii) the Group Reorganisation, (iv) the Placement, (v) the Listco Scheme, (vi) the UPPSD Bankruptcy Reorganisation, and (vii) the Resumption.

Please refer to the 3.5 announcement of the Company dated 22 November 2021 for more details of the proposed restructuring.

Voluntary winding up of SMHK

After due and careful consideration, the sole shareholder of SMHK, an indirect wholly-owned indirect subsidiary of the Company resolved that SMHK could not by reason of its liabilities, continue its business, and that it should be wound up. Accordingly, on 14 August 2020, a special resolution was duly passed by the shareholder of SMHK to wind up SMHK by way of creditors' voluntary liquidation.

SMHK is a company incorporated in Hong Kong with limited liability and was principally engaged in trading of paper products in Hong Kong.

Voluntary winding up of SMC

After due and careful consideration, the shareholder of SMC, a wholly-owned subsidiary of the Company resolved that SMC could not be by reason of its liabilities, continue its business, and that it should be wound up. Accordingly, on 30 June 2021, a written resolution was duly passed by the sole shareholder of SMC to wind up SMC by way of creditors' voluntary liquidation.

SMC is a company incorporated in the PRC with limited liability and was principally engaged in investing holding with its subsidiaries principally engaged in trading of paper products in the PRC.

Voluntary winding up of SJ Limited

After due and careful consideration, the sole shareholder of SJ Limited, an indirect wholly-owned subsidiary of the Company, resolved that SJ Limited could not operate as a going concern, has insufficient funds to meet its debts as they fall due, and that it should be wound up. Accordingly, on 16 September 2021, a qualifying resolution was duly passed by the shareholder of SJ Limited to wind up SJ Limited by way of an insolvent liquidation.

SJ Limited is a company incorporated in British Virgin Islands with limited liability and was principally engaged in investing holding with its subsidiaries principally engaged in property development and investment and leasing of warehouses.

Update on winding up petition

Following the appointment of the JPL pursuant to the Bermuda Court order dated 24 July 2020 and the subsequent adjourned hearings of the Petition, the hearing of the Petition is further adjourned to 2 July 2021.

On 29 June 2021, an application has been filed with the Bermuda Court for adjourning the hearing of the Petition. On 2 July 2021, the Bermuda Court ordered that the hearing of the Petition be further adjourned to 26 November 2021.

Details of the above events were disclosed in the announcement of the Company dated 2 July 2020, 20 July 2020, 22 July 2020, 23 July 2020, 26 July 2020, 29 July 2020, 14 August 2020, 18 August 2020, 30 September 2020, 9 February 2021, 14 April 2021, 27 April 2021, 30 July 2021, 7 September 2021, 23 September 2021, 30 September 2021, 28 October 2021 and 22 November 2021.

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