森信 Samson group 集團

Samson Paper Holdings Limited

(Provisional Liquidators Appointed)
(For Restructuring Purposes Only)
(Incorporated in Bermuda with limited liability)
(Stock Code : 0731)

ANNUAL REPORT 2021

Contents

Corporate Information

Board of Directors

Executive Directors

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 2021 HK$'000	2020 HK$'000 (Re-presented)
Revenue from continuing operations	1,713,476	4,376,760
Operating loss from continuing operations	2,564,627	477,791
Finance costs from continuing operations	30,224	79,454
Loss before tax from continuing operations	2,594,851	557,245
Loss attributable to owners of the Company	3,768,764	550,566

Consolidated Statement of Financial Position

	As at 31 March 2021 HK$'000	2020 HK$'000
Non-current assets	184,811	2,929,083
Current assets	912,553	2,929,542
Current liabilities	3,217,843	4,227,146
Shareholders' funds	(2,180,599)	1,257,709
Non-current liabilities	57,715	131,838

Share Statistics

Loss per share — basic from continuing operations	HK(227.7) CENTS	HK(51.5) CENTS
Loss per share — diluted from continuing operations	HK(227.7) CENTS	HK(51.5) CENTS
Interim dividends per share	HKNil CENTS	HK0.4 CENTS
Net (liability)/asset value per ordinary share	HK(191) CENTS	HK110 CENTS

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;
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 restructing 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.

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 Reorganization 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 from continuing operations
The revenue from continuing operations of the Group decreased from approximately HK$4,377 million to approximately HK$1,713 million mainly due to the drop in the revenue of the paper trading business from approximately HK$4,272 million to HK$1,675 million.

Gross profit from continuing operations
Gross profit from continuing operations of the Group decreased from approximately HK$409 million to approximately HK$27 million, and the gross profit percentage decreased from 9.3% to 1.6%.

Loss for the year from continuing operations
Loss for the year from continuing operation was approximately HK$2,598 million (2020: approximately HK$588 million). The loss for the year is primarily due to the recognition of financial guarantee liabilities of approximately HK$2,284 million.

Liquidity and financial resources
As at 31 March 2021, the Group had cash and bank balances of approximately HK$195 million with a gearing ratio of –11.3%. 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 0.28 times (2020: 0.69 times).

Financial guarantee liabilities, contingent liabilities and charge of assets
As at 31 March 2021, the Company has issued certain guarantees of approximately HK$2,284 million to some banks and a supplier in respect of banking and trade facilities granted to the deconsolidated subsidiaries of the Company. The maximum liability of the Group at 31 March 2021 under guarantees is the amount of bank loans and the payables to a supplier drawn under the guarantees at that date of HK$2,926 million (2020: HK$Nil).

Apart from the financial guarantee issued by the Company to the deconsolidated subsidiaries as above, as at 31 March 2021, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2021 amounted to approximately HK$411 million (2020: HK$2,916 million).

FINANCIAL PERFORMANCE (continued)

Financial guarantee liabilities, contingent liabilities and charge of assets (continued)
Certain land and buildings of a Group's subsidiary, with a total carrying value of approximately HK$17 million as at 31 March 2021 (2020: HK$331 million) were pledged to banks as securities for bank loans of approximately HK$9 million (2020: HK$108 million) and nil trust receipt loans (2020: HK$182 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 hedged its position with foreign exchange contracts and options when considered necessary.

Employees and remuneration policies
As at 31 March 2021, the Group employed 71 staff members, 17 of whom are based in Hong Kong and 47 are based in the PRC and 7 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.

This Corporate Governance Report covered the year ended 31 March 2021 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 2021; (ii) issue the annual report for the year ended 31 March 2021; (iii) announce the interim results for the six months ended 30 September 2020; and (iv) issue the interim report for the six months ended 30 September 2020. Such delays constituted the violation of Rule 13.46(2)(a), Rule 13.49(1) and Rule 13.49(6) of the Listing Rules. The Company failed to hold the annual general meeting for the year ended 31 March 2021 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 2021 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 standards set out in the Model Code throughout the year.

Board of Directors

As at 31 March 2021, the Board comprises two executive Directors and three independent non-executive Directors. 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)

Independent Non-executive Directors
Mr. CHOI Wai Hong, Clifford (subsequently re-designated as executive director on 20 May 2021)
Mr. LAU Wai Leung, Alfred (subsequently re-designated as executive director on 20 May 2021)
Mr. LEUNG, Vincent Gar-gene

Mr. LEE Seng Jin is the husband of Ms. SHAM Yee Lan, Peggy. Ms. SHAM Yee Lan, Peggy is the wife of Mr. LEE Seng Jin.

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 held during the year ended 31 March 2021 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	Attendance/Number of Meetings Board	Audit Committee	Remuneration Committee	Nomination Committee
Current Directors				
Executive Directors				
Mr. LEE Seng Jin (Chairman and Chief Executive Officer)[1]	6/6		1/1	0/0
Ms. SHAM Yee Lan, Peggy (Deputy Chief Executive Officer)	6/6			
Independent Non-executive Directors				
Mr. CHOI Wai Hong, Clifford[2]	3/3	0/0	1/1	
Mr. LAU Wai Leung, Alfred[3]	2/2	0/0	1/1	0/0
Mr. LEUNG Vincent Gar-gene[4]	2/2	0/0	1/1	0/0
Resigned Directors				
Executive Directors				
Mr. CHOW Wing Yuen[5]	5/5			
Mr. LEE Yue Kong, Albert[5]	5/5			
Independent Non-executive Directors				
Mr. PANG Wing Kin, Patrick[6]	1/1	0/0		0/0
Mr. TONG Yat Chong[7]	1/1	0/0	0/0	
Mr. NG Hung Sui, Kenneth[8]	1/1		0/0	0/0
Non-executive Director				
Mr. LAU Wang Yip, Eric[9]	1/1	0/0		

1 Chairman of Nomination Committee
2 Appointed as an independent non-executive Director on 16 July 2020, and also serves as the Chairman of Audit Committee
3 Appointed as an independent non-executive Director on 17 July 2020, and also serves as the Chairman of Remuneration Committee
4 Appointed as an independent non-executive Director on 17 July 2020
5 Resigned as an executive Director on 6 February 2021
6 Resigned as an independent non-executive Director on 12 July 2020, and also ceased to be the Chairman of Audit Committee
7 Resigned as an independent non-executive Director on 12 July 2020, and also ceased to be the Chairman of Remuneration Committee
8 Resigned as an independent non-executive Director on 12 July 2020
9 Resigned as a non-executive Director on 12 July 2020

For the year ended 31 March 2021, the Company did not hold any general meeting.

Chairman and Chief Executive Officer

Since 9 December 2019, Mr. LEE Seng Jin performs the roles of both the Chairman and Chief Executive Officer ("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. 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 derivates 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 2021, the structure of the Board comprises two executive Directors 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 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.

Non-executive Directors

As at 31 March 2021, the Company has three independent non-executive Directors, namely Mr. CHOI Wai Hong, Clifford, Mr. LAU Wai Leung, Alfred and Mr. LEUNG, Vincent Gar-gene.

As of 11 July 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.

On 12 July 2020, Mr. LAU Wang Yip, Eric has resigned as a non-executive Director, and each of Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong and Mr. NG Hung Sui, Kenneth has resigned as an independent non-executive Director. On 16 July 2020, Mr. CHOI Wai Hong, Clifford was appointed as an independent non-executive Director. On 17 July 2020, Mr. LAU Wai Leung, Alfred and Mr. LEUNG, Vincent Gar-gene were appointed as independent non-executive Directors. All of their initial term of office are three years, which will be further renewed for three years until either the independent non-executive Director or the Company terminates by serving a prior notice in writing of not less than three months. They will hold office until the next general meeting of the Company after their appointment, and will be subject to retirement from office by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. Accordingly, the Company has now complied with the requirements under the Code Provision A.4.1.

Non-executive Directors (continued)

Upon the resignation of Mr. LAU Wang Yip, Eric, a non-executive Director and Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong and Mr. NG Hung Sui, Kenneth, three independent non-executive Directors, with effect from 12 July 2020, the number of independent non-executive Directors of the Company had once temporarily reduced to below the minimum number as required under Rule 3.10(1) and Rule 3.10A of the Listing Rules, and the Company also failed to comply with the requirements under Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. Besides, the Company failed to comply with the requirements under Rule 3.21 and Rule 3.25 of the Listing Rules and the Code Provision A.5.1 of the Corporate Governance Codes on the establishment of Audit Committee, Remuneration Committee and Nomination Committee. Such casual vacancies have been filled up upon the appointment of Mr. CHOI Wai Hong, Clifford as an independent non-executive Director on 16 July 2020 as well as the appointment of Mr. LAU Wai Leung, Alfred and Mr. LEUNG, Vincent Gar-gene as two independent non-executive Directors on 17 July 2020, after which the Company has complied with the requirements on the number of independent non-executive Directors and the composition of committees under 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. Mr. TONG Yat Chong and Mr. NG Hung Sui, Kenneth have resigned as the members of the Board on 12 July 2020, and ceased to be the members of the Remuneration Committee with effect from the aforesaid date. Subsequently, Mr. CHOI Wai Hong, Clifford was appointed as an independent non-executive Director and a member of the Remuneration Committee of the Company on 16 July 2020, and Mr. LAU Wai Leung, Alfred and Mr. LEUNG, Vincent Gar-gene were appointed as the independent non-executive Directors and members of the Remuneration Committee on 17 July 2020.

As at 31 March 2021, the Remuneration Committee comprises four members, including one executive Director and three independent non-executive Directors. The members of the Remuneration Committee are:

Mr. LAU Wai Leung, Alfred (Chairman)
Mr. LEE Seng Jin
Mr. CHOI Wai Hong, Clifford
Mr. LEUNG, Vincent Gar-gene

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

Remuneration of Directors (continued)

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salaries and bonuses of the executive Directors and certain key executives. No executive Director has taken part in any discussion about his 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 2021 by band is set out below:

Remuneration band (HK$)	Number of persons
Nil to 2,000,000	9
Above 2,000,000	2

Nomination Committee

The Board established a Nomination Committee on 28 March 2012. 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. Mr. PANG Wing Kin, Patrick and Mr. NG Hung Sui, Kenneth have resigned as members of the Board on 12 July 2020, and ceased to be the members of the Nomination Committee with effect from the aforesaid date. Subsequently, Mr. LAU Wai Leung, Alfred and Mr. LEUNG, Vincent Gar-gene were appointed as independent non-executive Directors and members of the Nomination Committee of the Company on 17 July 2020. As at 31 March 2021, the Nomination Committee comprises an executive Director, namely Mr. LEE Seng Jin, and two independent non-executive Directors, namely Mr. LAU Wai Leung, Alfred and Mr. LEUNG, Vincent Gar-gene, with Mr. LEE Seng Jin as the chairman of the Nomination Committee.

Pursuant to the Code Provision A.5.2 and the terms of reference of the Nomination Committee, the Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, 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 meeting has been held during the reporting period.

Audit Committee

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls and review the relationship with the external auditor. Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong and Mr. LAU Wang Yip, Eric have resigned as members of the Board on 12 July 2020, and ceased to be the members of the Audit Committee with effect from the aforesaid date. Subsequently, Mr. CHOI Wai Hong, Clifford was appointed as an independent non-executive Director and a member of the Audit Committee of the Company on 16 July 2020, and Mr. LAU Wai Leung, Alfred and Mr. LEUNG, Vincent Gar-gene were appointed as independent non-executive Directors and members of the Audit Committee of the Company on 17 July 2020.

As at 31 March 2021, the Audit Committee of the Company comprises three independent non-executive Directors of the Company, namely Mr. CHOI Wai Hong, Clifford, Mr. LAU Wai Leung, Alfred and Mr. LEUNG, Vincent Gar-gene, with Mr. CHOI Wai Hong, Clifford as the chairman of the Audit Committee.

The annual results for the year ended 31 March 2021 have been reviewed by the 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 the year.

Company Secretary

Mr. Lee Yue Kong, Albert has resigned as an executive Director, Company Secretary, authorised representative and chief financial officer of the Company, and Mr. Yu Ngai has been appointed as the Company Secretary, authorised representative and chief financial officer of the Company, with effect from 6 February 2021. Mr. Lee Yue Kong, Albert was, and Mr. Yu Ngai is, a full-time employee of the Company, and has day-to-day knowledge of the Company's affairs and reports regularly to the Chairman of the Board and the chief executives.

Internal Control and Risk Management

The Group has established a risk management and internal control system, and also regularly reviews and maintains a sufficient and effective internal control mechanism for the Group on best effort basis. The risk management and internal control system aims to manage but not eliminate the risk of not achieving business objectives, and could only provide reasonable but not absolute assurance of the non-existence of material misstatements or losses.

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.

Auditor's Remuneration

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	1,750

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 selected 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

There is no significant change in the Company's constitutional documents during the year ended 31 March 2021. These documents are 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.

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 2021 (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 strictly complied with the mandatory disclosure requirements and the "comply or explain" provisions set out in the ESG Reporting Guide 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.

In this Reporting Period, we established a long-term goal to progressively integrate the principle of sustainable development into our business development strategy for all business segments. The Group aims to achieve the above goal through implementing effective ESG internal control system, adopting reasonable risk management measures, embedding ESG concepts into our culture and instilling the philosophy of sustainable development for our employees. The Group deeply believes that the sustainable development of an enterprise does not only involve striving to create maximum interests for various stakeholders, but also involves the crucial elements of maintaining sound corporate governance, undertaking corporate social responsibility, complying with environmental legislation, and making ongoing commitments to environmental protection. For this reason, the Group's paper manufacturing business ("paper manufacturing business") in Shandong Province, China, sales business and other business have been strictly observing the relevant laws, employment ordinances and environmental protection policies of various local governments.

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 2020 to 31 March 2021 (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 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	• Return on investments • Profitability and financial stability and continuity • Information disclosure and transparency	• Regular reports • Annual general meetings • Corporate website and email
	Employees	• Employees' remuneration and benefits • Health and safety working environment satisfaction • Career development and training opportunities	• Regular meetings and trainings • Performance appraisals • Team building activities
External stakeholders	Customers	• Quality products and services • Protection of customers' privacy and rights • Business ethics	• Customer service hotlines and emails • Face-to-face meetings and onsite visits • Customers' satisfaction surveys
	Suppliers	• Fair, open and impartial procurement • Win-win cooperation • Environmental protection	• Open tenders • Standard procurement processes • Face-to-face meetings and onsite visits • Industry seminars
	Professional Institutions	• Environmental protection and social responsibilities • Formulation regulating the practice of employees and business operations	• Questionnaires and online engagements • Telephone discussions
	Government and Regulatory Bodies	• Compliance with laws, regulations and national policies • Occupational health and safety • Social welfare • Employment	• 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 scheduled 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:

Identify Matters of Materiality

- According to the audit of the related domestic and international ESG reports among the same industry, actual business development of the Company, feedback from stakeholders and relevant laws and regulations, 28 major ESG matters were identified.

Stakeholders Survey

- Invite certain stakeholders from inside and outside the Group to participate in anonymous online questionnaire and collect the achievements of managing the 28 major ESG matters, as well as their opinions and expectations to ESG.

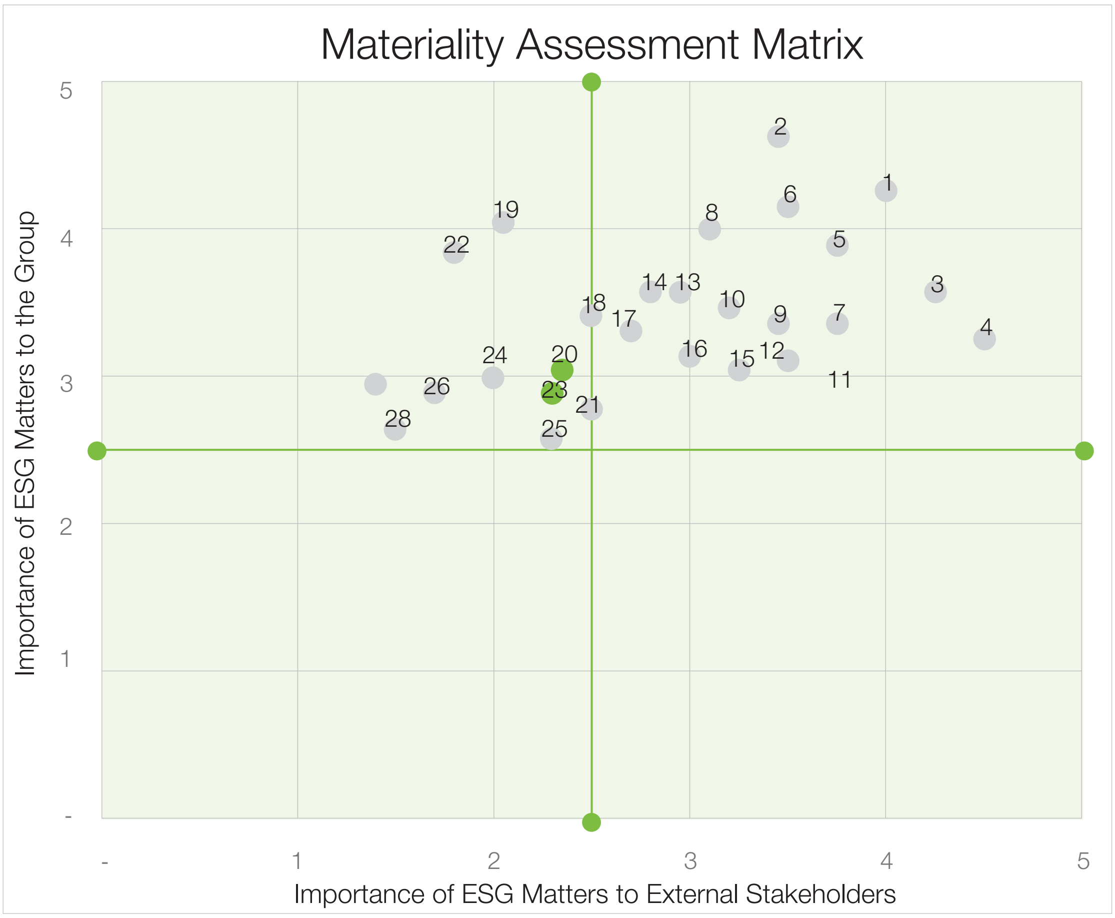
Assessment of Matters of Materiality

- According to the results of the questionnaire, "importance of ESG matters to external stakeholders" and "importance of ESG matters to the Group" are combined and arranged as X-axis and Y-axis, and the ESG matters matrix is compiled to ensure the ordering of those 28 matters are based on their importance.

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

Item	ESG issue	Item	ESG issue
1.	Customer information and privacy protection	15.	Climate change
2.	Occupational health and safety	16.	Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of the suppliers
3.	Product health and safety	17.	Product and service labelling
4.	Energy use (e.g. power, gas, fuel)	18.	Anti-corruption trainings provided to directors and staff
5.	Preventing child and forced labour	19.	Employee remuneration, benefits and rights (e.g. working hours, rest periods, working conditions)
6.	Number of concluded legal cases regarding corrupt practices, e.g. bribery, extortion, fraud and money laundering	20.	Non-hazardous waste production
7.	Water use	21.	Selection and monitoring of suppliers
8.	Hazardous waste production	22.	Anti-corruption policies and whistleblowing procedures
9.	Customer satisfaction	23.	Environmentally procuring products and services
10.	Measures to protect environment and natural resources	24.	Use of materials (e.g. paper, packaging, raw materials)
11.	Greenhouse gas emissions	25.	Promotion of local employment
12.	Air emissions	26.	Community support (e.g. donation, volunteering)
13.	Diversity and equal opportunity of employees	27.	Observing and protecting intellectual property rights
14.	Employee development and training and promotion	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. "Customer information and privacy protection", "occupational health and safety". "product health and safety", "energy use (e.g. power, gas, fuel)" and "preventing child and forced 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 trading, paper sales 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. Universal Pulp and Paper (Shandong) Co., Ltd was acquired in 2008 and the Group officially started our business in the paper manufacturing industry. Universal Pulp and Paper (Shandong) Co., Ltd. is mainly engaged in the production of high-grade white board paper, kraft cardboard and kraft liner paper, and there are three production lines. Meanwhile, a 60,000 KW self-provided thermal power plant and a sewage treatment plant with a daily processing capacity of 30,000 cubes meters have been built. The Company has been strengthening the environmental pollution governance, strictly complying with the national environmental protection policy, treating pollution in a scientific manner and achieving sustainable development of the enterprise while maintaining the economic performance of the enterprise.

The Group has established a set of environmental protection management policies, mechanisms and measures to ensure the sustainable development and operation of the Group. The Group is becoming more cautious in controlling its pollutant emissions and resource consumption, and shall strictly abides by relevant environmental laws and regulations in its daily operation. During the Reporting Period, the Group was not aware of any violation of laws or regulations related to environmental protection.

A.1. Emissions

☞ ***Sewage Discharge***

A 60,000 KW self-provided thermal power plant and a sewage treatment plant with a daily processing capacity of 30,000 cubic meters are already in place for the Group's paper manufacturing business, equipped with a 24-hour environmental monitoring system to monitor major emitted pollutants on a real time basis. The emission indexes for the current major emitted pollutants have all reached or outperformed China's environmental emission standards. 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 water processed with Fenton technology in the secondary sedimentation tank will be discharged through the third sedimentation tank, a part of the processed sewage will be recycled for pulp and paper production, and the remaining sewage are discharged in a small muddy river, with such sewage purified in an artificial wetland and discharged to Weishan Lake. Since September 2021, such sewage are discharged to the sewage treatment plant of the city. A small amount of sludge and methane will be produced during the sewage treatment process. The Group uses the boilers of its self-provided thermal power plant to incinerate the sludge, while the methane is used for fuel in self-provided thermal 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 biological filter and waste gas purification. 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 make effective usage of 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.

During the Reporting Period, the Group's gas emissions are mainly from the use of private cars and trucks. The emissions of air pollutants sulfur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter ("PM") amounted to 5.15 kg, 7,243.84 kg and 718.1 kg, respectively. In order to reduce such emissions, the Group encourages its employees to adopt green transportation which conserve energy, improve energy efficiency, reduce pollution, beneficial to health with efficiency. Continuously performing green transport can contribute to environmental protection. In order to implement the above concept, the Group's paper manufacturing business cooperated with Shandong Zaozhuang Public Traffic Company to arrange shuttles for the Group's employees, which can greatly reduce the driving frequency by employees and greenhouse gas emissions resulted therefrom. In the future, the Company will also gradually replace with electric vehicles to reduce greenhouse gas emission in a more effective manner.

During the Reporting Period, the detailed gas emission indicators of the Group are as follows:

Emission Category	Key Performance Indicator (KPI)	Unit	2020.4.1–2021.3.31 Amount	Intensity[1] (Per 10,000 tons)
Air Emissions[2]	SOx	Kg	5.15	0.11
	NOx	Kg	7,243.84	160.97
	PM	Kg	718.10	15.96
Greenhouse Gas Emissions	Scope 1 (Direct Emissions)[3]	tCO_2e	467,845.62	10,396.57
	Scope 2 (Energy Indirect Emissions)	tCO_2e	121.70	2.70
	Scope 3 (Other Indirect Emissions)[4]	tCO_2e	73,977.19	1,643.94
	Total (Scope 1 & 2 & 3)	tCO_2e	541,944.51	12,043.21

1. The intensity calculation method is to divide the air, greenhouse gas and other emissions during the Reporting Period by the Group's annual paper production of 450,000 tons;

2. Air emission is the waste gas pollution caused by the use of private cars and trucks;

3. Scope 1 mainly represents the greenhouse gas emissions generated from the coal combustion in boilers for the Group's paper manufacturing business and the greenhouse gas emissions generated from using desulfurizer (carbonate) to decompose sulfur during the desulfurization process;

4. Scope 3 (other indirect emissions) includes the exhaust emissions from paper waste disposed of in landfills and the greenhouse gas emissions from power used for processing fresh water and sewage by government department;

5. The methodology adopted for reporting on greenhouse gas emissions set out above is based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by The Stock Exchange of Hong Kong Limited.

☞ *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.

During the Reporting Period, the detailed data of hazardous waste and non-hazardous waste produced by the Group is as follows:

Waste Category	**Unit**	**2020.4.1–2021.3.31**
Hazardous waste	Ton	83,344.21
Non-hazardous waste	Ton	12,956.00

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 years 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.

Effective Control on Resources Usage is Recognized Worldwide


CERTIFICATE
质量管理体系认证证书

ISO9001 Quality Management System


CERTIFICATE
环境管理体系认证证书

ISO14001 Environmental Management System


CERTIFICATE
职业健康安全管理体系
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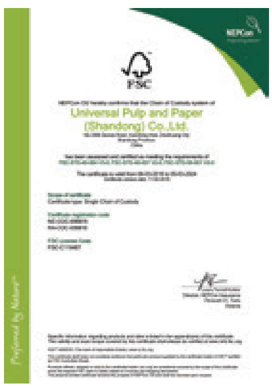
OHSAS18001 Occupational Health and Safety Management System


FSC
Universal Pulp and Paper (Shandong) Co.,Ltd.

FSC Certification for Supervision Chain on Manufacturing and Marketing


CERTIFICATE
能源管理体系认证证书

ISO50001 Energy Management System Certification

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.

During the Reporting Period, the use of resources of the Group is shown below:

Energy	**Unit**	**2020.4.1–2021.3.31**
Total consumption		
Diesel fuel	Liter (L)	319,858.73
Coal	Ton (t)	186,519.34
Electricity (Purchased)	Kilowatt hour (KWh)	171,409.00
Water	Cubic meter (m^3)	3,307,516.00
Intensity (Per 10,000 tons)[1]		
Diesel fuel	Liter (L)/per 10,000 tons	7,107.97
Coal	Ton (t)/per 10,000 tons	4,144.87
Electricity (Purchased)	Kilowatt hour (KWh)/per 10,000 tons	3,809.09
Water	Cubic meter (m^3)/per 10,000 tons	73,500.36

1. The intensity calculation method is to divide the air, greenhouse gas and other emissions during the Reporting Period by the Group's annual paper production of 450,000 tons.

During the Reporting Period, the packaging materials used in manufacturing the finished products are shown below:

Energy	**Unit**	**Total consumption (2020.4.1–2021.3.31)**	**Intensity (Per 10,000 tons)[1]**
Stretch film	Ton	45.87	1.02
Cork	/	130,740.00	2,905.33
Kraft liner cover	Slice	232,932.00	5,176.27
Paper roll	Meter	166,562.62	3,701.39
Tape	Roll	11,991.00	266.47
PET steel band	Ton	18.42	0.41
Wood	Set	17,906.00	397.91

1. The intensity calculation method is to divide the air, greenhouse gas and other emissions during the Reporting Period by the Group's annual paper production of 450,000 tons.

Solutions on Energy Efficiency and Carbon Reduction

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.
- The 30MW backpressure turbine of the thermal station is converted into public generator, the net splenium vacuum system of the 3# and 5# generators is renovated, and the water-sealing vacuum pump is modified into turbine fan, which help save power by 50kwh/t paper.

Water Saving Solutions and Measures

- In accordance with our 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 Company 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

Active Promotion on the Recycling of Resources

In the sewage treatment plant equipped with professional Fenton technology and anaerobic system, CH_4 (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.

Implementation of Environmental Friendly Office Practices

The Group advocates 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. Meanwhile, 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.

Promotion on Recycling Water Resources

The Group is 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.

A.4. Climate Change

As climate change has even affected our production and living, concern and improvement of climate change is a global trend. In addition, climate change will directly affect the growth of trees, including the growing season and speed, indirectly causing instability in the raw materials in the paper industry. Global climate change leads to ocean acidification, melting of snow and ice, continuous temperature rise, and increased the frequency of extreme weather, which in turn has a long-term impact on the socio-economic system. With the intensification of climate change, the industrial sector, which is more resistant to climate risks, is also being suffered from serious losses, which may affect waste paper procurement of the paper industry, production facilities and pollution prevention facilities operation, and the transportation of raw materials, auxiliary materials and finished goods will also be affected to a certain extent. Therefore, effective control of global warming is also significant to the stable development of the paper industry.

Due to the impact of climate change, the production and supply of power, heat and water will suffer from the loss of transmission supply in the event of extreme weather, and the Group will pay a higher cost to obtain the above resources. It should be noted that the Group has its own power self-supply system, which will mitigate some of the direct effects of climate change for the Group.

In response to the above wide range of possibilities, in order to mitigate the effects of climate change, the Group will keep abreast of the changes in weather conditions in advance, so that we can activate the emergency response mechanism under extreme weather. We will make reasonable adjustments to the production plan to secure normal transportation of raw materials and supplementary materials, as well as normal operation of our facilities, thereby mitigating the adverse impacts arising from climate change.

B. Social

B.1. Employment

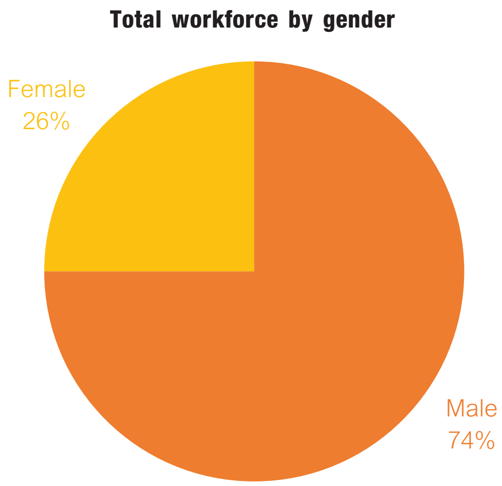
Since its inception in 1965, the Group has currently grown into a corporation with 692 current employees. The Group promotes the corporate culture of "people-oriented, leading technology, and be genuine" as talents are the most important assets. We are committed to creating a healthy and safe working 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.

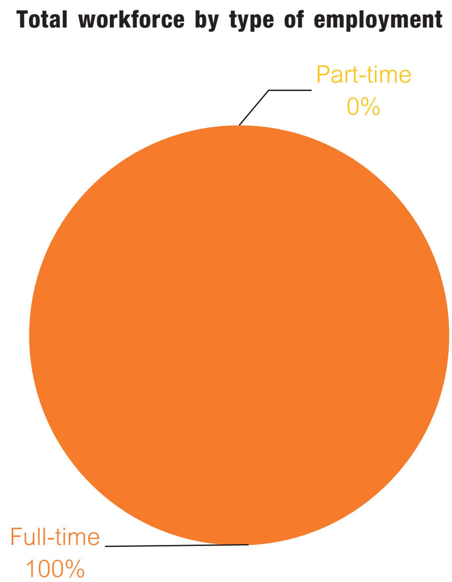
The Group has offices in Mainland China and Hong Kong, and our extensive scope of business gives us the opportunity of providing employment opportunities for local staff. In addition, to cherish the existing competent employees, retain the competent employees, attract competent potential employees and 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.

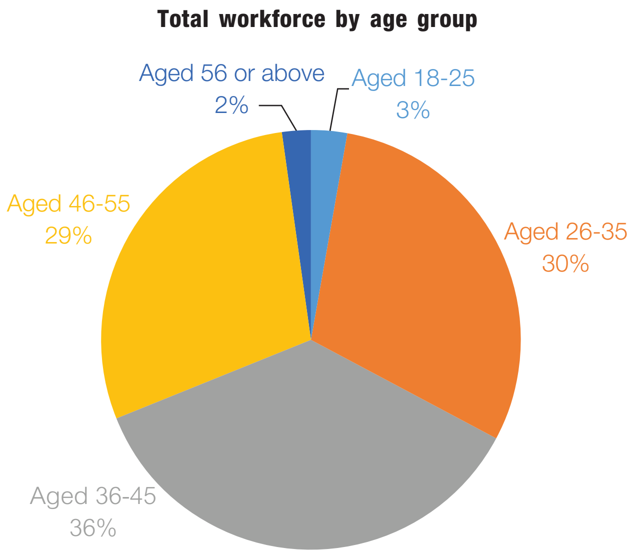
To fully reflect the Group's care for its employees, further enhance employees' cohesion and sense of belonging, the Group carries out group-wise or regional cultural and sport entertainment competitions on a regular basis and organizes team-building trips for employees. Entertainment evening parties, 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.

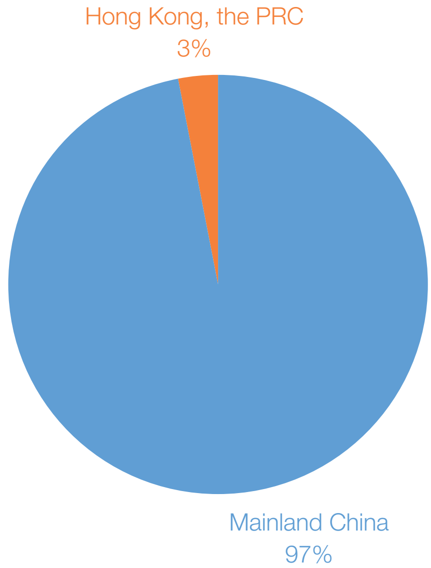
Details of the Group's employment segments as of 31 March 2021 are shown in the following charts:



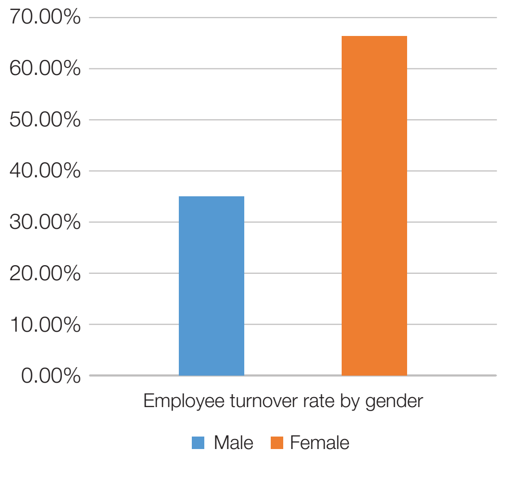


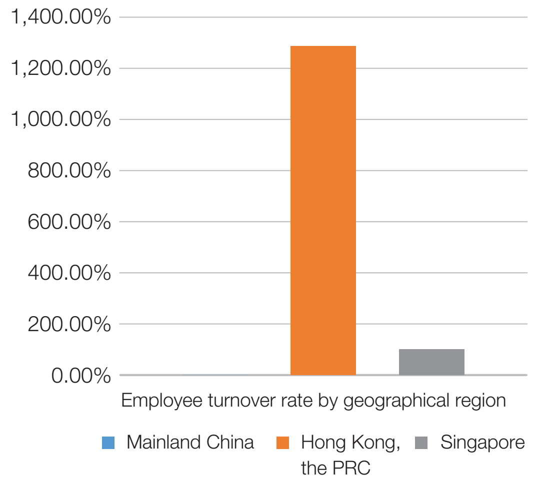


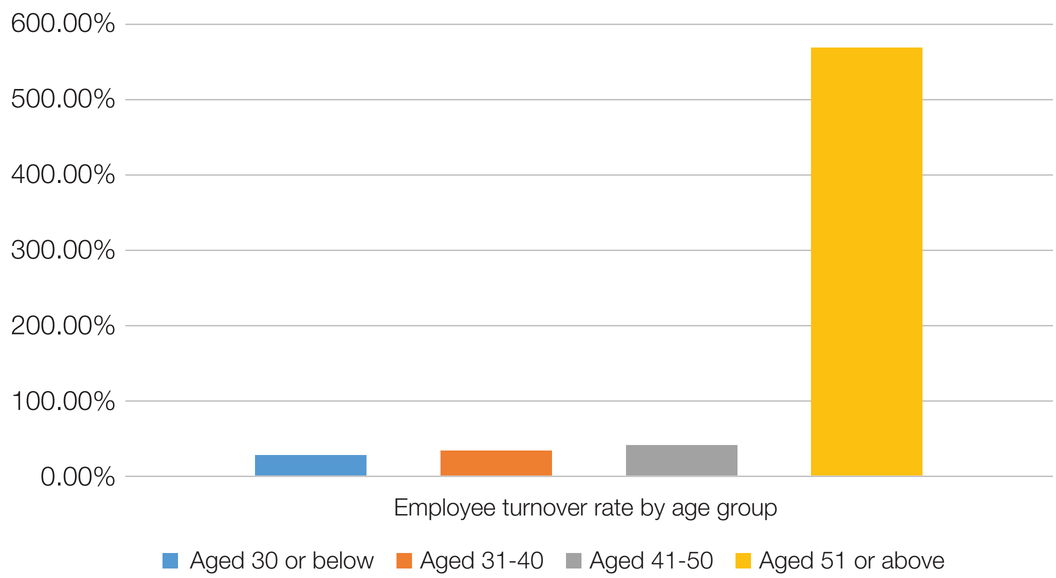
Total workforce by geographical region



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. Meanwhile, the Group's paper manufacturing business equips all production workers with protective equipment, including ear plugs, safety shoes and insulated gloves, as well as installing ventilators and air-conditioners in certain areas. In addition, we also provide our staff with high-temperature subsidies and heatstroke preventive drugs, thus the idea of caring our staff can be put into practice.

In order to ensure safe production process, the Group's paper manufacturing operation has established a comprehensive compilation for safety management systems. In accordance with the compilation requirements, a safety department has been specifically established for our paper manufacturing business, while the Work Safety Committee comprising of management from various departments has also be established.

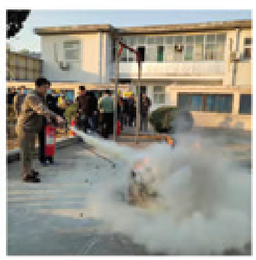
Duties of the Work Safety Committee

- carry out measures, policies, laws, regulations, standards, codes and the Company's safety production system in respect of safe production of the State and local government
- supervise and inspect the implementation and execution of each functional department
- establish the safety production management system and safety standardization
- approve the measures and objectives in respect of the enterprise's safe production and safety standardization, commitment from top management level and responsibility system for safety in production
- safe production management system and emergency plan

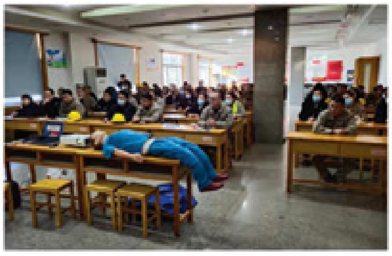
- convene the regular (quarterly) and irregular (when necessary) meetings of the Work Safety Committee
- study and resolve major issues of the enterprise's safe production work
- approve the annual plan for safe production and the investment plan for safe production funds
- deploy annual and interim safe production work and inspect the completion of safe production work
- study the plans for material accident hazards and environmental pollution problems, and approve the reported material safe production work in respect of technical reform and technical measures items to the safety supervision departments
- establish rewards and punishments system for safe production, review the assessment results of safe production work of functional departments and grassroots entities, make decisions on safe production incentives and penalties
- approve the accident reports and accident investigation reports of reported safe production incidents, and make decisions on those who is liable for the accident within its authority










Proactive Combat against Novel Coronavirus

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.

Establishment of Corporate Safety Culture

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. Our paper manufacturing business has also passed the "OHSAS18001 Occupational Health and Safety Management System" Certification.

As the Group places emphasis on production safety, there was no work-related fatality in the past three years. During the Reporting Period, there were 2 work-related injuries in the Group with the number of work days lost totalled 205 days.

B.3. Development and Training

The Group aims to create an environment of continuous improvement and encourages 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's human resources department 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. In view of the pandemic during the year, the total number of training hour of the Group has reduced by 600 hours from 5,764 hours in last year.

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	2020–2021	2019–2020	Change in hours
Total duration	5,164	5,764	–600
Average training hours per employee	7.65	7.63	0.02
By gender			
Male	3,858	3,606	252
Average training hours per male employee	7.65	6.40	1.00
Female	1,306	2,158	–852
Average training hours per female employee	7.64	11.24	–4.00
By type of employment			
Senior management	38	46	–8
Average training hours per senior management	5.43	3.83	1.60
Intermediate managers	543	951	–408
Average training hours per intermediate managers	8.10	12.04	–3.94
Frontline and other employees	4,583	4,767	–184
Average training hours per frontline and other employees	7.63	7.00	0.63

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, 2021, 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. In view of the increasing public concern over environmental protection, the Group has increasingly emphasized the importance of environmental and social risk management in the supply chain system. The Group has formulated and published the “Related Party Management and Control Procedures”, and advocated suppliers to fulfill their environmental and social responsibilities, including: reducing pollutant generated, protecting the environment, fulfilling social responsibilities, using more clean energy, saving energy and reducing emissions by issuing related party notification letters. The above-mentioned will also be one of the inspection indicators for suppliers, and the Group will continuously monitor its environmental protection status in supply chain.

B.6. Product Responsibility

The Group’s paper manufacturing business mainly produces middle- and high-grade coated white board paper, kraft cardboard and kraft liner paper, with total assets of 2.2 billion yuan, annual production capacity of 400,000 tons, covering an area of over 900 mu. It has a provincial technology center, three paper production lines and a heavy calcium grinding and processing plant with an annual output of 60,000 tons. Meanwhile, it has built a 60,000 KW self-provided thermal power plant and sewage treatment plant with a daily processing capacity of 30,000 cube meters.

Value the Construction of Corporate Culture

The Group follows the quality concept of “fine management, technological innovation, first-class quality and customer satisfaction”, promotes the development strategy of “taking economic benefits as the center, standardizing action, scale operation and sustainable development”, and actively introduces the scientific management mode, vigorously promotes the standardization construction of enterprises, and successively passed the “ISO9001 Quality Management System Certification”.

Enhance Information Safety and Protection

The Group maintains strict confidentiality of customer information and strictly prohibits all acts which lead to discourse of customer privacy. The Group strictly complies with the applicable standards, laws and regulations in relation to data privacy. The Group has implemented various privacy protection measures to protect customers’ information from disclosure, such as setting up restricted access area and locking the customers’ profiles.

Strict Control on Product Quality

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 quality standard of the plant. We are responsible for each customer by ensuring that product quality is being maintained.

Emphasis on Intellectual Property Rights Law

The Group also relies on intellectual property laws, commercial secrets, confidentiality procedures and contractual terms to provide legal protection for the Group’s intellectual property rights.

Professional Customer Service Team

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

Corruption, fraud, malpractice and all other unethical practices will not be tolerated and the Group values and upholds integrity and fairness. 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.

The Group believes that effective supervision and oversight are essential to prevent and deter corruption and other malpractices. Supervisors shall oversee their business operations, review and spot-check workflows and transactions to ensure the process complies with established policies and procedures and to eliminate fraudulent practices. In addition, supervisors shall provide guidance to their subordinates in respect of business conduct and integrity. They shall report non-compliance matters, if any, through appropriate channels for follow-up action. Supervisors shall understand that they are responsible for the staff' conduct who are under their supervision to ensure they are in compliance with the Group's anti-corruption policy. In response to the above requirements, the Group's headquarter regularly conducts day-to-day management and auditing of subsidiaries, as well as auditing of special projects. In addition, an anti-corruption policy has been set out in the employee manual and anti-corruption training is planned to be provided to directors and employees on a regular basis.

In addition, comprehensive whistleblowing channels have 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 Safe 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. In 2019, the Group carried out the household heating project to provide heating to residents in Tiexi New District in winter. In November 2020, heating was officially supplied to Yizhiyuan District (藝之源小區) and Pan Long Community (潘龍社區) with coverage of 140,000 square meters, thereby bringing warmth to people's homes.

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2021.

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 43 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 65.

The Board has resolved not to recommend a final dividend for the year ended 31 March 2021.

Donations

Charitable and other donations made by the Group during the year amounted to HK$17,000.

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 36 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 March 2021, calculated under the Companies Act of 1981 of Bermuda (as amended), details are set out in note 37(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 2021 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:

	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000 (Re-presented)	2021 HK$'000
Revenue from the continuing operations	5,173,620	5,759,596	5,907,821	4,376,760	1,713,476
Profit/(loss) attributable to owners of the Company	84,714	196,755	109,206	(550,566)	(3,768,764)
Total assets	5,642,514	6,666,970	6,522,844	5,858,625	1,097,364
Total liabilities	3,766,396	4,321,113	4,336,521	4,358,984	3,275,558
Total equity/(capital deficiency)	1,876,118	2,345,857	2,186,323	1,499,641	(2,178,194)

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 2021, 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. 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 42 "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.

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 2021, the interests and short positions of each Director and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

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

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

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

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

Save as disclosed above, as at 31 March 2021, 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.

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

(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 2021, 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 2021.

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 Reorganization 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

Details on related party transactions for the year are set out in note 42 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 2021, approximate HK$220 million in respect of the total purchases by the Group from KPP Group and HK$83 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 opinion on the consolidated financial statements for the year ended 31 March 2021 in relation to a) Material uncertainties related to 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, and e) 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 their 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 Auditor on the consolidated financial statements of the Company for the year ended 31 March 2021, 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	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. These may cast significant doubt about the Group's ability to continue as a going concern.	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. 1) Net Assets Position Upon Closing, the Group shall consist of the Company, SPV1, SPV2 and UPPSD only. As at the Latest Practicable Date, the UPPSD Bankruptcy Reorganisation has been completed and UPPSD has returned to solvency. 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.

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
			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. 2) Withdrawal of the Petition 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.
2	Insufficient accounting records of certain subsidiaries of the Group in paper trading segment	The SMHK Liquidators were appointed to SMHK, an indirect wholly-owned subsidiary of the Company, 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. 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.	Matters relating to the disclaimer of opinion in relation to insufficient accounting records of the paper trading segment have been addressed by: – 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.

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
	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. 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: (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. 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.	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 — 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
3	Unavailability of accounting records of certain subsidiaries of the Group in Property Development and Investment segment	The Seng Jin Liquidators were appointed to 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 De-consolidated Group C were 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 Auditors were able to access the sufficient books and records of the De-consolidated Group C for purpose of the audit. 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.	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: – 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. 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 – 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.

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
4	Unavailability of accounting records of certain subsidiaries of the Group in others segment	The De-consolidated Group D were disposed subsequent to the reporting date of 31 March 2021. 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. 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.	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 others segment that were disposed or deregistered, from those of the Group. 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 – 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	Opening balances and the comparative information	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. 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.	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. 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. Based on the discussion with the Auditors, it is expected that, upon Closing by the end of the year ended 31 March 2022, – 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 Auditors 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 Towards the Disclaimer of Opinion

The member of the Audit Committee had critically reviewed the disclaimer of opinion, and the management's position, view and assessment concerning the disclaimer. The Audit Committee had 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 their consideration in arriving its 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 effect on the disclaimer 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, the 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 PricewaterhouseCooper ("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 2021 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.

On behalf of the Board

CHOI Wai Hong, Clifford
Executive Director

Hong Kong, 15 December 2021

RSM Hong Kong

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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 65 to 163, which comprise the consolidated statement of financial position as at 31 March 2021, 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.

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 2021, the Group's current liabilities exceeded its current assets by HK$2,305,290,000. Current portion of the Group's borrowings and lease liabilities amounted to approximately HK$404,121,000 and HK$3,728,000 respectively while its cash and cash equivalents amounted to approximately HK$195,066,000. Included in the Group's borrowings as at 31 March 2021 was a principal amount of HK$410,817,000 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.

Basis for Disclaimer of Opinion (continued)

Material uncertainties related to going concern basis (continued)
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 for 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 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, 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, 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, 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 during year ended 31 March 2021 or 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 2021 and the assets and liabilities as at 31 March 2021 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.

Basis for Disclaimer of Opinion (continued)

Insufficient accounting records of certain subsidiaries of the Group in paper trading segment (continued)
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 2021.

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 De-consolidated Group C, we were unable to obtain sufficient audit evidence for the 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 2021 and the assets and liabilities as at 31 March 2021 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 2021.

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") during the year ended 31 March 2021. 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 during the year ended 31 March 2021 or subsequent to the reporting date 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 2021 and the assets and liabilities as at 31 March 2021 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 2021.

Basis for Disclaimer of Opinion (continued)

Opening balances and the comparative information
The property, plant and equipment of approximately HK$25,801,000 and other receivables of approximately HK$555,810,000 were fully impaired during the year ended 31 March 2020. We were unable to satisfy ourselves about the nature, business rationale and commercial substance of the payments and whether the aforesaid balances of property, plant and equipment and other receivables before impairment were properly stated and that the impairment losses were properly recognised in the year ended 31 March 2020. Other than the balances mentioned above, 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 and others segment of the Group, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 March 2020 and the profit or loss 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 2020 and 1 April 2020 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 2021.

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 2021

	Note	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operations			
Revenue	8	1,713,476	4,376,760
Cost of sales		(1,686,558)	(3,967,862)
Gross profit		26,918	408,898
Fair value losses on investment properties		(17,300)	(15,900)
Other gains and income, net	9	19,889	55,816
Selling expenses		(109,657)	(145,090)
Administrative expenses		(183,764)	(212,462)
Impairment losses of financial assets, net		(884,828)	(543,535)
Impairment losses of property, plant and equipment		—	(25,801)
Other operating (expenses)/income, net		(60)	283
Recognition of financial guarantee liabilities	34	(2,284,136)	—
Gain on deconsolidation/disposal/deregistration of subsidiaries		868,311	—
Loss from operations		(2,564,627)	(477,791)
Finance costs	11	(30,224)	(79,454)
Loss before tax		(2,594,851)	(557,245)
Income tax expenses	12	(3,244)	(30,616)
Loss for the year from continuing operations	13	(2,598,095)	(587,861)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	16	(1,426,494)	44,909
Loss for the year		(4,024,589)	(542,952)
Attributable to:			
Owners of the Company		(3,768,764)	(550,566)
Non-controlling interests		(255,825)	7,614
		(4,024,589)	(542,952)
Loss per share	18		
From continuing and discontinued operations			
Basic		HK(330.3) cents	HK(48.3) cents
Diluted		HK(330.3) cents	HK(48.3) cents
From continuing operations			
Basic		HK(227.7) cents	HK(51.5) cents
Diluted		HK(227.7) cents	HK(51.5) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000 (Re-presented)
Loss for the year	(4,024,589)	(542,952)
Other comprehensive income, net of tax:		
Items that will not be reclassified to profit or loss:		
Revaluation of land and buildings, net of deferred tax	—	1,683
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")	131	365
	131	14,958
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	154,957	(223,733)
Exchange reserves reclassified to profit or loss on disposal and deconsolidation of subsidiaries	179,011	—
	333,968	(223,733)
Other comprehensive income for the year, net of tax	334,099	(208,775)
Total comprehensive income for the year	(3,690,490)	(751,727)
Attributable to:		
Owners of the Company	(3,438,308)	(742,613)
Non-controlling interests	(252,182)	(9,114)
	(3,690,490)	(751,727)

Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	19	124,115	1,802,114
Investment properties	20	17,321	725,785
Right-of-use assets	21	34,291	325,113
Goodwill	22	—	35,699
Other intangible assets	23	—	4,540
Financial assets at FVTOCI	24	1,831	1,700
Financial assets at fair value through profit or loss ("FVTPL")	25	—	5,169
Non-current deposits and prepayments	26	1,854	20,858
Deferred tax assets	35	5,399	8,105
		184,811	2,929,083
Current assets			
Properties under development	27	227,384	211,701
Inventories	28	11,023	735,885
Accounts and other receivables	26	452,482	1,675,549
Taxation recoverable		26,598	7,906
Restricted bank deposits	29	—	92,673
Bank and cash balances	29	195,066	205,828
		912,553	2,929,542
Total assets		1,097,364	5,858,625
Current liabilities			
Accounts and other payables	30	513,293	1,192,171
Contract liabilities	31	—	3,362
Trust receipt loans	32	—	1,303,045
Taxation payable		12,565	110,411
Borrowings	32	404,121	1,601,097
Lease liabilities	33	3,728	17,060
Financial guarantee liabilities	34	2,284,136	—
		3,217,843	4,227,146
Net current liabilities		(2,305,290)	(1,297,604)
Total assets less current liabilities		(2,120,479)	1,631,479

	Note	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Accounts and other payables	30	—	1,018
Lease liabilities	33	1,349	10,154
Borrowings	32	6,696	12,088
Deferred tax liabilities	35	49,670	108,578
		57,715	131,838
NET (LIABILITIES)/ASSETS		(2,178,194)	1,499,641
Equity			
Share capital	36	127,315	127,315
Reserves	38	(2,307,914)	1,130,394
		(2,180,599)	1,257,709
Non-controlling interests		2,405	241,932
(CAPITAL DEFICIENCY)/TOTAL EQUITY		(2,178,194)	1,499,641

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 2021

	Share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Capital reserve HK$'000 (note 38 (b)(i))	Exchange reserve HK$'000 (note 38 (b)(ii))	Statutory reserve HK$'000 (note 38 (b)(iii))	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity/ (Capital deficiency) HK$'000
	Attributable to owners of the Company									
At 1 April 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	–	–	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)
Changes 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
At 1 April 2020	127,315	161,262	441,141	201,994	(292,484)	27,247	591,234	1,257,709	241,932	1,499,641
Total comprehensive income for the year	–	–	131	–	330,325	–	(3,768,764)	(3,438,308)	(252,182)	(3,690,490)
Disposal/deconsolidation/ deregistration of subsidiaries	–	–	(432,350)	–	–	(14,852)	447,202	–	12,655	12,655
Change in equity for the year	–	–	(432,219)	–	330,325	(14,852)	(3,321,562)	(3,438,308)	(239,527)	(3,677,835)
At 31 March 2021	127,315	161,262	8,922	201,994	37,841	12,395	(2,730,328)	(2,180,599)	2,405	(2,178,194)

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax		
Continuing operations	(2,594,851)	(557,245)
Discontinued operations	(1,426,494)	43,529
	(4,021,345)	(513,716)
Adjustments for:		
Depreciation of property, plant and equipment	59,065	84,232
Depreciation of right-of-use assets	24,620	36,850
Amortisation of intangible assets	363	1,054
Fair value losses on investment properties	17,300	15,900
Loss/(gain) on disposal of property, plant and equipment	8,786	(379)
Fair value losses/(gains) on financial assets at financial assets at fair value through profit or loss	247	(477)
Allowance for impairment losses of accounts and other receivables, net	1,280,456	543,535
Provision for inventories obsolescence	51,568	3,872
Finance costs	39,713	81,017
Interest income	(3,655)	(4,676)
Recognition of financial guarantee liabilities	2,284,136	—
Impairment losses of property, plant and equipment	774,582	25,801
Gain on disposal/deconsolidation/deregistration of subsidiaries	(758,969)	—
Operating (loss)/profit before working capital changes	(243,133)	273,013
Decrease/(increase) in inventories	535,736	(79,553)
(Increase)/decrease in properties under development	(55,213)	2,093
(Increase)/decrease in accounts and other receivables	(635,109)	153,081
Decrease in non-current deposits and prepayments	17,813	410
Increase/(decrease) in accounts and other payables	610,691	(344,476)
Decrease in contract liabilities	(2,499)	(21,901)
Cash generated from/(used in) operations	228,286	(17,333)
Income taxes paid	(18,483)	(25,415)
Interest on lease liabilities	(724)	(1,308)
Net cash generated from/(used in) operating activities	209,079	(44,056)

	Note	2021 HK$'000	2020 HK$'000 (Re-presented)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(804)	(189,196)
Purchase of intangible assets		—	(1,546)
Proceeds from disposal of property, plant and equipment		—	5,538
Proceeds from redemption of life insurance policies		4,922	—
Disposal/deconsolidation/deregistration of subsidiaries	41	(89,702)	—
Release in restricted bank deposits		28,859	91,671
Interest received		3,655	4,676
Net cash used in investing activities		(53,070)	(88,857)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		—	698,052
Repayment of bank loans		(72,276)	(763,238)
(Repayment of)/raised in trust receipt loans, net		(84,296)	253,208
Principal elements of lease payment		(15,454)	(22,951)
Dividends paid to shareholders		—	(30,555)
Interest paid		(38,989)	(105,543)
Net cash (used in)/generated from financing activities		(211,015)	28,973
NET DECREASE IN CASH AND CASH EQUIVALENTS		(55,006)	(103,940)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		205,828	330,982
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		44,244	(21,214)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		195,066	205,828
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		195,066	205,828

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 43 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").

On 30 June 2020, the Company published an announcement on the Stock Exchange containing extracts of its Unaudited Results. Based on the Unaudited Results, it was likely that a financial covenant ratio requirement of the Group not being fulfilled.

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)

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.

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").

2. Basis of Preparation (continued)

Going Concern

As at 31 March 2021, the Group's current liabilities exceeded its current assets by HK$2,305,290,000. Current portion of the Group's borrowings and lease liabilities amounted to approximately HK$404,121,000 and HK$3,728,000 respectively while its cash and cash equivalents amounted to approximately HK$195,066,000. Included in the Group's borrowings as at 31 March 2021 was a principal amount of HK$410,817,000 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 noncurrent 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 noncurrent assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

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;

2. Basis of Preparation (continued)

Listing status of the Company (continued)

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.

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.

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.

2. Basis of Preparation (continued)

Proposed Restructuring of the Group (continued)
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 (the "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) 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.

2. Basis of Preparation (continued)

Proposed Restructuring of the Group (continued)

(3) Group Reorganisation

Pursuant to the Restructuring Agreement, the group reorganisation (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 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.

(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.

2. Basis of Preparation (continued)

Proposed Restructuring of the Group (continued)

(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) the assets of the SchemeCo to be realised for the benefit of the Scheme Creditors shall include: (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).

2. Basis of Preparation (continued)

Proposed Restructuring of the Group (continued)

(6) UPPSD bankruptcy reorganisation (continued)

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.

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;

2. Basis of Preparation (continued)

Proposed Restructuring of the Group (continued)

(6) UPPSD bankruptcy reorganisation (continued)

(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.

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 2021. 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.

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 during the year ended 31 March 2021. 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 2021 HK$'000
Revenue	1,675,344
Cost of sales	(1,661,332)
Gross profit	14,012
Other gains and income, net	15,840
Selling expenses	(104,822)
Administrative expenses	(136,505)
Impairment losses of financial assets	(872,088)
Other operating expenses	(34,825)
Loss from operations	(1,118,388)
Finance costs	(27,927)
Loss before tax	(1,146,315)
Income tax expense	(3,222)
Loss for the year	(1,149,537)
Gain on deconsolidation/disposal/deregistration of subsidiaries	1,661,755
Profit for the year	512,218

2. Basis of Preparation (continued)

Paper trading segment (continued)
Statement of financial position

	As at 31 March 2021 HK$'000
Non-current assets	
Property, plant and equipment	97,767
Right-of-use assets	16,527
Non-current deposits and prepayments	1,854
Deferred tax assets	5,397
	121,545
Current assets	
Inventories	7,388
Accounts and other receivables	331,787
Taxation recoverable	26,552
Bank and cash balances	186,237
	551,964
Total assets	673,509
Current liabilities	
Accounts and other payables	493,462
Taxation payable	12,560
Borrowings	1,275
Lease liabilities	3,571
	510,868
Net current assets	41,096
Total assets less current liabilities	162,641
Non-current liabilities	
Lease liabilities	1,286
Borrowings	6,696
Deferred tax liabilities	18,367
	26,349
NET ASSETS	136,292

Subsequent to the reporting date, assets and liabilities relating to SMC have been deconsolidated from the consolidated financial statements upon the appointment of the SMC liquidators as mentioned in the preceding paragraph.

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 Jordon 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 2021, 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.

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 2021:

Statement of profit or loss

	Year ended 31 March 2021 HK$'000
Revenue	16,078
Cost of sales	(3,870)
Gross profit	12,208
Fair value losses on investment properties	(17,300)
Other gains and income, net	1,436
Selling expenses	(233)
Administrative expenses	(3,975)
Other operating expenses, net	(12,020)
Loss from operations	(19,884)
Finance costs	—
Loss before tax	(19,884)
Income tax expense	—
Loss for the year	(19,884)
Loss on deconsolidation of subsidiaries	(788,914)
Loss for the year	(808,798)

2. Basis of Preparation (continued)

Property development and investment ("PID") segment (continued)
Statement of financial position

	As at 31 March 2021 HK$'000
Non-current assets	
Property, plant and equipment	26,328
Investment properties	17,321
Right-of-use assets	16,208
	59,857
Current assets	
Properties under development	227,384
Accounts and other receivables	2,192
Bank and cash balances	5,241
	234,817
Total assets	294,674
Current liabilities	
Accounts and other payables	1,186
Net current assets	233,631
Total assets less current liabilities	293,488
Non-current liabilities	
Deferred tax liabilities	8,208
NET ASSETS	285,280

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.

2. Basis of Preparation (continued)

Others segment (continued)

Other than Hypex International, certain subsidiaries were disposed or deregistered during the year ended 31 March 2021 or subsequent to the reporting period. 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 2021 HK$'000
Revenue	22,054
Cost of sales	(21,356)
Gross profit	698
Other gains and income, net	2,613
Selling expenses	(4,602)
Administrative expenses	(28,286)
Impairment losses of financial assets	(12,740)
Other operating income, net	129,130
Profit from operations	86,813
Finance costs	(2,297)
Profit before tax	84,516
Income tax expense	(22)
Profit for the year	84,494
Loss on deconsolidation, disposal and deregistration of subsidiaries	(86,875)
Loss for the year	(2,381)

2. Basis of Preparation (continued)

Others segment (continued)
Statement of financial position

	As at 31 March 2021 HK$'000
Non-current assets	
Property, plant and equipment	20
Right-of-use assets	1,556
Financial assets at FVTOCI	1,831
Deferred tax assets	2
	3,409
Current assets	
Inventories	3,635
Accounts and other receivables	118,415
Taxation recoverable	14
Bank and cash balances	3,487
	125,551
Total assets	128,960
Current liabilities	
Accounts and other payables	10,348
Taxation payable	5
Borrowings	402,846
Lease liabilities	157
	413,356
Net current liabilities	(287,805)
Total assets less current liabilities	(284,396)
Non-current liabilities	
Lease liabilities	63
Deferred tax liabilities	23,095
	23,158
NET LIABILITIES	(307,554)

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

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 9 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

(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 2020. 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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.

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.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

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.

4. Significant Accounting Policies (continued)

(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.

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.

4. Significant Accounting Policies (continued)

(c) Foreign currency translation (continued)

(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.

(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.

4. Significant Accounting Policies (continued)

(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.

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.

4. Significant Accounting Policies (continued)

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment property are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time.

Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any 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).

(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

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.

4. Significant Accounting Policies (continued)

(f) Leases (continued)

(i) The Group as a lessee (continued)

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.

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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

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.

(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.

(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.

4. Significant Accounting Policies (continued)

(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.

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.

4. Significant Accounting Policies (continued)

(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 expected credit loss ("ECL").

(o) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

- The post-tax profit or loss of the discontinued operation; and

- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(p) 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.

(q) 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.

4. Significant Accounting Policies (continued)

(r) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(s) 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.

(t) 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.

(u) 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.

4. Significant Accounting Policies (continued)

(u) Revenue and other income (continued)

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.

(v) 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.

4. Significant Accounting Policies (continued)

(w) 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 directors and employees 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.

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.

(x) 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 asses. 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.

(y) 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.

4. Significant Accounting Policies (continued)

(y) Taxation (continued)

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.

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.

4. Significant Accounting Policies (continued)

(z) 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 loss 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 loss is treated as a revaluation increase.

(aa) 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 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.

For other receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk for balances categorised under "Stage 2" since initial recognition. However, if the credit risk on other receivables has not increased significantly since initial recognition, the Group categorises these balances under "Stage 1" and measures the allowance for impairment for other receivables at an amount equal to 12-month ECL.

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.

4. Significant Accounting Policies (continued)

(aa) Impairment of financial assets (continued)

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,

(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 fulfil its contractual cash flow obligations.

4. Significant Accounting Policies (continued)

(aa) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

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.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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)

(aa) 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.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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.

(ab) 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.

4. Significant Accounting Policies (continued)

(ac) 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 successful 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.

5. Critical Judgements and Key Estimates (continued)

Critical judgements in applying accounting policies (continued)

(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.

(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$3,244,000 of income tax was charged (2020: HK$30,616,000) to profit or loss based on the estimated profit from continuing operations.

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

(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 2021 were approximately HK$124,115,000 (2020: HK$1,802,114,000) and HK$34,291,000 (2020: HK$325,113,000) respectively.

(c) 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 2021 were approximately HK$17,321,000 (2020: HK$725,785,000).

The carrying amount of land and building as at 31 March 2021 were approximately HK$121,005,000 (2020: HK$413,606,000).

(d) Significant increase in credit risk and impairment of accounts, bills and other receivables

As mentioned in note 4(aa) to the consolidated financial statements, ECL is measured as an allowance for impairment equal to 12-month ECL for Stage 1 financial assets, or lifetime ECL for Stage 2 or Stage 3 financial assets. A financial asset is moved to Stage 2 when its credit risk has increased significantly since initial recognition but is not assessed to be credit-impaired. A financial asset is then moved to Stage 3 when it is credit-impaired. In assessing whether the credit risk of a financial asset has significantly increased or whether a financial asset is credit-impaired, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Under the simplified approach in HKFRS9 Financial Instruments, the loss allowance on trade receivables and contract assets is at an amount equal to lifetime expected credit losses.

As at 31 March 2021, the carrying amount of accounts and bills receivable is HK$211,040,000 (net of allowance for doubtful debts of approximately HK$46,292,000) (2020: HK$926,380,000 (net of allowance for doubtful debts of approximately HK$75,180,000)).

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

(e) 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$17,399,000 as at 31 March 2021 (2020: HK$20,275,000).

(f) 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 2021 was HK$1,831,000 (2020: HK$1,700,000).

(g) 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 2021, 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$71,000 lower or higher (2020: HK$841,000), arising mainly as a result of the net foreign exchange gain or loss on trade payables and trade receivables denominated in RMB.

6. Financial Risk Management (continued)

(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.

Except for the financial guarantee given by the Group as set out in note 34, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 34.

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.

The following table provides information about the Group's exposure to credit risk and ECLs for account and bills receivables as at 31 March 2021:

	2021		
	Expected loss rate (note 1) %	Gross carrying amount HK$'000	Loss allowance (note 2) HK$'000
Current (not past due)	N/A	—	—
Up to 60 days past due	*%	50	*
61–90 days past due	*%	4	*
More than 90 days past due	18.0%	257,278	46,292
		257,332	46,292

6. Financial Risk Management (continued)

(b) Credit risk (continued)
Accounts and bills receivables (continued)

	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
		1,001,560	75,180

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.

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

	2021 HK$'000	2020 HK$'000
At 1 April	75,180	90,941
Allowance for accounts receivables recognised for the year	44,475	5,900
Reversal of allowance for accounts receivables recognised for the year	(601)	(18,175)
Disposal/deconsolidation/deregistration of subsidiaries	(79,151)	—
Exchange differences	6,389	(3,486)
At 31 March	46,292	75,180

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(aa) 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 2019	—	—	—	—
Allowance for other receivables recognised for the year	—	—	555,810	555,810
At 31 March 2020 and 1 April 2020	—	—	555,810	555,810
Allowance for other receivables recognised for the year	—	—	1,236,582	1,236,582
Disposal/deconsolidation/ deregistration of subsidiaries	—	—	(1,086,899)	(1,086,899)
At 31 March 2021	—	—	705,493	705,493

The allowance for impairment loss of other receivables that categorised under "Stage 3" is due to the liquidation of deconsolidated subsidiaries and deregistration of subsidiaries during the year ended 31 March 2021. 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.

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 2021					
Borrowings	413,723	1,554	4,134	2,622	422,033
Accounts and other payables	513,293	—	—	—	513,293
Lease liabilities	3,838	1,369	—	—	5,207
Financial guarantee liabilities	2,284,136	—	—	—	2,284,136
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

(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 2021, 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$5,915,000 (2020: HK$11,063,000) lower/higher respectively, arising mainly as a result of higher/lower interest expense on borrowings and accounts payable.

6. Financial Risk Management (continued)

(e) Categories of financial instruments as at 31 March

	2021 HK$'000	2020 HK$'000
Financial assets:		
Financial assets at FVTOCI		
— Equity instruments	1,831	1,700
Financial assets at FVTPL		
— Mandatorily measured at FVTPL	—	5,169
Financial assets at amortised cost	645,578	1,947,090
Financial liabilities:		
Financial liabilities at amortised cost	929,187	4,136,633
Financial guarantee liabilities	2,284,136	—

(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.

7. Fair Value Measurements (continued)

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 31 March 2021 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
Investments in unlisted equity securities	–	–	1,831	1,831
Investment properties				
Factory buildings — PRC	–	–	17,321	17,321
Total	–	–	19,152	19,152

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 31 March 2020 HK$'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

7. Fair Value Measurements (continued)

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

	Financial asset at FVTOCI	Financial assets at FVTPL	Investment properties	2021
Description	Investments in unlisted equity securities HK$'000	Investments in life insurance HK$'000	Factory buildings — PRC HK$'000	Total HK$'000
At 1 April 2020	1,700	5,169	16,085	22,954
Total losses recognised in profit or loss	—	(247)	—	(247)
Total gains recognised in other comprehensive income	131	—	—	131
Redemption during the year	—	(4,922)	—	(4,922)
Exchange differences	—	—	1,236	1,236
At 31 March 2021	1,831	—	17,321	19,152

	Financial asset at FVTOCI	Financial assets at FVTPL	Investment properties	2020
Description	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

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.

7. Fair Value Measurements (continued)

(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.

Level 2 fair value measurements

			Fair value	
			2021 HK$'000	2020 HK$'000
Description	Valuation technique	Inputs	Assets	
Investment properties — Factory buildings — Hong Kong	Market comparable approach	Market prices	—	709,700

Level 3 fair value measurements

					Fair value	
Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	2021 HK$'000	2020 HK$'000
					Assets	
Financial assets at FVTOCI — Unlisted equity securities	Market comparable approach	Price-to-earnings ratio	2.2–7.8 (2020: 2.2–7.8)	Increase	1,831	1,700
		Discount for lack of marketability	20% (2020: 20%)	Decrease		
Financial assets at FVTPL — Investments in life insurance	N/A	Surrender value	N/A	N/A	—	5,169
Investment properties — Factory buildings — PRC	Income capitalisation method	Adopted unit rent	RMB16.1–RMB27.4 per sqm per month (2020: RMB16.1 –RMB27.4 per sqm per month)	Increase	17,321	16,085
		Adopted term/ reversionary yield	6.0%–16.5% (2020: 6.0%–16.5%)	Increase		

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 from continuing operations is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of goods	1,690,212	4,282,946
Provision of services	7,186	47,755
	1,697,398	4,330,701
Revenue from other sources		
Rental income	16,078	46,059
	1,713,476	4,376,760

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 2021	Paper trading HK$'000	PID HK$'000	Others HK$'000	Total HK$'000
Segment revenue	1,755,920	16,078	22,054	1,794,052
Intersegment revenue	(80,576)	—	—	(80,576)
Revenue from external customers	1,675,344	16,078	22,054	1,713,476
Timing of revenue recognition				
Products transferred at a point in time	1,675,344	—	11,262	1,686,606
Products and services transferred over time	—	—	10,792	10,792
Revenue from other sources				
Rental income	—	16,078	—	16,078
Total	1,675,344	16,078	22,054	1,713,476

8. Revenue (continued)

Disaggregation of revenue (continued)

For the year ended 31 March 2020	Paper trading HK$'000	PID HK$'000	Others HK$'000	Total HK$'000
Segment revenue	4,597,576	50,370	63,727	4,711,673
Intersegment revenue	(325,612)	(4,311)	(4,990)	(334,913)
Revenue from external customers	4,271,964	46,059	58,737	4,376,760
Timing of revenue recognition				
Products transferred at a point in time	4,271,964	—	12,831	4,284,795
Products and services transferred over time	—	—	45,906	45,906
Revenue from other sources				
Rental income	—	46,059	—	46,059
Total	4,271,964	46,059	58,737	4,376,760

9. Other Gains and Income, net

	2021 HK$'000	2020 HK$'000
Continuing operations		
Interest income	3,581	4,397
Gain on disposal of property, plant and equipment	—	379
Franchise income	8,333	46,452
Others	7,975	4,588
	19,889	55,816

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").

10. Segment Information (continued)

The Group has three 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")
Property development and investment	—	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

Paper manufacturing operation was discontinued in the current year. Upon the appointment of the UPPSD Bankruptcy Administrator by the Shandong Court on application by a creditor as set out in paragraphs in the section headed "UPPSD Bankruptcy Reorganisation" included in the "Basis of Preparation" The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 16.

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.

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

	Paper trading HK$'000	PID HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2021				
Revenue from external customers	1,675,344	16,078	22,054	1,713,476
Intersegment revenue	80,576	—	—	80,576
Segment profits/(losses)	543,367	(808,798)	(62)	(265,493)
Interest income	1,854	28	1,699	3,581
Depreciation of property, plant and equipment	5,924	648	1,283	7,855
Depreciation of right-of-use assets	9,656	3,132	8,012	20,800
Amortisation of intangible assets	322	—	—	322
Impairment losses of financial assets, net	872,088	—	12,740	884,828
Fair value losses on investment properties	—	17,300	—	17,300
Capital expenditure	132	672	—	804
As at 31 March 2021				
Segment assets	641,560	294,674	128,944	1,065,178
Segment liabilities	506,290	1,186	413,414	920,890

10. Segment Information (continued)

Information about operating segment profit or loss, assets and liabilities from continuing operations: (continued)

	Paper trading HK$'000	PID HK$'000	Others HK$'000	Total HK$'000
Year ended 31 March 2020				
Revenue from external customers	4,271,964	46,059	58,737	4,376,760
Intersegment revenue	325,612	4,311	4,990	334,913
Segment (losses)/profits	(436,270)	5,817	(42,609)	(473,062)
Interest income	3,171	383	1,122	4,676
Depreciation of property, plant and equipment	8,926	3,447	1,527	13,900
Depreciation of right-of-use assets	7,898	10,336	13,560	31,794
Amortisation of intangible assets	593	308	—	901
Impairment losses of financial assets, net	543,509	—	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	4,157	5,121	12,645
As at 31 March 2020				
Segment assets	2,135,644	1,108,482	138,840	3,382,966
Segment liabilities	3,261,756	66,224	73,993	3,401,973

Reconciliations of segment revenue and profit or loss from continuing operations:

	2021 HK$'000	2020 HK$'000
Revenue		
Total revenue of reportable segments	1,794,052	4,711,673
Elimination of intersegment revenue	(80,576)	(334,913)
Consolidated revenue	1,713,476	4,376,760
Profit or loss		
Total loss of reportable segments	(265,493)	(473,062)
Unallocated amounts:		
— Administrative expenses	(14,998)	(4,729)
— Recognition of financial guarantee liabilities	(2,284,136)	—
— Finance costs	(30,224)	(79,454)
Consolidated loss before tax	(2,594,851)	(557,245)

10. Segment Information (continued)

Reconciliations of segment assets and liabilities:

	2021 HK$'000	2020 HK$'000
Assets		
Total assets of reportable segments	1,065,178	3,382,966
Assets relating to discontinued operations	—	2,459,414
Unallocated	32,186	16,245
Consolidated total assets	1,097,364	5,858,625
Liabilities		
Total liabilities of reportable segments	920,890	3,401,973
Liabilities relating to discontinued operations	—	380,059
Unallocated	2,354,668	576,952
Consolidated total liabilities	3,275,558	4,358,984

Geographical information:
The Group's revenue from continuing operations 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	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Hong Kong	255,737	659,592	8,160	850,845
The PRC (note)	1,370,973	3,373,013	169,099	1,994,248
Singapore	14,725	56,155	20	56,915
Korea	51,065	205,471	302	282
Malaysia	20,574	81,139	—	11,797
Others	402	1,390	—	22
Consolidated total	1,713,476	4,376,760	177,581	2,914,109

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 from continuing operations for the years ended 31 March 2021 and 2020.

11. Finance Costs

	2021 HK$'000	2020 HK$'000
Continuing operations		
Interest on bank borrowings	12,263	72,022
Interest on lease liabilities	724	1,308
Interest on trade credit facilities	17,237	31,958
	30,224	105,288
Amount capitalised	—	(25,834)
	30,224	79,454

The weighted average capitalisation rate on funds borrowed generally is at a rate of Nil% per annum (2020: 4.2%).

12. Income Tax Expenses

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2021 HK$'000	2020 HK$'000
Current tax — Hong Kong		
Provision for the year	—	7,539
Under provision in prior years	—	3,180
	—	10,719
Current tax — the PRC		
Provision for the year	3,244	20,077
Deferred tax (note 35)	—	(180)
	3,244	30,616

Under the two-tiered Profits Tax regime, the first HK$2 million 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. Universal Pulp and Paper (Shandong) Co. Ltd. ("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 2021 was 15% (2020: 15%).

12. Income Tax Expenses (continued)

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.

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

	2021 HK$'000	2020 HK$'000
Loss before tax	(2,594,851)	(557,245)
Tax at the Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	(428,150)	(91,945)
Tax effect of income that is not taxable	(17,878)	(11,471)
Tax effect of expenses that are not deductible	446,850	148,826
Tax effect of tax losses not recognised	56,208	4,460
Over-provision in prior years	—	3,180
Effect of different tax rates of subsidiaries	(53,786)	(22,434)
Income tax expenses	3,244	30,616

13. Loss for the Year from Continuing Operations

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

	2021 HK$'000	2020 HK$'000
Amortisation of intangible assets (included in administrative expenses)	322	901
Depreciation on property, plant and equipment	7,855	13,900
Depreciation on right-of-use assets	20,800	31,794
Loss/(gain) on disposal of property, plant and equipment	8,786	(379)
Fair value losses on investment properties	17,300	15,900
Cost of inventories sold (note)	1,675,210	3,879,412
(Reversal of)/allowance for inventories	(846)	3,872
Impairment losses of financial assets, net	884,828	543,535
Impairment losses of property, plant and equipment	—	25,801
Auditor's remuneration	1,750	2,953
Operating lease rentals in respect of land and buildings		
— Minimum lease payment	26,371	26,832

Notes: Cost of inventories sold includes depreciation of approximately HK$47,989,000 (2020: HK$59,764,000) which are included in the amounts disclosed separately.

14. Employee Benefit Expenses

	2021 HK$'000	2020 HK$'000
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	135,675	146,815
Retirement benefit scheme contributions	2,567	5,065
	138,242	151,880

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included five directors (2020: 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:

	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
Name of director	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 2021					
Executive Directors					
Lee Seng Jin (note (i))	–	7,738	520	140	8,398
Sham Yee Lan, Peggy (note (ii))	–	5,302	–	131	5,433
Chow Wing Yuen (note (iii))	–	1,363	–	46	1,409
Lee Yue Kong, Albert (note (iii))	–	929	342	37	1,308
Non-executive Director					
Lau Wang Yip, Eric (note (iv))	–	–	–	–	–
Independent Non-executive Directors					
Choi Wai Hong, Clifford (note (v))	855	–	–	–	855
Leung Vincent Gar-gene (note (vi))	855	–	–	–	855
Lau Wai Leung, Alfred (note (vii))	855	–	–	–	855
Pang Wing Kin, Patrick (note (viii))	–	–	–	–	–
Tong Yat Chong (note (viii))	–	–	–	–	–
Ng Hung Sui, Kenneth (note (viii))	–	–	–	–	–
	2,565	15,332	862	354	19,113

15. Benefits and Interest of Directors (continued)

(a) Directors' emoluments (continued)

	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
Name of director	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 (ix))	–	1,350	3,059	–	4,409
Lee Seng Jin (note (i))	–	7,177	1,560	354	9,091
Sham Yee Lan, Peggy (note (ii))	–	2,850	–	200	3,050
Chow Wing Yuen (note (iii))	–	1,800	–	126	1,926
Lee Yue Kong, Albert (note (iii))	–	1,344	456	94	1,894
Non-executive Director					
Lau Wang Yip, Eric (note (iv))	200	–	–	–	200
Independent Non-executive Directors					
Pang Wing Kin, Patrick (note (viii))	200	–	–	–	200
Tong Yat Chong (note (viii))	200	–	–	–	200
Ng Hung Sui, Kenneth (note (viii))	200	–	–	–	200
	800	14,521	5,075	774	21,170

Notes:

(i) 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 the Chairman and an Executive Director on 20 May 2021.

(ii) 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.

(iii) Mr. Chow Wing Yuen and Mr. Lee Yue Kong, Albert resigned as an Executive Director on 6 February 2021.

(iv) Mr. Lau Wang Yip, Eric resigned as a Non-Executive Director on 12 July 2020.

(v) Mr. Choi Wai Hong, Clifford was appointed as an Independent Non-Executive Director on 16 July 2020. He was re-designated from an Independent Non-Executive Director to an Executive Director on 21 May 2021. He was also appointed as Chairman on 20 May 2021.

(vi) Mr. Leung Vincent Gar-gene was appointed as the Independent Non-Executive Directors on 17 July 2020.

15. Benefits and Interest of Directors (continued)

(a) Directors' emoluments (continued)

Notes: (continued)

(vii) Mr. Lau Wai Leung, Alfred was appointed as the Independent Non-Executive Directors on 17 July 2020. He was re-designated from an Independent Non-Executive Director to an Executive Director on 21 May 2021.

(viii) Mr. Pang Wing Kin, Mr. Tong Yat Chong and Mr. Ng Hung Sui resigned as Independent Non-executive Director on 12 July 2020.

(ix) 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 an Executive Director on 9 December 2019.

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 (2020: 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. Discontinued Operations

(a) Bankruptcy proceedings of UPPSD

On 23 December 2020, UPPSD was informed by the Shandong Court, that a bankruptcy application was filed by a creditor of UPPSD, Weifang Red Automation Equipment Co., Ltd*, who was an equipment provider to UPPSD, against UPPSD. UPPSD filed an objection letter to the Shandong Court against the bankruptcy application.

On 30 December 2020, UPPSD received a civil judgement issued by the Shandong Court, advising that the bankruptcy application filed from a creditor was accepted. A bankruptcy administrator was appointed by Shandong Court on 30 December 2020. UPPSD is the principal operating subsidiary of the Group's paper manufacturing segment.

In accordance to the relevant rules and regulations, UPPSD Bankruptcy Administrator had taken custody of UPPSD's assets and company seal. Therefore, the Group was considered to have lost control on UPPSD. UPPSD remained in operation through the Entrusted Operation, the term of which was extended by an agreement dated 19 January 2021 entered into between UPPSD, the UPPSD Bankruptcy Administrator and Shandong Bairun.

16. Discontinued Operations (continued)

(a) Bankruptcy proceedings of UPPSD (continued)
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.

The UPPSD Bankruptcy Reorganisation plan was approved by its creditors and the Shandong Court on 29 July 2021 and 1 August 2021 respectively and the UPPSD Bankruptcy Administrator was discharged with effect from 1 August 2021. UPPSD resumed its self-operation with effect from 1 August 2021.

(b) Discontinued operations of the paper manufacturing segment from the Group upon the appointment of UPPSD Bankruptcy Administrator
UPPSD is the sole operating subsidiary of the Group engaging in paper manufacturing business. Upon their appointment by the Shandong Court upon the creditor's application, the UPPSD Bankruptcy Administrator took custody of UPPSD's assets and company seal. The Group is considered to have lost control over UPPSD. Therefore, the financial results and position of UPPSD were deconsolidated from these of the Group with effect from 31 December 2020 in accordance with the requirements of HKFRS 10 Consolidated Financial Statements.

Details of the assets and liabilities disposed of, and the calculation of the profit or loss on deconsolidation, are disclosed in note 41(c).

	2021 HK$'000	2020 HK$'000
Loss for the year from discontinued operations:		
Revenue	549,988	1,360,157
Cost of sales	(604,714)	(1,250,218)
Other gains and income, net	10,850	4,637
Selling expenses	(13,039)	(51,626)
Administrative expenses	(80,538)	(17,858)
Impairment losses of financial assets, net	(395,628)	—
Impairment losses of property, plant and equipment	(774,582)	—
Finance costs	(9,489)	(1,563)
(Loss)/profit before tax	(1,317,152)	43,529
Income tax credit	—	1,380
(Loss)/profit for the year	(1,317,152)	44,909
Loss on deconsolidation of a subsidiary	(109,342)	—
(Loss)/profit for the year from discontinued operations	(1,426,494)	44,909
Attributable to:		
Owners of the Company	(1,170,669)	37,184
Non-controlling interests	(255,825)	7,725
	(1,426,494)	44,909

16. Discontinued Operations (continued)

(b) Discontinued operations of the paper manufacturing segment from the Group upon the appointment of UPPSD Bankruptcy Administrator (continued)

	2021 HK$'000	2020 HK$'000
Loss for the year from discontinued operations include the following:		
Depreciation of property, plant and equipment	50,157	70,332
Depreciation of right-of-use assets	3,820	5,056
Amortisation of other intangible assets	41	154
Allowance for inventories	52,414	—

Cash flows from discontinued operations:

	2021 HK$'000	2020 HK$'000
Net cash outflows from operating activities	(2,175,470)	(1,425,891)
Net cash outflows from investing activities	(52,890)	(4,918)
Net cash outflows from financing activities	(131,613)	(224,145)
Net cash outflows	(2,359,973)	(1,654,954)

17. Dividends

	2021 HK$'000	2020 HK$'000
Interim of HK Nil cents (2020: HK0.40 cents) per ordinary share	—	4,564
Interim of HK Nil cents (2020: HK0.40 cents) per preference share	—	528
	—	5,092

18. Loss per Share

From continuing and discontinued operations
The calculation of the basic and diluted loss per share is based on the following:

	2021 HK$'000	2020 HK$'000
Loss		
Loss for the purpose of calculating basic and diluted loss per share	(3,768,764)	(551,094)

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted loss per share	1,141,076	1,141,076

The effect of all potential ordinary shares is anti-dilutive for the year ended 31 March 2021 and 31 March 2020 due to loss making for the year ended 31 March 2021 and 2020.

From continuing operations
The calculation of the basic and diluted loss per share from continuing operations is based on the following:

	2021 HK$'000	2020 HK$'000
Loss		
Loss for the purpose of calculating basic and diluted loss per share	(2,598,095)	(587,750)

From discontinued operations
Basic loss per share from the discontinued operations is HK102.6 cents per share (2020: basic earnings per share of HK3.3 cents per share) and diluted loss per share from the discontinued operations is HK102.6 cents per share (2020: diluted earnings per share of HK3.3 cents per share), based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK$1,170,669,000 (2020: profit for the year of approximately HK$37,184,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

19. 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 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	(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 and 1 April 2020	423,274	15,926	1,630,564	50,350	43,406	33,662	187,615	2,384,797
Additions	–	1	15	3	–	785	–	804
Transfer from properties under development (note 27)	51,570	–	–	–	–	–	–	51,570
Disposals	–	(3,057)	(13,279)	(3,542)	–	(773)	–	(20,651)
Disposals/deconsolidation/ deregistration of subsidiaries	(376,424)	(11,547)	(1,729,422)	(38,968)	(44,058)	(32,028)	(211,913)	(2,444,360)
Exchange differences	42,975	43	118,393	1,026	1,376	3,632	24,298	191,743
At 31 March 2021	141,395	1,366	6,271	8,869	724	5,278	–	163,903
Accumulated depreciation								
At 1 April 2019	20,095	11,333	416,306	49,389	33,632	30,296	–	561,051
Reclassification due to adoption of HKFRS 16	(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 difference	(4,126)	(239)	(25,031)	(3,372)	(1,742)	(718)	–	(35,228)
At 31 March 2020 and 1 April 2020	9,668	11,469	435,151	41,831	28,432	30,331	25,801	582,683
Charge for the year	8,991	387	45,600	1,749	1,083	1,255	–	59,065
Disposals	–	(1,117)	(7,728)	(2,361)	–	(659)	–	(11,865)
Impairment loss	–	–	774,582	–	–	–	–	774,582
Disposals/deconsolidation/ de-registration of subsidiaries	(4,216)	(9,714)	(1,310,726)	(33,737)	(29,583)	(28,067)	(25,801)	(1,441,844)
Exchange differences	5,947	8	68,968	1,037	487	720	–	77,167
At 31 March 2021	20,390	1,033	5,847	8,519	419	3,580	–	39,788
Carrying amount								
At 31 March 2021	121,005	333	424	350	305	1,698	–	124,115
At 31 March 2020	413,606	4,457	1,195,413	8,519	14,974	3,331	161,814	1,802,114

19. Property, Plant and Equipment (continued)

At 31 March 2021 and 2020, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to HK$17,653,000 (2020: HK$29,076,000).

The Group's leasehold land and buildings were revalued at 31 March 2020 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:

	2021 HK$'000	2020 HK$'000
Cost	104,403	185,551
Accumulated depreciation	(18,892)	(41,519)
Net book amounts	85,511	144,032

The analysis of the cost or valuation at 31 March 2021 and 2020 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	–	1,366	6,271	8,869	724	5,278	–	22,508
At valuation	141,395	–	–	–	–	–	–	141,395
At 31 March 2021	141,395	1,366	6,271	8,869	724	5,278	–	163,903
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	423,274	15,926	1,630,564	50,350	43,406	33,662	187,615	2,384,797

The recoverable amounts of the CGUs have been determined on the basis of the higher of its fair value less costs of disposal and its 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 rate 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 business of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

As at 31 December 2020, before impairment testing, property, machinery and equipment of approximately HK$1,887,122,000 was allocated to UPPSD. Due to the court order on voluntary winding up for restructuring purpose on 24 July 2020, UPPSD has experienced in shortage of the working capital for operation. The management considered there was an impairment indicator of the non-current assets attributed to UPPSD. The carrying amount of UPPSD has been reduced to its recoverable amount of approximately HK$975,557,000 and an impairment loss of approximately HK$911,565,000 on machinery and equipment was recognised for the year ended 31 March 2021.

19. Property, Plant and Equipment (continued)

The growth rate and pre-tax discount rate used by the Group to prepare the cashflow forecast of UPPSD is 2% and 14.48% respectively. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with residual period using the growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets. The recoverable amount of the assets of UPPSD, other than the machinery and equipment, is not less than their carrying amounts and no provision for the impairment loss has been made on other assets.

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 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.

	2021 HK$'000	2020 HK$'000
At 1 April	725,785	742,676
Deconsolidation of subsidiaries (note 41(d))	(692,400)	—
Fair value losses	(17,300)	(15,900)
Exchange differences	1,236	(991)
At 31 March	17,321	725,785

Investment properties were revalued at 31 March 2020 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 2021, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to HK$Nil (2020: HK$294,700,000).

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	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 and 1 April 2020	295,135	23,376	6,602	325,113
Depreciation	(8,891)	(13,838)	(1,891)	(24,620)
Disposal/deconsolidation/deregistration of subsidiaries	(271,667)	(5,352)	(3,711)	(280,730)
Exchange differences	14,120	66	342	14,528
At 31 March 2021	28,697	4,252	1,342	34,291

Lease liabilities of HK$5,077,000 (2020: HK$27,214,000) are recognised with related right-of-use assets of HK$4,252,000 (2020: HK$29,978,000) as at 31 March 2021. 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 2021, the leasehold lands were pledged as security for borrowings.

	2021 HK$'000	2020 HK$'000
Depreciation expenses on right-of-use assets	24,620	36,850
Interest expense on lease liabilities (included in finance cost)	724	1,308
Expenses relating to short-term lease (included in cost of goods sold and administrative expenses)	10,196	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 41(i).

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. 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

	2021 HK$'000	2020 HK$'000
Cost		
At 1 April	35,699	37,622
Disposal of subsidiaries (note 41(a))	(35,699)	—
Exchange differences	—	(1,923)
At 31 March	—	35,699
Accumulated impairment		
At 1 April and 31 March	—	—
Carrying amount		
At 31 March	—	35,699

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 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.

As at 31 March 2020, 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%. 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%.

23. Other Intangible Assets

	Computer software HK$'000
Cost	
At 1 April 2019	12,508
Additions	1,546
Exchange differences	(51)
At 31 March 2020 and 1 April 2020	14,003
Disposal/deconsolidation/deregistration of subsidiaries	(14,067)
Exchange differences	64
At 31 March 2021	—
Accumulated amortisation	
At 1 April 2019	8,437
Amortisation for the year	1,054
Exchange differences	(28)
At 31 March 2020 and 1 April 2020	9,463
Amortisation for the year	363
Disposal/deconsolidation/deregistration of subsidiaries	(9,869)
Exchange differences	43
At 31 March 2021	—
Carrying amount	
At 31 March 2021	—
At 31 March 2020	4,540

As at 31 March 2021, the average remaining amortisation period of the computer software are 5 years (2020: 6 years).

24. Financial Assets at FVTOCI

	2021 HK$'000	2020 HK$'000
Unlisted investments, at fair value		
Equity securities	1,831	1,700
Analysed as non-current assets	1,831	1,700

As at 31 December 2021, 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

	2021 HK$'000	2020 HK$'000
Unlisted investments		
Investments in life insurance	–	5,169
Analysed as non-current assets	–	5,169

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.

The investments in life insurance were redeemed during the year.

Financial assets at FVTPL are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	–	547
US$	–	4,622
	–	5,169

26. Accounts and Other Receivables

	2021 HK$'000	2020 HK$'000
Accounts receivable	229,410	961,320
Bills receivable	27,922	40,240
Allowance for impairment losses	(46,292)	(75,180)
	211,040	926,380
Other receivables	233,095	709,520
Deposits	6,377	12,689
Prepayments	3,824	47,818
	454,336	1,696,407
Analysed as:		
Current assets	452,482	1,675,549
Non-current assets	1,854	20,858
	454,336	1,696,407

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.

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

	2021 HK$'000	2020 HK$'000
Current to 60 days	37	636,794
61 to 90 days	7	127,554
Over 90 days	210,996	162,032
	211,040	926,380

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

	2021 HK$'000	2020 HK$'000
HK$	285	117,332
US$	368	1,181
RMB	172,089	714,572
SGD	176	29,517
WON	38,122	41,394
RM	—	22,384
	211,040	926,380

27. Properties under Development

	2021 HK$'000	2020 HK$'000
At 1 April	211,701	206,127
Additions	55,213	27,976
Transfer	(51,570)	(12,598)
Exchange differences	12,040	(9,804)
At 31 March	227,384	211,701

Properties under development comprise:

	2021 HK$'000	2020 HK$'000
Nantong		
— Land use rights	29,485	27,914
— Construction cost and capitalised expenditure	197,899	183,787
	227,384	211,701

As at 31 March 2021 and 2020, 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.

28. Inventories

	2021 HK$'000	2020 HK$'000
Raw materials	—	128,957
Finished goods	11,023	606,928
	11,023	735,885

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:

	2021 HK$'000	2020 HK$'000
HK$	27,234	42,710
US$	1,304	25,326
RMB	165,656	226,418
SGD	260	1,183
WON	612	874
RM	—	1,487
Euro ("EUR")	—	253
Australian Dollar ("AUD")	—	248
Japanese Yen ("JPY")	—	2
	195,066	298,501

As at 31 March 2021, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$165,656,000 (2020: HK$226,418,000). 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.

30. Accounts and Other Payables

	2021 HK$'000	2020 HK$'000
Accounts payable	381,871	439,775
Bills payable	2,789	433,517
	384,660	873,292
VAT tax payables	—	46,368
Accruals and other payables	128,633	273,529
	513,293	1,193,189
Analysed as:		
Current liabilities	513,293	1,192,171
Non-current liabilities	—	1,018
	513,293	1,193,189

30. Accounts and Other Payables (continued)

The ageing analysis of accounts and bills payables, based on invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
Current to 60 days	—	717,893
61 to 90 days	—	155,399
Over 90 days	384,660	—
	384,660	873,292

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

	2021 HK$'000	2020 HK$'000
HK$	3	6,077
US$	370,513	1,386
RMB	617	825,887
SGD	1,296	7,629
WON	12,231	21,624
RM	—	10,689
	384,660	873,292

31. Contract Liabilities

Contract liabilities are advance from customers.

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

	2021 HK$'000	2020 HK$'000
Balance at 1 April	3,362	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	(2,499)	(25,263)
Decrease in contract liabilities as a result of derecognition of subsidiaries	(863)	—
Increase in contract liabilities as a result of billing in advance	—	3,362
Balance at 31 March	—	3,362

No advance from customers that is excepted to be recognised as income after more than one year (2020: HK$Nil).

32. Borrowings

	2021 HK$'000	2020 HK$'000
Bank loans	410,817	1,613,185
Trust receipt loans	—	1,303,045
	410,817	2,916,230

The borrowings are repayable as follows:

	2021 HK$'000	2020 HK$'000
Within one year and on demand	166,016	2,548,347
More than one year, but not exceeding two years	239,380	119,267
More than two years, but not more than five years	3,826	242,838
More than five years	1,595	5,778
	410,817	2,916,230
Less: Amount due for settlement within 12 months (shown under current liabilities)	(404,121)	(2,904,142)
Amount due for settlement after 12 months	6,696	12,088

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

	Bank loans HK$'000	Trust receipt loans HK$'000	Total borrowings HK$'000
As at 31 March 2021			
HK$	402,846	—	402,846
RMB	7,971	—	7,971
	410,817	—	410,817
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
	1,613,185	1,303,045	2,916,230

The interest rates per annum were as follows:

	2021	2020
Bank loans	4.0%–5.6%	2.8%–6.1%
Trust receipt loans	N/A	4.0%

32. Borrowings (continued)

Bank loans of HK$7,971,000 (2020: HK$235,595,000) 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$7,971,000 (2020: HK$107,903,000) is secured by a charge over the Group's property, plant and equipment (note 19) and investment properties (note 20).

At 31 March 2021, the Group had HK$Nil (2020: HK$1,361,939,000) of available undrawn borrowing facilities.

During the years ended 31 March 2021 and 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$402,846,000 (2020: HK$2,902,565,000) were subject to early repayment options by the banks. Such bank loans were reclassified as current liabilities as at 31 March 2021 and 31 March 2020 respectively.

33. Lease Liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Within one year	3,838	17,848	3,728	17,060
In the second to fifth years, inclusive	1,369	10,603	1,349	10,154
	5,207	28,451	5,077	27,214
Less: Future finance charges	(130)	(1,237)	N/A	N/A
Present value of lease obligations	5,077	27,214		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,728)	(17,060)
Amount due for settlement after 12 months			1,349	10,154

The weighted average incremental borrowing rates applied to lease liabilities is 4% (2020: 1.88% to 6.55%).

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

	2021 HK$'000	2020 HK$'000
HK$	220	12,678
SGD	—	4,616
WON	68	248
RM	—	42
RMB	4,789	9,630
	5,077	27,214

34. Financial Guarantee Liabilities

	2021 HK$'000	2020 HK$'000
Fair value of financial guarantee liabilities	2,284,136	—

At the end of the reporting period, the Company has issued certain guarantees of approximately HK$2,284,136,000 to some banks and a supplier in respect of banking and trade facilities granted to the deconsolidated subsidiaries of the Company. Under the guarantees, the Company and its deconsolidated subsidiaries are jointly and severally liable for all or any of the borrowings of each of them from the banks upon failure of the guaranteed entity to make payments when due.

The maximum liability of the Group at the end of the reporting period under guarantees is the amount of bank loans and the payables to a supplier drawn under the guarantees at that date of HK$2,926,336,000 (2020: HK$Nil).

35. 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 2019	(31,995)	(40,982)	(23,614)	(96,591)
Impact on initial application of HKFRS 16	—	(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
Credited 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 and 1 April 2020	(11,189)	(75,880)	(21,509)	(108,578)
Charge/(credited) to profit or loss for the year	2,656	2,896	(2,160)	3,392
Credited to other comprehensive income for the year	—	(22)	22	—
Derecognition of the disposed/deconsolidated/deregistered subsidiaries	4,462	74,370	10,815	89,647
Exchange difference	(3,517)	(23,853)	(6,761)	(34,131)
At 31 March 2021	(7,588)	(22,489)	(19,593)	(49,670)

35. Deferred Tax (continued)

Deferred tax assets

	Provisions HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2019	5,958	1,385	7,343
Credit/(charged) to profit or loss for the year	(1,387)	2,647	1,260
Exchange difference	(404)	(94)	(498)
At 31 March 2020 and 1 April 2020	4,167	3,938	8,105
Credit/(charged) to profit or loss for the year	2,472	(5,864)	(3,392)
Derecognition of the disposed/deconsolidated/ deregistered subsidiaries	(4,565)	1,415	(3,150)
Exchange difference	2,736	1,100	3,836
At 31 March 2021	4,810	589	5,399

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

	2021 HK$'000	2020 HK$'000
Deferred tax liabilities	(49,670)	(108,578)
Deferred tax assets	5,399	8,105
	(44,271)	(100,473)

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 2021, the Group did not recognise deferred income tax assets of HK$40,812,000 (2020: HK$35,685,000) in respect of losses of approximately HK$230,576,000 (2020: HK$201,611,000). Tax losses amounting to approximately HK$52,521,000 (2020: HK$30,883,000) will be expired up to year 2027 (2020: 2026), while the remaining balance can be carried forward indefinitely.

36. Share Capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,456,913,987	145,691
Convertible non-voting preference shares of HK$0.10 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	143,086,013	14,309
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,600,000,000	160,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,141,075,827	114,108
Convertible non-voting preference shares of HK$0.10 each		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	132,064,935	13,207
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	1,273,140,762	127,315

36. Share Capital (continued)

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.

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 2021 and 2020, no convertible non-voting preference shares were converted.

36. 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 2021, 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.

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.

36. Share Capital (continued)

Share option scheme (continued)

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 2021 and 31 March 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Total debt	415,894	2,943,444
Less: bank and cash balances	(195,066)	(298,501)
Net debt	220,828	2,644,943
(Capital deficiency)/total equity	(2,178,194)	1,499,641
Total capital	(1,957,366)	4,144,584
Gearing ratio	N/A	63.8%

As at March 2021, the calculation of gearing ratio is not meaningful as the Group was in capital deficiency position.

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 2021, 25% of the shares were in public hands.

Breaches in meeting the financial covenants would permit the banks 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 loans of HK$402,846,000 (2020: HK$2,902,565,000) were subject to early repayment options by the banks. Such bank loans were classified as current liabilities as at 31 March 2021 and 31 March 2020 respectively.

37. Statement of Financial Position and Reserve Movement of the Company

(a) Statement of financial position of the Company

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment in subsidiaries	43	249,897	1,557,446
Current Assets			
Prepayments		88	85
Taxation recoverable		32	—
Bank balances		101	102
		221	187
Current liabilities			
Accruals		8,297	1,960
Amounts due to subsidiaries		10,407	—
Financial guarantee liabilities		2,284,136	1,307,549
		2,302,840	1,309,509
Net current liabilities		(2,302,619)	(1,309,322)
NET LIABILITIES		(2,052,722)	248,124
Equity			
Share capital	36	127,315	127,315
Reserves	37(b)	(2,180,037)	120,809
CAPITAL DEFICIENCY		(2,052,722)	248,124

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**

37. 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 38(b)(iv))	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
At 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 and 1 April 2020	161,262	249,697	(290,150)	120,809
Total comprehensive income for the year	—	—	(2,300,846)	(2,300,846)
At 31 March 2021	161,262	249,697	(2,590,996)	(2,180,037)

38. 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.

38. 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.

39. Capital Commitments

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

	2021 HK$'000	2020 HK$'000
Property, plant and equipment	—	124,991

40. Operating Lease Arrangements

The Group as lessee

The Group regularly entered into short-term leases for offices and warehouses. As at 31 March 2021, the outstanding lease commitments relating to these premises is approximately HK$Nil (2020: HK$2,113,000). As at 31 March 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 21.

The Group as lessor

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.

	2021 HK$'000	2020 HK$'000
Within year 1	3,023	14,647
In the second year	1,132	3,863
In the third year	—	1,052
	4,155	19,562

41. Notes to the Consolidated Statement of Cash Flows

(a) Disposal of subsidiaries — Hypex International

On 25 September 2020, the Group disposed of its entire equity interests in Hypex International for a consideration of HK$1. Hypex International is included in others segment in the segment information.

Assets and liabilities as at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	952
Right-of-use assets	16,333
Goodwill	35,699
Inventories	625
Accounts and other receivables	18,427
Bank and cash balances	2,640
Accounts and other payables	(3,818)
Lease liabilities	(2,849)
Deferred tax liabilities	(278)
	67,731
Release of foreign currency translation reserve	4,423
Less: non-controlling interests	(266)
Gain on disposal of subsidiaries	10,457
Total consideration	82,345
Consideration satisfied by	
Cash	*
Waiver of amount due to Hypex International	82,345
	82,345
Net cash outflow arising on disposal:	
Cash consideration received	*
Cash and cash equivalents disposed of	(2,640)
	(2,640)

* Less than HK$1,000

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

(b) Disposal of subsidiaries — Samson Paper (M) Sdn. Bhd. ("SM(M)")

On 28 January 2021, the Group disposed of its entire equity interests in SM(M) for a consideration of HK$1. SM(M) is included in paper trading segment in the segment information.

Assets and liabilities as at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	11,843
Deferred tax assets	1,289
Inventories	28,917
Accounts and other receivables	26,405
Taxation recoverable	297
Bank and cash balances	2,287
Accounts and other payables	(19,817)
Borrowings	(5,014)
Lease liabilities	(20)
Deferred tax liabilities	(504)
	45,683
Release of foreign currency translation reserve	12,688
Loss on disposal of subsidiaries	(58,371)
Total consideration	*
Consideration satisfied by	
Cash	*
Net cash outflow arising on disposal:	
Cash consideration received	*
Cash and cash equivalents disposed of	(2,287)
	(2,287)

* Less than HK$1,000

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

(c) Deconsolidation of a subsidiary — UPPSD

Upon their appointment, UPPSD Bankruptcy Administrator had taken custody of UPPSD's assets and company seal. Therefore, the Group was considered to have lost control on UPPSD and the financial results and position of UPPSD was deconsolidated from those of the Group with effect from 31 December 2020 in accordance with the requirement of HKFRS 10 Consolidated Financial Statements.

Assets and liabilities of UPPSD as at the date of deconsolidation (i.e. 31 December 2020) are as follows:

	HK$'000
Property, plant and equipment	975,557
Right-of-use assets	155,969
Other intangible assets	243
Inventories	10,034
Accounts and other receivables	183,246
Bank and cash balances	22,819
Accounts and other payables	(1,086,652)
Taxation payable	(68,160)
Borrowings	(175,407)
Deferred tax liabilities	(77,413)
	(59,764)
Release of foreign currency translation reserve	156,185
Less: non-controlling interests	12,921
Loss on deconsolidation of a subsidiary	(109,342)
Total consideration	—
Consideration satisfied by	
Cash	—
Net cash outflow arising on deconsolidation:	
Cash consideration received	—
Cash and cash equivalents deconsolidated of	(22,819)
	(22,819)

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.

The UPPSD Bankruptcy Reorganisation plan was approved by its creditors and the Shandong Court on 29 July 2021 and 1 August 2021 respectively. Pursuant to an order of the Shandong Court on 1 August 2021, the UPPSD Bankruptcy Administrator was discharged with effect from 1 August 2021. Following the discharge of the UPPSD Bankruptcy Administrator, UPPSD resumed its self-operation with effect from 1 August 2021. Financial results and position of UPPSD were consolidated into those of the Group in accordance with the requirements of HKFRS 10 Consolidated Financial Statements with effect from 1 August 2021.

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

(d) Deconsolidation of subsidiaries — SMHK

On 14 August 2020, the shareholder of SMHK, a 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, a special resolution has passed by the shareholder of SMHK to wind up SMHK by way of creditors' voluntary liquidation and joint and several liquidators were appointed.

In the opinion of the directors, the Group has considered to have lost control on SMHK as the Group has no further involvement in the relevant activities of SMHK nor any ability to affect the return thereof.

Assets and liabilities as at the date of deconsolidation are as follows:

	HK$'000
Property, plant and equipment	10,444
Investment properties	692,400
Right-of-use assets	104,131
Other intangible assets	2,740
Inventories	70,293
Accounts and other receivables	281,230
Taxation recoverable	25
Restricted bank deposits	63,814
Bank and cash balances	53,123
Accounts and other payables	(75,863)
Contract liabilities	(863)
Trust receipt loans	(1,218,749)
Taxation payable	(33,446)
Borrowings	(950,286)
Lease liabilities	(117)
Deferred tax liabilities	(11,452)
	(1,012,576)
Release of foreign currency translation reserve	4,457
Gain on deconsolidation of subsidiaries (note (i))	1,008,119
Total consideration	—
Consideration satisfied by	
Cash	—
Net cash outflow arising on deconsolidation:	
Cash consideration received	—
Cash and cash equivalents deconsolidated of	(53,123)
	(53,123)

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

(d) Deconsolidation of subsidiaries — SMHK (continued)

Segment information analysed as:

	HK$'000
Paper trading segment	1,812,928
PID segment	(788,914)
Others segment	(15,895)
Gain on deconsolidation of subsidiaries	1,008,119

(e) Disposal of subsidiaries — Kang Shun Group Limited ("Kang Shun")

On 19 October 2020, the Group disposed of its entire equity interests in Kang Shun for a consideration of HK$1. Kang Shun is included in paper trading segment in the segment information.

Assets and liabilities as at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	3,624
Right-of-use assets	4,297
Other intangible assets	1,215
Non-current deposits and prepayments	1,191
Deferred tax assets	1,353
Inventories	27,356
Accounts and other receivables	56,943
Bank and cash balances	1,222
Accounts and other payables	(14,194)
Lease liabilities	(4,475)
	78,532
Loss on disposal of subsidiaries	(78,532)
Total consideration	*
Consideration satisfied by	
Cash	*
Net cash outflow arising on disposal:	
Cash consideration received	*
Cash and cash equivalents disposed of	(1,222)
	(1,222)

* Less than HK$1,000

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

(f) Deregistration of subsidiaries

During the year, certain subsidiaries of the Group in paper trading segment and others segment were deregistered.

Assets and liabilities as at the date of deregistration are as follows:

	HK$'000
Property, plant and equipment	96
Deferred tax assets	508
Inventories	333
Accounts and other receivables	11,469
Bank and cash balances	7,611
Accounts and other payables	(7,898)
Taxation payable	(15)
	12,104
Release of foreign currency translation reserve	1,258
Loss on deregistration of subsidiaries	(13,362)
Total consideration	—
Consideration satisfied by	
Cash	—
Net cash outflow arising on deregistration:	
Cash consideration received	—
Cash and cash equivalents deregistered of	(7,611)
	(7,611)

Segment information analysed as:

	HK$'000
Paper trading segment	(14,270)
Others segment	908
Loss on deregistration of subsidiaries	(13,362)

(g) Major non-cash transactions

During the year, the additions to right-of-use assets and lease liabilities of HK$Nil (2020: HK$8,446,000) were recognised.

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

(h) 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$'000	Finance lease liabilities HK$'000	Bank loans (note 32) HK$'000	Trust receipt loans (note 32) HK$'000	Total HK$'000
At 31 March 2019	—	3,278	1,691,244	1,051,271	2,745,793
Impaction on initial application of HKFRS 16	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 41(g))	8,446	—	—	—	8,446
At 31 March 2020 and 1 April 2020	27,214	—	1,613,185	1,303,045	2,943,444
Repayments	(16,178)	—	(94,028)	(101,533)	(211,739)
Interest expenses	724	—	21,752	17,237	39,713
Disposal/deconsolidation/ deregistration of subsidiaries	(7,461)	—	(1,130,707)	(1,218,749)	(2,356,917)
Exchange differences	778	—	615	—	1,393
At 31 March 2021	5,077	—	410,817	—	415,894

(i) Total cash outflow for leases

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

	2021 HK$'000	2020 HK$'000
Within operating cash flows	10,920	10,706
Within financing cash flows	15,454	22,951
	26,374	33,657

These amounts relate to the following:

	2021 HK$'000	2020 HK$'000
Lease rental paid	26,374	33,657

42. Related Party Transactions

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

	2021 HK$'000	2020 HK$'000
Basic salaries and allowances	15,985	20,396
Retirement benefit scheme contributions	278	774
	16,263	21,170

43. Principal Subsidiaries

Particulars of the Groups' major subsidiaries of 31 March 2021 and 2020 are set as follow:

Name	Place of incorporation/ establishment	Issued and paid up capital/ registered capital	Percentage of ownership interest/voting power/ profit sharing 2021	2020	Principal Activities/ Place of operation
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
High Flyer International Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	–	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	Trading of paper products in Malaysia

43. Principal Subsidiaries (continued)

Particulars of the Groups' major subsidiaries of 31 March 2021 and 2020 are set as follow: (continued)

Name	Place of incorporation/ establishment	Issued and paid up capital/ registered capital	Percentage of ownership interest/voting power/ profit sharing 2021	2020	Principal Activities/ Place of operation
Indirectly held: (continued)					
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	Trading of paper products in the PRC
Samson Paper Company Limited	Hong Kong	10 ordinary shares of HK$100 each	–	100	Trading of paper products in Hong Kong
		285,000 non-voting shares of HK$100 each			
Shenzhen High Flyer International Transportation Co. Ltd.*	The PRC	Registered capital RMB10,000,000	–	100	Container transport services in the PRC
Shun Hing Paper Company Limited	Hong Kong	7,600 ordinary shares of HK$100 each	–	100	Trading of paper products in Hong Kong
		2,400 non-voting shares of HK$100 each			
Jordan Property Investment (Xiamen) Co. Ltd.*	The PRC	Registered capital RMB3,000,000	100	100	Property management in PRC
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	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.

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.

44. Events after the Reporting Period

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* (濰坊瑞德自動化設備有限公司) 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.

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 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.

45. Comparative Figures

The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

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