THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Samson Paper Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

森信
Samson group
集團

SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 731)

CONNECTED AND MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF KINGSRICH GROUP LIMITED

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

taifook
TAIFOOK CAPITAL LIMITED

A letter from the board of directors of Samson Paper Holdings Limited is set out on pages 5 to 21 of this circular and a letter from the Independent Board Committee (as defined herein) is set out on page 22 of this circular. A letter from the Independent Financial Adviser (as defined herein) containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 34 of this circular.

* *For identification purpose only*

20 August 2007

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares and the Loan by the Company subject to and upon the terms and conditions of the Sale and Purchase Agreement
"Agreed Exchange Rate"	US$1 to HK$7.8164
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Company"	Samson Paper Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
"Completion Date"	the date on which the sale and purchase of the Sale Shares and the Loan in accordance with the Sale and Purchase Agreement is completed
"Conditions"	the conditions precedent to Completion provided in the Sale and Purchase Agreement, a summary thereof is set out in this circular
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration for the Sale Shares and the Loan, comprising the Share Consideration and the Loan Consideration
"Directors"	the directors of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"GDP"	Gross Domestic Product
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency for the time being of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"Hypex"	Hypex Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
"Independent Board Committee"	an independent board committee of the Company consisting of Mr. Tong Yat Chong and Mr. Ng Hung Sui, Kenneth, who are independent non-executive Directors

"Independent Financial Adviser"	Taifook Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition
"Independent Shareholders"	Shareholders other than those prohibited from voting under the Listing Rules
"Independent Third Party"	a third party which is not a connected person of the Company
"JNGEDZC"	江蘇省南通港閘經濟開發區總公司 (Jiangsu Nantong Gangzha Economic Development Zone Corp.), an unincorporated entity established in the PRC, an Independent Third Party
"JYTP"	江蘇遠通紙業有限公司 (Jiangsu Yuan Tong Paper Co. Ltd.), a company incorporated in the PRC with limited liability which is owned as to 99% by Kingsrich and 1% by JNGEDZC
"Kingsrich"	Kingsrich Group Limited, a company incorporated in the BVI with limited liability wholly-owned by the Vendor as at the Latest Practicable Date
"Kingsrich Group"	Kingsrich and JYTP
"Land"	the land located at 中國江蘇省南通市港閘區通港路南側 (Southern Side of Tong Gang Road, Gang Zha District, Nantong City, Jiangsu Province, the PRC) with a gross area of approximately 194,000 square metres
"Land Use Right Grant Contract"	國有土地使用權出讓合同 (Land Use Right of State-Owned Land Grant Contract) in respect of the Land dated 27 April 2007 made between the Nantong Land Bureau (as transferor) and JYTP (as transferee)
"Latest Practicable Date"	17 August 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the aggregate amount of the loan owing by Kingsrich to the Vendor and outstanding as at the Completion Date (which shall be US$295,528 (equivalent to approximately HK$2,309,965)) which is unsecured, interest-free and repayable on demand

"Loan Consideration"	the consideration for the Loan, which shall be an amount denominated in Hong Kong dollars equivalent to the principal amount of the Loan as at the Completion Date
"Long Stop Date"	31 August 2007, or such other date as the Vendor and the Purchaser may agree in writing
"Nantong Land Bureau"	中華人民共和國江蘇省南通市國土資源局 (The Bureau of State Land and Resources of Nantong City, Jiangsu Province, the PRC)
"PRC"	the People's Republic of China
"Purchaser"	Rise Gain Development Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"RM"	Ringit, the lawful currency of Malaysia
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 13 July 2007 entered into between the Vendor, the Vendor Guarantor and the Purchaser in relation to the Acquisition
"Sale Shares"	1,000 ordinary shares of US$1 each, representing the entire issued share capital of Kingsrich
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	shares in the capital of the Company
"Share Consideration"	the consideration for the Sale Shares, which shall be the difference between HK$7,997,568 and the Loan Consideration
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"US$"	United States dollars, the lawful currency of the United States of the America
"Valuer"	Savills Valuation and Professional Services Limited, an independent professional property valuer
"Vendor"	Better Development Limited, a company incorporated in the BVI which is indirectly owned as to 100% by the Vendor Guarantor
"Vendor Guarantor"	Ms. Liu Lai Sum, Christina, the sister-in-law of Mr. Pang Wing Kin, Patrick, an independent non-executive Director

"Written Approval"	the written approval of the Sale and Purchase Agreement and the transactions contemplated thereby by Quinselle Holdings Limited and Mr. Lee Seng Jin
"%"	per cent.

For the purposes of this circular, for illustration purpose, amounts in United States dollars and Renminbi have been translated into Hong Kong dollars at the exchange rate of US$1 to HK$7.8164 and RMB1 to HK$1.0267 respectively. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rates.

森信
Samson group
集團

SAMSON PAPER HOLDINGS LIMITED

森 信 紙 業 集 團 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 731)

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

Non-Executive Directors:
Lau Wang Yip, Eric

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

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

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

20 August 2007

To the Shareholders,

Dear Sir or Madam,

CONNECTED AND MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF KINGSRICH GROUP LIMITED

1. INTRODUCTION

By an announcement dated 13 July 2007, the Company announced that the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor and the Vendor Guarantor for the acquisition by the Purchaser of the entire issued share capital of, and shareholder's loan in, Kingsrich for an aggregate consideration of HK$7,997,568.

Kingsrich, a wholly-owned subsidiary of the Vendor, was incorporated in the British Virgin Islands with limited liability. JYTP is a Sino-foreign equity joint venture company with limited liability established in the PRC and in which Kingsrich has a 99% equity interest and JNGEDZC, an Independent Third Party, has a 1% equity interest.

* *For identification purpose only*

As the Vendor is indirectly owned as to 100% by the Vendor Guarantor, who is the sister-in-law of Mr. Pang Wing Kin, Patrick, an independent non-executive director, the Vendor Guarantor is considered to be an associate of Mr. Pang Wing Kin, Patrick and thus, a connected person of the Company.

In accordance with the requirements of Rule 14.15(3) of the Listing Rules, in calculating the consideration ratio, in addition to the Consideration, the amount of capital contribution to be made to JYTP by Kingsrich shall also be included since such capital contribution obligation of Kingsrich will, as a result of the Acquisition, effectively be taken up by the Group. On such basis, the consideration ratio for the Acquisition is not less than 25% but is less than 100%, the Acquisition therefore constitutes a connected and major transaction for the Company under Chapter 14A and Chapter 14 of the Listing Rules respectively and is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules.

The Company has obtained the Written Approval from Quinselle Holdings Limited and Mr. Lee Seng Jin who together controlled approximately 65.22% in nominal value of the issued Shares as at the Latest Practicable Date. As no Shareholder has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereby, no Shareholder is required to abstain from voting if a general meeting of the Company is convened to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Accordingly, pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, the Company has applied for, and the Stock Exchange has granted, a waiver of the requirement to hold a shareholders' meeting and the permission for the Independent Shareholders' approval be given in the form of the Written Approval to the Company.

The Board has appointed the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the Independent Financial Adviser is appointed by the Company to provide its opinion to the Independent Board Committee and the Independent Shareholders.

2. THE SALE AND PURCHASE AGREEMENT

Date: 13 July 2007

Parties: (1) Vendor, an associate of the Vendor Guarantor

(2) Vendor Guarantor, an associate of an independent non-executive Director and therefore, a connected person of the Company

(3) Purchaser, an indirect wholly-owned subsidiary of the Company

Subject matter:

The Sale Shares

1,000 ordinary shares of US$1 each in the share capital of Kingsrich, representing the entire issued share capital of Kingsrich.

The Loan

The aggregate amount of the loan owing by Kingsrich to the Vendor and outstanding as at the Completion Date (which shall be US$295,528 (equivalent to approximately HK$2,309,965)) which is unsecured, interest-free and repayable on demand.

Consideration:

The Consideration of HK$7,997,568, comprising the Loan Consideration and the Share Consideration, is arrived at on an arm's length basis between the Vendor and the Purchaser. In the determination of the Consideration, the Purchaser has considered the paid up capital of Kingsrich of US$1,000 (equivalent to approximately HK$7,816) and the amount of the Loan as at 31 May 2007 of US$295,528 (equivalent to approximately HK$2,309,965 at the Agreed Exchange Rate) and has also considered (i) the market value of the Land as at 31 March 2007 of approximately RMB65 million (equivalent to approximately HK$66.74 million) as indicated to the Company by the Valuer which is higher than the amount of land premium payable by JYTP under the Land Use Right Grant Contract; and (ii) the time and effort spent by the Vendor in the setting up of JYTP including, but not limited to, the negotiation of the terms of the joint venture contract and the joint venture articles of JYTP and the Land Use Right Grant Contract. The executive Directors considered that taking into account in particular the increase in market value of the Land as compared to the amount of land premium payable in respect of the Land, the premium represented by the difference between the Consideration and the aggregate amount of paid up capital of Kingsrich and the Loan is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

In giving its indication of the market value of the Land, the Valuer has assumed the Land is freely transferable in the market at no extra land premium and other onerous charges payable and on the basis that it is given vacant possession and free from encumbrances.

The Loan Consideration is an amount denominated in Hong Kong dollars (at the Agreed Exchange Rate) equivalent to the principal amount of the Loan. The aggregate amount of the loan owing by Kingsrich to the Vendor and outstanding as at the Latest Practicable Date is the same as the amount outstanding as at 31 May 2007 of US$295,528 (equivalent to approximately HK$2,309,965 at the Agreed Exchange Rate). The Share Consideration is the difference between HK$7,997,568 and the Loan Consideration. The Consideration is payable by the Company to the Vendor in cash on Completion.

The Purchaser will fund the Consideration through internal resources of the Group.

Conditions:

Completion of the Sale and Purchase Agreement is conditional upon the satisfaction or (where applicable) waiver of the following conditions:

(a) the Company having obtained approval of the Sale and Purchase Agreement and the transactions contemplated thereunder from its Shareholders in accordance with the requirements of the Listing Rules;

(b) due diligence on Kingsrich and JYTP being completed to the satisfaction of the Purchaser and there being no matter appearing to the Purchaser from such due diligence which in the opinion of the Purchaser may adversely affect the value of the Sale Shares and/or the Loan;

(c) all consents, approvals and waivers as may be required or necessary under any instrument, contract, document or agreement to which the Vendor, any Vendor Guarantor, Kingsrich or JYTP is a party or by which any of them or their respective assets are bound for the sale and transfer of the Sale Shares and the Loan to give effect to the transactions contemplated by the Sale and Purchase Agreement being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to the Purchaser in its sole and absolute discretion; and

(d) the representations, warranties and undertakings set out in the Sale and Purchase Agreement given by the Vendor remaining true, accurate and not misleading as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date.

The conditions set out in (b), (c) and (d) above may be waived by the Purchaser in writing at any time either in whole or in part and such waiver(s) may be made subject to such terms and conditions as the Purchaser may require. If any of the conditions to the Sale and Purchase Agreement is not fulfilled or waived by the Purchaser in accordance with the Sale and Purchase Agreement on or before the Long Stop Date or such other date as may be agreed in writing between the Vendor and the Purchaser, the Sale and Purchase Agreement shall lapse and be terminated with immediate effect and, save in respect of any antecedent breaches, all rights and liabilities of the parties to the Sale and Purchase Agreement thereunder shall cease and determine and no party thereto shall have any claim against the others but such termination shall be without prejudice to any rights or remedies of the Purchaser and the Vendor to the Sale and Purchase Agreement which have accrued prior to such termination.

As at the Latest Practicable Date, the condition set out in (a) above has been fulfilled.

Guarantee:

The Vendor Guarantor has unconditionally and irrevocably guaranteed to the Purchaser the due and punctual performance and discharge by the Vendor of all obligations due, owing or incurred to the Purchaser by the Vendor under the Sale and Purchase Agreement.

Completion:

Completion of the Sale and Purchase Agreement shall take place on the Completion Date which shall be the second business date after all the conditions to the Sale and Purchase Agreement are fulfilled or (where applicable) waived or such other date as the parties to the Sale and Purchase Agreement shall agree. Upon Completion, the Vendor will cease to be interested in Kingsrich and Kingsrich will become an indirect wholly-owned subsidiary of the Company, and, through Kingsrich, JYTP will become an indirect subsidiary of the Company.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in trading and marketing of paper products. The principal products of the Group are book printing papers and packaging boards of which kraftliner boards, testliner boards and corrugated medium are currently accounted for less than five per cent. of the Group's sales. The Group has identified the PRC market as the growth engine for its paper business and has started establishing its subsidiaries or representative offices in the PRC more than 10 years ago. The Group's major trading subsidiaries are now located in Shenzhen, Foshan, Guangzhou, Shanghai, Beijing and Wuxi in the PRC. In order to further enhance the growth in sales of and secure a stable supply of these types of paper products, the Group decides to make use of its experience and sales networks in distribution of paper products in the PRC market by vertically expanding its scope of business into manufacturing such types of paper products through the Acquisition.

The planned scale of production of JYTP, which has been approved by江蘇省發展和改革委員會 (Development and Reform Commission of Jiangsu Province), is 150,000 tonnes of kraftliner board and 100,000 tonnes of corrugated medium per annum. As the Group has substantial experience in, and an extensive sales distribution network for, the sales of paper products in the PRC, the management of the Company considers the Group will be able to sell and distribute the types of paper products proposed to be manufactured by JYTP. The management of the Company also believes that the paper products manufactured by JYTP can become one of the steady sources of supply of paper products to the Group. Since after Completion, the Company will have a 99% indirect interest in JYTP through Kingsrich, sales of JYTP can lead to a growth in sales of paper products of the Group and can have a positive contribution to the Group's revenue and profitability.

The executive Directors believe that the terms of the Sale and Purchase Agreement and the capital commitment to JYTP are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The original cost of the entire issued share capital of, and shareholder's loan to, Kingsrich to the Vendor is US$296,528 (equivalent to approximately HK$2,317,781).

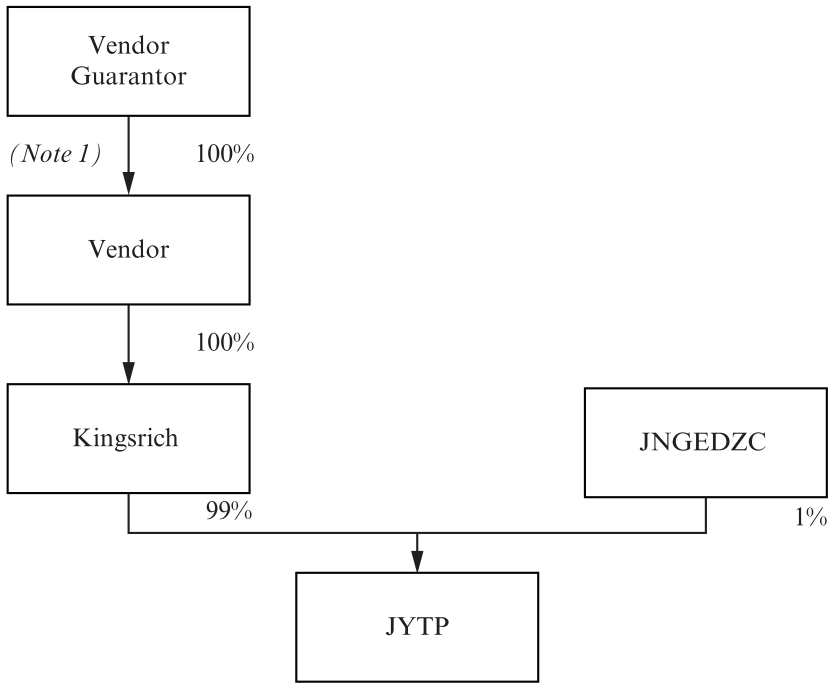
4. INFORMATION ON KINGSRICH AND THE GROUP

Kingsrich was incorporated in the BVI and is an investment holding company. As at the Latest Practicable Date, its only investment was its 99% interest in the registered capital in JYTP.

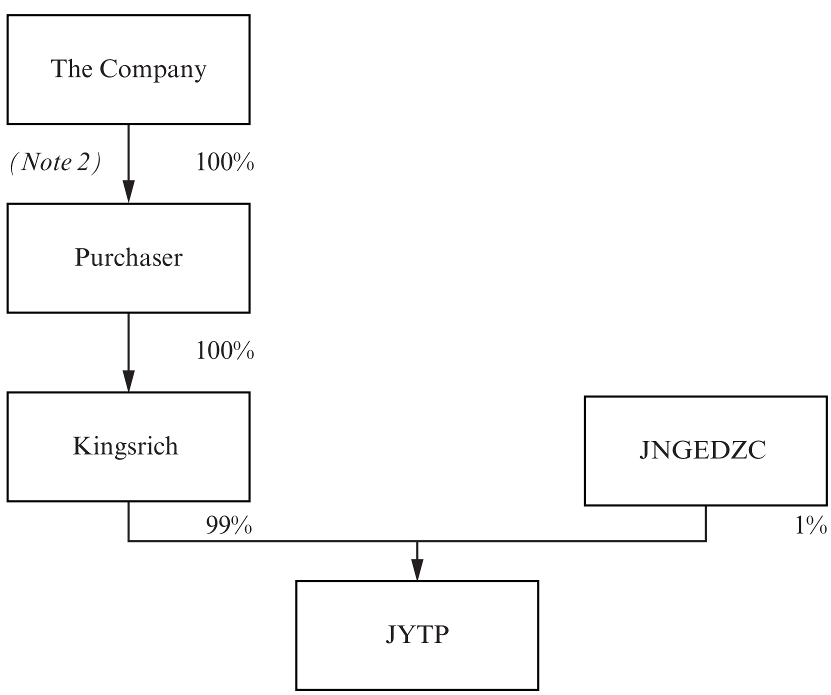
JYTP is a Sino-foreign equity joint venture with limited liability established in the PRC and is approved to engage in the manufacturing and sales of kraftliner board and corrugated medium. As at the Latest Practicable Date, JYTP had not commenced any operation yet. JYTP has a registered capital of US$30,000,000, 99% of which (being US$29,700,000 (equivalent to approximately HK$232,147,080)) shall be contributed by Kingsrich and 1% of which (being US$300,000 (equivalent to approximately HK$2,344,920)) shall be contributed by JNGEDZC. As at the Latest Practicable Date, both Kingsrich and JNGEDZC have not yet made any capital contribution to the registered capital of JYTP. As at the Latest Practicable Date, other than the capital contribution obligation as mentioned above, Kingsrich had no other capital commitment (whether equity, loan or otherwise). The obligation of Kingsrich to contribute to the registered capital of JYTP pursuant to the joint venture contract and joint venture articles of JYTP is not conditional on the completion of the Sale and Purchase Agreement and vice versa. Subject to Completion having taken place, it is the current intention of the Company that Kingsrich's capital contribution obligation shall be funded by internal resources of the Group and bank borrowings.

Set out below are the shareholding structure of Kingsrich and JYTP as at the Latest Practicable Date and immediately after Completion respectively:

As at the Latest Practicable Date



Immediately after Completion



Note 1: The Vendor was indirectly held by the Vendor Guarantor through a company incorporated in the BVI wholly-owned by the Vendor Guarantor.

Note 2: The Purchaser was indirectly held by the Company through a company incorporated in the BVI wholly-owned by the Company.

Some of the major terms of the joint venture contract and the joint venture articles of JYTP are summarised as follows:

Date	:	8 May 2006
Parties	:	(1) Kingsrich (2) JNGEDZC
Business scope of JYTP	:	Manufacturing and sales of kraftliner board and corrugated medium
Registered capital of JYTP	:	US$30,000,000, which shall be contributed as to 99% by Kingsrich in cash and in specie (equipment) and as to 1% by JNGEDZC in cash. Pursuant to the terms of the approval of the relevant approving authority, 20% of the registered capital of JYTP shall be contributed within 90 days of the date of issue of its business licence (i.e. by 26 June 2007) and the remaining 80% shall be contributed within two years. The Vendor had been in discussion with the Purchaser in respect of the Acquisition and the Vendor expected the Purchaser to fund the registered capital contribution if it agrees to the Acquisition. Since no registered capital has been injected to JYTP, JYTP was unable to pay the land premium by the deadline stipulated under the Land Use Right Grant Contract. The Company has been informed by the Vendor that Kingsrich and JNGEDZC have been in discussion with 江蘇省南通工商行政管理局 (Administration for Industry and Commerce of Nantong, Jiangsu Province) for an extension of the time limit for payment of the first 20% of the registered capital of JYTP. Such payment of the first 20% of the registered capital will be paid by the Group after Completion. As at the Latest Practicable Date, formal approval for such extension had not been granted yet. As advised by the Company's PRC legal advisers, failure to make capital contribution in the prescribed time limit may result in the registration authority of JYTP issuing notice demanding ratification of such failure; and/or imposing a fine at the rate of 5% to 15% of the amount of the registered capital that has not been contributed within the prescribed time limit and if the delay in making capital contribution shall continue for more than 2 years, the registration authority of JYTP may revoke the business licence of JYTP.
Total Investment of JYTP	:	US$90,000,000. Under the terms of the joint venture contract and joint venture articles of JYTP, JYTP may raise funds necessary for its development needs through borrowings within or outside the PRC and there is no provision requiring its shareholders to fund such needs in addition to their obligation to contribute to the registered capital of JYTP mentioned above.

Restrictions on transfer of interest	:	Transfer or mortgage of any interest in JYTP by a party shall require the approval of the other party. In addition, transfer of interest in JYTP by any of Kingsrich and JNGEDZC to a third party is subject to the pre-emptive right of the other and the terms of transfer offered to the third party shall not be more favourable than those offered to the other shareholder. Moreover, without the prior consent of the other shareholder, Kingsrich or JNGEDZC shall not transfer its interest in JYTP to any third party with a conflict of interest or competitive interest with the other shareholder.
Board composition of JYTP	:	The board of directors of JYTP shall consist of six members. Kingsrich and JNGEDZC are entitled to appoint five directors and one director of JYTP respectively. The chairman and vice-chairman of the board of directors of JYTP shall be appointed by Kingsrich. The directors appointed by Kingsrich may also be appointed as general manager of JYTP. Each term of office of the directors of JYTP is two years and a director may remain in office if the party appointing him/her shall continue to appoint him/her. Pursuant to the joint venture articles of JYTP, four directors of JYTP shall form a quorum of board meetings.
Profit and loss	:	Pursuant to the joint venture contract of JYTP, profits available for distribution shall be distributed to Kingsrich and JNGEDZC in proportion to their respective capital contribution to the registered capital of JYTP. The liability of Kingsrich and JNGEDZC towards the liabilities of JYTP shall be limited to the respective amounts of capital contribution responsible to be made by them.
Term of the Joint Venture Company	:	JYTP has a joint venture period of fifty years commencing on the date of issuance of its business licence (which has been issued on 28 March 2007).

On 27 April 2007, JYTP (as transferee) entered into the Land Use Right Grant Contract for the acquisition of the land use right in respect of a piece of land with a gross area of approximately 194,000 square metres located at 中國江蘇省南通市港閘區通港路南側 (Southern Side of Tong Gang Road, Gang Zha District, Nantong City, Jiangsu Province, the PRC) for a land premium of approximately RMB26.22 million (equivalent to approximately HK$26.92 million). Pursuant to the Land Use Right Grant Contract, the land use right over the Land was for a term of 50 years until 26 April 2057 and the Land shall be used for industrial purposes. The registered capital to be injected to JYTP by Kingsrich and JNGEDZC is intended to be used, among other things, to fund the land premium.

According to terms of the Land Use Right Grant Contract, JYTP is required to pay the aforesaid land premium within 10 days from the date of the Land Use Right Grant Contract (i.e. by 7 May 2007). As at the Latest Practicable Date, JYTP has not yet paid the aforesaid land premium. The Company has been informed by the Vendor that JYTP has been in discussion with the Nantong Land Bureau for an extension of the time limit for payment of the said land premium. As at the Latest Practicable Date, formal approval for such extension had not been granted yet. As advised by the Company's PRC legal advisers, pursuant to the terms of the Land Use Right Grant Contract, JYTP may be subject to a daily penalty at the rate of 0.1% of the amount of land premium not paid. If such delay continues for more than 6 months, Nantong Land Bureau may terminate the Land Use Right Grant Contract, resume the Land and ask JYTP for compensation in respect of any other losses suffered by Nantong Land Bureau and JYTP has no right to demand repayment of any deposit paid.

Under the terms of the Sale and Purchase Agreement, the Vendor has undertaken, among other things, to indemnify the Purchaser, Kingsrich and JYTP in respect of any penalties, claims and liabilities which any of them may incur or suffer resulting from the delay in payment of registered capital and land premium mentioned above. The Purchaser also has the right, prior to Completion, to terminate the Sale and Purchase Agreement if the Land Use Right Grant Contract is or is liable to be terminated or rescinded or becomes void or invalid or the relevant authorities impose penalty for such late payment as mentioned above.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF KINGSRICH GROUP FOR THE PERIOD FROM 12 APRIL 2006 TO 31 MAY 2007

Review of Operations

Kingsrich was incorporated as a limited liability company in the BVI on 12 April 2006 and is an investment holding company. As at the Latest Practicable Date, Kingsrich held 99% direct interest in the registered capital of JYTP, a Sino-foreign equity joint venture with limited liability. JYTP is established to manufacture and trade kraftliner board and corrugated medium.

JYTP has not commenced any operation in the period from 28 March 2007 (incorporation date of JYTP) to 31 May 2007.

From 12 April 2006 to 31 May 2007, Kingsrich Group did not have consolidated operating results.

Material Acquisitions and Disposals

Kingsrich Group did not have any material acquisitions and disposals during the period from 12 April 2006 to 31 May 2007.

Liquidity and Financial Resources

All operating expenses are borne by the Vendor, the ultimate holding company of Kingsrich Group.

Employees

Kingsrich Group did not have any employee during the period from 12 April 2006 to 31 May 2007.

Foreign Currency Exposure

Major transactions of Kingsrich Group were denominated in Renminbi. Therefore, the exposure of Kingsrich Group to foreign currency fluctuation was minimal.

Borrowings

Kingsrich Group did not have any borrowings during the period from 12 April 2006 to 31 May 2007.

Future Investment and Sources of Funding

The annual planned scale of production of JYTP is 150,000 tonnes of kraftliner board and 100,000 tonnes of corrugated medium.

JYTP has a registered capital of US$30,000,000, 99% of which (being US$29,700,000 (equivalent to approximately HK$232,147,080)) shall be contributed by Kingsrich and 1% of which (being US$300,000 (equivalent to approximately HK$2,344,920)) shall be contributed by JNGEDZC. As at the Latest Practicable Date, both Kingsrich and JNGEDZC had not yet made any capital contribution to the registered capital of JYTP.

20% of the registered capital of JYTP shall be contributed within 90 days of the date of issue of its business license (i.e. by 26 June 2007) and the remaining 80% shall be contributed within two years. The Company has been informed by the Vendor that Kingsrich and JNGEDZC have been in discussion with 江蘇省南通工商行政管理局 (Administration for Industry and Commerce of Nantong, Jiangsu Province) for an extension of time limit for payment of the first 20% of the registered capital of JYTP.

Subject to Completion having taken place, it is the current intention of the Company that Kingsrich's capital contribution obligation shall be funded by internal resources of the Group and bank borrowings.

Contingent Liabilities

Kingsrich Group did not have any contingent liabilities as at 31 May 2007.

6. FINANCIAL AND TRADING PROSPECTS

The Economy

During the financial year ended 31 March 2007, the economy of Hong Kong and the PRC continued to gain growth momentum. Based on the publication *Gross Domestic Product, First Quarter 2007* by the Census and Statistics Department, Hong Kong's GDP grew 5.6% in the first quarter of the calendar year of 2007.

As for the PRC, a 10.7% GDP growth was reported for the calendar year of 2006 and an 11.1% growth was recorded in the first quarter of 2007 according to the publication from National Bureau of Statistics of China.

The Printing & Publishing Industries

As the global economy continues to grow steadily, the demand for paper products of the printing and publishing industries has also been on the rise. According to the information provided by Hong Kong Trade Development Council, the 12 months ended 31 March 2007, the total export value of printed matters was HK$17,809 million (representing an increase of 11.4% when compared to HK$15,989 million for the same period last year) and the total import value of printed matters was HK$10,517 million.

Also braced by a strong economy, the paper industry in the PRC grew rapidly and faster than the PRC's GDP. According to The PRC Paper Association, in the calendar year of 2006, the PRC market consumed 66.0 million metric tons of paper representing an 11.3% growth against the previous year, while total output of paper products increased by 16.1% to 65.0 million metric tons. Export of paper products in the same period also surged by 52.5% to 4.9 million metric tons. The PRC paper product market is expected to continue to grow in 2007. According to the Customs Bureau of the PRC, export of paper products had increased by 53.6% to reach 1.1 million metric tons in the first quarter of 2007.

Operations Review

During the financial year ended 31 March 2007, both the consumable aeronautic parts business and the logistics services business of the Group recorded substantial sales growth. The newly acquired entity, Hypex which, together with its subsidiaries, is principally engaging in the business of marine services, has started contributing revenue to the Group. As a result, the Group's overall turnover in the financial year ended 31 March 2007 had increased by 0.9% to HK$3,147 million.

The paper business continued to be the Group's core business, accounting for 95% of the Group's total turnover for the financial year ended 31 March 2007. To improve profitability of the business, the Group has implemented a sales strategy that focuses on serving quality customers instead of merely securing turnover growth. This strategy has strengthened the Group's foundation for healthy growth and shielded the Group's performance to a good extent from the impact of market competition. Although the segment's turnover dropped slightly by 2.2%, its profit increased by 22.7% to HK$42.3 million. As for the consumable aeronautic parts and marine services businesses, they both performed satisfactorily with profits reaching HK$2.9 million and HK$7.7 million respectively. The Group's gross profit increased 7.2% to HK$285 million with gross profit margin improved to 9.1% against 8.5% last year. Profit attributable to Shareholders increased by 67.0% to approximately HK$50.9 million. Earnings per Share for the financial year ended 31 March 2007 were HK11.9 cents (2006: HK7.1 cents).

The Board resolved to pay a final dividend of HK2.5 cents per Share for the financial year ended 31 March 2007. Together with the interim dividend of HK1.5 cents per Share already paid, total dividend for the financial year ended 31 March 2007 amounted to HK4.0 cents (2006: HK2.5 cents).

During the financial year ended 31 March 2007, the Group continued to strengthen its position in the PRC paper market and actively extended its sales network in newly developed markets in Malaysia and other Asian countries. As a result, Hong Kong and the PRC accounted for 42.3% and 48.9% of the Group's total turnover respectively, while Malaysia and other Asian countries contributed 8.8%, a marked surge from 3% last year.

Apart from strengthening its position as one of the largest paper trading companies in the region, the Group has been successful in diversifying into the consumable aeronautic parts business and logistics service business in recent years. The Group now has an expanded revenue base supported by a host of stable revenue sources. By acquiring Hypex in December 2006, the

Group made an entry into the marine services industry. The Group believes that a diverse business portfolio is conducive to the Group's long-term growth and generation of better returns to Shareholders.

By business segment, paper products, consumable aeronautic parts, logistics services and marine services accounted for 95.4%, 1.8%, 1.8% and 1.0% of the Group's total turnover for the financial year ended 31 March 2007 respectively.

Paper Business

With the Group's focusing effort on selling higher quality products to quality customers, its paper product sales for the financial year ended 31 March 2007 decreased slightly by 2.2% to approximately HK$3,003 million, profit up 22.7% to HK$42.3 million. In volume term, the sales of paper product decreased by 7.0% to 547,699 metric tons.

The paper product sales in the PRC market was HK$1,468 million, making up 48.9% of the Group's total turnover from paper products for the financial year ended 31 March 2007. The Group regards the PRC as a main growth driver of this business. It has made use of its extensive sales network and strong supplier channels to deepen penetration and extend coverage of the PRC market. For the financial year ended 31 March 2007, it sold approximately 18% more local paper products to local customers. Riding on the strong market demand, the Group is confident that sales generated by the Group's business in the PRC market will grow healthily in the coming years.

Paper sales from Hong Kong and other countries accounted for 42.3% and 8.8% respectively of turnover from paper business for the financial year ended 31 March 2007. The operation in Malaysia registered a net profit of HK$2.6 million, after minority interest adjustment, representing a sharp increase of 76.6% over that of last year's. The Group's paper manufacturing arm, Singapore-listed United Pulp & Paper Company Limited ("UPP"), reported a net loss of S$1.9 million (HK$10.1 million) for the financial year ended 31 March 2007 due to the high fuel prices in the reporting year. In September 2006, UPP has switched from fuel oil to natural gas to provide an alternative source of energy for its production plant. This move resulted in substantial savings for the paper mill from the fourth quarter onwards, and the Group is optimistic that UPP will be profitable again in the year ahead.

Sales contribution by product was maintained at a stable level. Book printing papers and packaging boards accounted for 52% and 38% of the Group's total turnover for the financial year ended 31 March 2007 respectively.

Consumable Aeronautic Parts Business

The Group's strategic move to actively diversify into other businesses in recent years to expand revenue sources has paid off. The consumable aeronautic parts business for the financial year ended 31 March 2007 recorded an increase in revenue of 55.4% to HK$57.5 million with profit up 82.9% against last year to HK$2.9 million, thanks to the Group's dedicated effort in expanding its sales network, which now spans 13 countries, and striving for market recognition of its brand and high quality customer service.

Logistics Services Business

As for the logistics service business, its revenue for the financial year ended 31 March 2007 surged by approximately 3.8 times to HK$57.5 million due to the expansion of the freight forwarding services in Hong Kong, which commenced operation in January 2006. However, the freight forwarding services has yet to mature and it recorded a loss of HK$4.3 million for the financial year ended 31 March 2007 with upfront investment cost taken into account. Profit of transportation services for the financial year ended 31 March 2007 was HK$1.7 million before including the HK$4.9 million fair value gain of the warehouse. Given the continuous growth of the global economy, the Group is hopeful that the new business will see break even in the coming financial year.

By region, Hong Kong and the PRC accounted for 93.4% and 6.6% respectively of the turnover from logistics service business for the financial year ended 31 March 2007.

Marine Services Business

To broaden its revenue base and gain foothold in the marine services business, the Group acquired 100% equity interest in Hypex at an aggregate consideration of HK$50 million in December 2006. Hypex is an investment holding company and its subsidiaries are in the business of providing corrosion prevention services, comprising blasting (hydro and grit) and painting work, to customers in the marine, oil and gas industries. The principal market of the Hypex and its subsidiaries is Singapore.

For the financial year ended 31 March 2007, the revenue of Hypex increased by 28.0% to HK$74.6 million (S$14.5 million) and profit increased 14.8% to HK$7.7 million (S$1.5 million), which is 15.4% above the guaranteed profit of S$1.3 million as stipulated in the acquisition agreement. Such satisfactory results were mainly attributable to the expansion of the grit blasting business. The acquisition of Hypex was completed on 1 December 2006 and the share of revenue and profit it contributed to the Group for the financial year ended 31 March 2007 was HK$28 million (S$5.4 million) and HK$7 million (S$1.4 million) respectively. The Group believes Hypex has good growth potentials.

Prospects

The problem of excessive supply in the paper market has been improving since the second half of the financial year ended 31 March 2007. At the end of the financial year ended 31 March 2007, the prices of book printing papers and packaging boards had increased by 5% and 10% respectively compared with the levels in September 2006. Paper prices will continue to rise as demand improves.

Increase in consumer spending, industrial output and export sales in the PRC has pushed up demand for containerboard products in the PRC. Between 2002 and 2006, consumption of containerboard products had consistently exceeded domestic production, with the shortfall in domestic supply met by imports. According to the projection of RISI in September 2006, containerboard consumption in the PRC will continue to exceed domestic production in the next 10 years.

To facilitate grasping of emerging business opportunities in the containerboard market, the Group plans to build its first paper mill in Nantong, Jiangsu, the PRC. In this connection, the Purchaser has entered into the Sale and Purchase Agreement.

The Acquisition will result in the Group holding 99% equity interest in JYTP. Kingsrich has committed to contribute 99% of the registered capital of JYTP which will be taken up by the Group as a result of the Sale and Purchase Agreement. The remaining 1% of the registered capital of JYTP shall be contributed by JNGEDZC.

JYTP is planning to build a paper mill on a piece of land with a gross area of approximately 194,000 square metres in Nantong, Jiangsu, to produce kraftliner board and corrugated medium. The plant is expected to commence trial operation in January 2009 and become fully operational in April 2009. The designed production capacity of the plant is 250,000 tonnes per annum, which include 150,000 tonnes of kraftliner board and 100,000 tonnes of corrugated medium.

The Group currently trades and markets paper products of over 1,000 brands to more than 1,000 customers, the bulk of such products are book printing papers and packaging boards. Kraftliner boards, testliner boards and corrugated medium only accounted for less than 5% of its paper products sales for the financial year ended 31 March 2007. With the support of the Group's first own manufacturing facility pursuant to the Acquisition and an extensive sales network covering Beijing, Chongqing, Foshan, Shanghai, Shenzhen and Wuxi in the PRC, as well as Hong Kong, Singapore, Malaysia and other Asian countries, the Group is confident of expanding its containerboard business in the next few years. By expanding its paper business upstream, the Group will not only be able to expand its branded product portfolio and secure itself with a stable supply source, but also increase its revenue and widen its overall profit margin in the future.

Besides, the Group will continue to focus on developing a network of quality customers and provide quality products and services, so as to strengthen its brand name and boost the profitability of its paper products.

In the coming year, the Group will set up more sales offices in emerging cities in the PRC. Moreover, it will carry on expanding its business in new markets in Asia, such as Malaysia, and allocate more resources to develop its business network and explore more business opportunities in these markets.

Employees and Remuneration Policies

As at 31 March 2007, the Group employed 934 staff members, 235 of whom are based in Hong Kong and 232 are based in the PRC and 467 are based in other Asian countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund, medical insurance and the use of a share option scheme to reward high-caliber staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

Liquidity and Financial Resources

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by the Group's bankers. The Group uses cash flow generated from operations and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2007, short term deposits plus bank balances and bank borrowings amounted to HK$352 million (including restricted bank deposits of HK$14 million) and HK$797 million respectively.

As at 31 March 2007, the Group's current ratio (current assets divided by current liabilities) stood at 1.43 times, (2006: 1.55 times). The gearing ratio, measured on the basis of the Group's long term loans over the Group's shareholders' funds, was 22.5 % (2006: 34.9%).

With bank balances and other current assets of HK$1,860 million as well as available banking and trade facilities, the Directors believe the Group has sufficient working capital for its present requirement.

Foreign Exchange Risk

The Group's transaction currencies are principally denominated in United States and Hong Kong dollars. This arrangement allows the Group to better control its currency exchange risks. The Group also hedged its position with foreign exchange contracts and options when considered necessary. The Group has continued to obtain Renminbi loans which provide a natural hedge against currency risks. As at 31 March 2007, bank borrowings in Renminbi amounted to HK$25 million (2006: HK$87.9 million). The majority of the Group's borrowings bear interest costs which are based on floating interest rates.

Contingent Liabilities and Charge of Assets

As at 31 March 2007, the Company continued to provide corporate guarantees on banking facilities granted to the Company's subsidiaries. The amounts of facilities utilised by the Company's subsidiaries as at 31 March 2007 amounted to HK$797 million (2006: HK$880 million).

Certain prepaid premium for land lease and buildings in Hong Kong of the Company's subsidiaries, with a total carrying value of HK$136 million as at 31 March 2007 (2006: HK$120 million) were pledged to banks as securities for bank loans of HK$30 million (2006: HK$43.6 million) and trust receipt loans of HK$170 million (2006: HK$154 million) granted to the Group.

7. FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Net asset value

The Group had an audited consolidated net tangible assets value attributable to the equity shareholders of the Company of approximately HK$667.6 million as at 31 March 2007. Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, assuming the Acquisition had taken place on 31 March 2007, the Group's net tangible assets value attributable to the equity shareholders of the Company would be reduced by approximately HK$7.5 million, mainly as a result of the intangible assets of approximately HK$5.7 million which may be arisen from the difference between the Consideration and the net assets value of Kingsrich Group.

Based on the latest annual report of the Company, the Group had an audited gearing ratio as at 31 March 2007 of approximately 22.5% (being the Group's long term debts of approximately HK$157.2 million over the Group's shareholders' funds of approximately HK$700.0 million). The Group intends to fund the Consideration through internal resources which will not have any material effect to the gearing ratio. After Completion, if external borrowings are used to fund the entire amount of capital contribution required to be contributed by Kingsrich of approximately US$29.7 million (equivalent to approximately HK$232.1 million), assuming the total equity of the Group remains unchanged, the gearing ratio of the Group will be increased to 55.6%.

Earnings

Upon Completion, there would be no immediate material impact on the earnings of the Group while the results of Kingsrich Group would be consolidated into the Group after Completion. In view of the sustainable growing demand of the containerboard market as described above, it is expected that the earnings of the Group will be enhanced as a result of the Acquisition in the long run after the commencement of operation of JYTP.

Cashflow

As disclosed in the latest annual report of the Company, the Company had an audited cash and cash equivalents balance of approximately HK$337.5 million as at 31 March 2007. The aggregate cash and cash equivalents contributed by Kingsrich Group upon Completion would be approximately HK$8,000. The Consideration, as set out in this letter, will be settled in cash through the Group's internal resources. The Acquisition is not expected to exert considerable pressure on the Group's working capital position and it is expected that the Enlarged Group will still have sufficient working capital for its ongoing operations in the absence of unforeseeable circumstances.

8. LISTING RULES IMPLICATIONS

The Vendor is indirectly owned as to 100% by the Vendor Guarantor, who is the sister-in-law of Mr. Pang Wing Kin, Patrick, an independent non-executive Director. Pursuant to Rule 14A.11(4) of the Listing Rules, the Vendor Guarantor is considered to be an associate of Mr. Pang Wing Kin, Patrick and therefore, a connected person of the Company.

In accordance with the requirements of Rule 14.15(3) of the Listing Rules, in calculating the consideration ratio, in addition to the Consideration, the amount of capital contribution to be made to JYTP by Kingsrich shall also be included since such capital contribution obligation of Kingsrich will, as a result of the Acquisition, effectively be taken up by the Group. On such basis, the consideration ratio for the Acquisition is not less than 25% but is less than 100%, the Acquisition therefore constitutes a connected and major transaction for the Company under Chapter 14A and Chapter 14 of the Listing Rules respectively and is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules.

As no Shareholder has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereby, no Shareholder is required to abstain from voting if a general meeting of the Company is convened to approve the Sale and Purchase Agreement and the transactions contemplated thereby. As at the Latest Practicable Date, Mr. Lee Seng Jin, an executive Director, and Quinselle Holdings Limited respectively controlled 92,144,000 Shares and 187,820,000 Shares, representing approximately 21.47% and 43.75% of the nominal value of the securities giving the right to attend and vote at any general meeting of the Company respectively. Quinselle Holdings Limited held the said 187,820,000 Shares in its capacity of a trustee of a private unit trust. All units in such private unit trust are held by HSBC International Trustee Limited in its capacity as the trustee of a family trust. The objects of such family trust include Mr. Lee Seng Jin and, his spouse, Ms. Sham Yee Lan, Peggy (who is also an executive Director). The Company has obtained the Written Approval from Quinselle Holdings Limited and Mr. Lee Seng Jin. Pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, the Stock Exchange has granted a waiver of the requirement to hold a shareholders' meeting and the permission for the Independent Shareholders' approval be given in the form of the Written Approval to the Company.

The Board has appointed the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the Independent Financial Adviser is appointed by the Company to provide its opinion to the Independent Board Committee and the Independent Shareholders.

9. BUSINESS OF THE GROUP AND THE VENDOR

The Group is principally engaged in investment holding, trading and marketing of paper products.

The Vendor is an investment holding company.

10. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 22 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 34 of this circular.

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

森信
Samson group
集團

SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 731)

20 August 2007

To the Independent Shareholders

Dear Sir and Madam,

CONNECTED AND MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF KINGSRICH GROUP LIMITED

We refer to the circular of the Company dated 20 August 2007 (the "Circular") to the Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless specified otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether or not the terms of the Acquisition is fair and reasonable so far as the Independent Shareholders as a whole are concerned. Taifook Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 23 to 34 of the Circular. Your attention is also drawn to the Letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Acquisition and taking into account the advice of the Independent Financial Adviser, we consider that the terms of the Acquisition are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned and are in the interests of the Company and the Independent Shareholders as a whole and recommend the Independent Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder if a general meeting of the Company were to be convened for the purpose of considering and approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

Tong Yat Chong	**Ng Hung Sui, Kenneth**
(Independent Non-executive Director)	*(Independent Non-executive Director)*

Independent Board Committee

* *For identification purpose only*

The following is the full text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition for inclusion in this circular.

TAIFOOK CAPITAL LIMITED

25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

20 August 2007

To the Independent Board Committee and the Independent Shareholders
Samson Paper Holdings Limited
3rd Floor
Seapower Industrial Centre
177 Hoi Bun Road
Kwun Tong
Kowloon

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the terms of the Sale and Purchase Agreement, details of which are set out in the letter from the Board (the "Letter") contained in the circular of the Company dated 20 August 2007 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As referred to in the Letter, on 13 July 2007, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor and Vendor Guarantor for the acquisition by the Purchaser of the entire issued share capital of, and shareholder's loan to, Kingsrich for an aggregate consideration of HK$7,997,568, which will be funded by the Group's internal resources. Kingsrich has a 99% equity interest in JYTP which is a Sino-foreign equity joint venture company. Subject to the Completion having taken place, the Group would have to fund Kingsrich's capital contribution in accordance with its equity interest for unpaid registered capital of JYTP of US$29.7 million pursuant to the terms of the joint venture contract of JYTP.

The Acquisition, after taking into account of the amount of capital contribution to be made to JYTP by Kingsrich, constitutes a major transaction for the Company. The Vendor is indirectly owned as to 100% by the Vendor Guarantor, who is the sister-in-law of Mr. Pang Wing Kin, Patrick ("Mr. Pang"), an independent non-executive Director. The Vendor Guarantor is considered to be an associate of Mr. Pang and therefore a connected person of the Company. Hence, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to the Independents Shareholders' approval requirement.

As no Shareholder has material interest in the Sale and Purchase Agreement and the transactions contemplated thereby, no Shareholder was required to abstain from voting if a general meeting of the Company were to be convened to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Pursuant to Rules 14A.43 and 14A.53 of the Listing Rules, the Stock Exchange has granted the Company a waiver from the requirement to hold a general meeting of the Shareholders and permission for the Independent Shareholders' approval of the Sale and Purchase Agreement and the transactions contemplated thereunder to be given in the form of the Written Approval. The Company has obtained from Quinselle Holdings Limited (which, in its capacity as trustee of a private unit trust, controlled 187,820,000 Shares representing approximately 43.75% of the nominal value of the securities) and Mr. Lee Seng Jin (an executive Director who controlled 92,144,000 Shares representing approximately 21.47% of the nominal value of the securities) the Written Approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

As the Vendor Guarantor is the sister-in-law of Mr. Pang, Mr. Pang is not considered independent in the Acquisition. As such, an Independent Board Committee comprising the remaining two independent non-executive Directors, namely Mr. Tong Yat Chong and Mr. Ng Hung Sui, Kenneth, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Sale and Purchase Agreement and whether the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Independent Shareholders as a whole. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Independent Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or management of the Company and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Company and/or the management of the Company. The Directors and/or the management of the Company have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

We considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Group or that of Kingsrich.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Acquisition, we have considered the following principal factors and reasons:

1 The Acquisition

1.1 Background to and reasons for the Acquisition

The Group is principally engaged in investment holding, and trading and marketing of paper products including book printing papers and packaging boards and has started establishing its subsidiaries or representative offices in the PRC more than 10 years ago. The Group's major trading subsidiaries are now located in Shenzhen. Foshan, Guangzhou, Shanghai, Beijing and Wuxi in the PRC. Set out below is a summary of the financial highlights for the two years ended 31 March 2007 as extracted from the Company's latest published annual report:

	Year ended 31 March 2007			Year ended 31 March 2006		
	Paper products	Other businesses*	Total	Paper products	Other businesses*	Total
			HK$'000			
Turnover	3,003,432	143,331	3,146,763	3,071,137	48,971	3,120,108
Segment results	97,861	15,730	113,591	96,930	3,183	100,113
Operating profit before finance cost			112,320			99,692
Net profit for the year attributable to equity holders of the Company			50,867			30,449

* *including the businesses of consumable aeronautic parts, the logistics service and the marine service*

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$3,146.8 million, representing an increase of 0.9% over the turnover of approximately HK$3,120.1 million for the year ended 31 March 2006. The profit attributable to the equity holders of the Company for the year ended 31 March 2007 increased by 67.1% from approximately HK$30.4 million for the year ended 31 March 2006 to approximately HK$50.9 million with a net profit margin attributable to equity holders of the Company of 1.6%, as a result of the improved gross profit margin from 8.5% for the year ended 31 March 2006 to 9.1% for the year ended 31 March 2007.

The increase in the Group's turnover for the year ended 31 March 2007 was principally derived from the sales growth from the businesses of consumable aeronautic parts, the logistics service and the marine service following the acquisition of Hypex Holdings Limited in December 2006. Despite the slight drop of paper product sales by 2.2% to approximately HK$3,003 million for the year ended 31 March 2007, its profit contribution to the Group has increased by 22.7% to approximately HK$42.3 million, being the credit given to the Group's strategy on selling higher quality products to quality customers.

The principal products of the Group's paper business are book printing papers (which accounted for about 52% of the Group's total paper products sales for the year ended 31 March 2007) and packaging boards (which accounted for 38% of the Group's total paper products sales for the year ended 31 March 2007). Of the total sales of packaging boards, sales of containerboards (being a type of packaging boards) including kraftliner boards, testliner boards and corrugated medium accounted for less than 5% of the Group's total paper products sales. It has been the Company's strategy to move upstream in order to increase its market share in the containerboard business. As stated in the interim report for the period ended 30 September 2006, the Group continued to explore expansion opportunities in the PRC. As stated in the Letter, the Group has identified the PRC market as the growth engine for containerboards and intends to establish a joint venture in the PRC to expand its scope of business into manufacturing and direct sales of containerboards like kraftliner boards and corrugated medium, aiming to further strengthen the growth in sales and secure a steady source of supply of such paper products.

As stated in the Group's annual report for the year ended 31 March 2007, increase in consumer spending, industrial output and export sales in the PRC has boosted up the domestic demand for containerboard products. Between 2002 and 2006, consumption of containerboard products had consistently exceeded domestic production, with the shortfall in domestic supply being met by imports. In order to capture the undersupplied demand in containerboard market (with details as disclosed below) in the PRC, the Company decided to capitalize its experience and sales networks in distribution of paper products in the PRC market and take the opportunity to establish its first paper mill in the PRC through the Acquisition.

1.2 Information of Kingsrich Group

1.2.1 Background

The Vendor Guarantor together with her team are specialized in sourcing prospective investment opportunities in the PRC including but not limited to paper mill projects and property projects and have sound relationship and experience in dealing and negotiating with the relevant authorities of the PRC government. As it has been the Company's strategy to invest in operation of paper mill which is in line with its business expansion plan, the Company has decided to enter into the Acquisition which involves the transfer by the Vendor to the Purchaser of the entire legal and beneficial interest in 100% of the issued share capital of, and shareholder's loan to, Kingsrich. As at the Latest Practicable Date, Kingsrich had no operation other than its investment of 99% equity interest in JYTP.

JYTP, a Sino-foreign equity joint venture with limited liability established in the PRC for a term of 50 years commencing on 28 March 2007 and owned as to 99% by Kingsrich and as to 1% by JNGEDZC, is approved to engage in the manufacturing and sales of kraftliner boards and corrugated medium. As approved by 江蘇省發展和改革委員會 (Development and Reform Commission of Jiangsu Province), the annual planned scale of production of JYTP is 150,000 tonnes of kraftliner board and 100,000 tonnes of corrugated medium.

The board of directors of JYTP shall consist of six members of which Kingsrich and JNGEDZC are entitled to appoint five directors and one director respectively. The chairman and vice-chairman of the board of directors of JYTP shall be appointed by Kingsrich and the directors appointed by Kingsrich may also be appointed as general manager of JYTP. The profits of JYTP available for distribution shall be distributed to Kingsrich and JNGEDZC in proportion to their respective capital contribution to the registered capital of JYTP.

JYTP has a registered capital of US$30 million, which shall be contributed as to 99% by Kingsrich in cash and specie (equipment) and as to 1% by JNGEDZC in cash and has not yet paid up as at the Latest Practicable Date. Pursuant to the terms of the approval from relevant approval authority, 20% of the registered capital of JYTP shall be contributed within 90 days of the date of issue of its business license (i.e. by 26 June 2007) and the remaining 80% shall be contributed within two years. Since the Vendor had been in discussion with the Purchaser in respect of the Acquisition, the Vendor expected the Purchaser to fund the registered capital contribution if it agrees to the Acquisition. Thus, no payment of the first 20% of the registered capital of JYTP was made by the Vendor by the said deadline. The Company has been informed by the Vendor that Kingsrich and JNGEDZC have been in discussion with 江蘇省南通工商行政管理局 (Administration for Industry and Commerce of Nantong, Jiangsu Province) for an extension of time limit for payment of the first 20% of the registered capital of JYTP. As advised by the Directors, such payment of the first 20% of the registered capital will be paid by the Group after the Completion. Upon Completion, Kingsrich will become wholly-owned subsidiary of the Company and its capital contribution obligation shall be funded by the Group's internal resources and bank borrowings.

On 27 April 2007, JYTP as transferee entered into the Land Use Right Grant Contract for the acquisition of land use right in respect of a piece of land with a gross floor area of approximately 194,000 square metres located at 中國江蘇省南通市港閘區通港路南側 (Southern Side of Tong Gang Road, Gang Zha District, Nantong City, Jiangsu Province, the PRC) for industrial purposes and with a term of 50 years until 26 April 2057 for a land premium of approximately RMB26.22 million (equivalent to approximately HK$26.92 million). According to the terms of the Land Use Right Grant Contract, JYTP is required to pay the aforesaid land premium within 10 days from the date of Land Use Right Grant Contract (i.e. by 7 May 2007). As advised by the Company, since no registered capital has been injected to JYTP, JYTP has not yet paid the aforesaid land premium as at the Latest Practicable Date and has been in discussion with Nantong Land Bureau for an extension of the time limit for payment of the said land premium, which shall be funded by its registered capital.

As advised by the Company's PRC legal advisers, failure to make capital contribution in the prescribed time limit may result in the registration authority of JYTP issuing notice demanding ratification of such failure, imposing a fine on the amount of the registered capital that has not been contributed within the prescribed time limit, and revoking the business license of JYTP. Furthermore, pursuant to the terms of the Land Use Right Grant Contract, JYTP may be subject to penalty on the amount of land premium not paid and Nantong Land Bureau may terminate the Land Use Right Grant Contract if such delay continues for more than 6 months. Under the terms of the Sale and Purchase Agreement, the Vendor has undertaken, among other things, to indemnify the Purchaser, Kingsrich and JYTP in respect of any penalties, claims and liabilities which any of them may incur or suffer resulting from the delay in payment of registered capital and land premium mentioned above. The Purchaser also has the right, prior to Completion, to terminate the Sales and Purchase Agreement if the Land Use Right Grant Contract is or is liable to be terminated or rescinded or becomes void or invalid or the relevant authorities impose penalty for such late payment as mentioned above.

1.2.2 Financial highlights

Kingsrich was incorporated on 12 April 2006 and JYTP was incorporated on 28 March 2007. As at the Latest Practicable Date, JYTP has not yet commenced its operation. In accordance with the accountants' report of the Kingsrich Group for the period from 12 April 2006 (being date of incorporation of Kingsrich) to 31 May 2007 as set out in Appendix II to the Circular, there were no results in respect of profit or loss for Kingsrich Group and the audited consolidated net assets value of Kingsrich Group was approximately HK$8,000.

In accordance with the latest development plan of the Company, JYTP shall commence operation by the first quarter of 2009 after completion of construction of paper mill and power plant and the satisfactory trial run. Following the commencement of operation by JYTP, it is expected that the Group's revenue will be enhanced.

1.2.3 Potential synergies and measures to be taken

The Group has been engaged in the marketing and trading of paper products for more than 40 years with the total sales of paper products in the PRC for the year ended 31 March 2007 amounted to approximately HK$1,468 million, representing 48.9% of the Group's total sales of paper products. Through the Acquisition, the Group can expand its scope of business into manufacturing of containerboard products so as to enhance the Group's revenue base. We understand from the Directors that several measures would be taken by the Group to ensure the smooth running of Kingsrich and JYTP with an expectation to derive synergies from the Acquisition.

1.2.3.1 Management expertise

The deputy chairman and chief executive officer of the Company, Mr. Lee Seng Jin, and chief financial officer of the Company, Mr. Albert Lee, have been top management of United Pulp and Paper Company Limited, an associated company of the Group listed in Singapore and is one of the leading manufacturers and suppliers of industrial paper products and corrugated carton boxes in

Singapore and Malaysia, since the investment by the Company in November 2002. As such, the Group's management is familiar with the paper manufacturing industry and believes that they have the experience and expertise in managing the operation of JYTP subsequent to the Acquisition.

In addition, several high-caliber professionals from Korea who have extensive project management experiences and various expertises in the setting up, operation, technical engineering and administration of paper mill, and the production, sales and marketing of containerboard products are recruited by the Group to become JYTP's top management after Completion to oversee the setting up and operation of the paper mill and the development of containerboard business to be undertaken by JYTP. Members of this technical team had worked for many years (ranging from 25 years to 30 years) in one of the largest business group in Korea which is engaged in paper manufacturing industry.

1.2.3.2 Establishment of stable and long term business relationship with raw material suppliers

Recovered paper and kraft pulp are the two principal raw materials for manufacturing of kraftliner boards and corrugating medium. Subject to the limited availability of those two major raw material components, the Group is proactively seeking opportunities to establish long-term relationship with reliable suppliers of consistently high quality and cost competitive raw materials through the Group's existing supplier network and its top management's business connection.

1.2.3.3 Making use of existing sales and distribution network

For the year ended 31 March 2007, the sales of containerboard products including kraftliner boards, testliner boards and corrugated medium accounted for less than 5% of the Group's total paper products sales. As identified by the Group's management, there is currently demand from their existing clients for kraftliner boards and corrugated medium but they would prefer direct purchase from manufacturers rather than through intermediate traders like the Group. Hence, the products manufactured by JYTP after the Acquisition can be sold through the Group's existing customer network on the one hand and the extension of distribution network through JYTP's dedicated sales forces based on the sales network of the management of JYTP on the other hand.

1.3 Business prospects of the Enlarged Group

According to the China Statistical Yearbook 2006 issued by National Bureau of Statistics of China, the PRC's GDP per capita increased from approximately RMB5,046 in 1995 to approximately RMB14,040 in 2005, representing a compound annual growth rate of approximately 10.76%. The sustained rapid growth of PRC's economy will lead to growth in the production and consumption of non-durable goods as a result of rapid growth in income levels and burgeoning middle-class. Hence, the demand for packaging boards will be increased.

In addition, as disclosed in the Asian Paper Packaging Forecast issued by RISI (an international information provider for global forest products industry) in September 2006, the demand of containerboard in the PRC was expected to rise from 21.1 million tonnes in 2005 to 57.0 million tonnes in 2021, representing a compound annual growth rate of 6.4%. The estimated domestic production was approximately 19.3 million tonnes in 2005 and 53.6 million tonnes in 2021, implying that there would be long-term supply shortage in containerboard market. On the other hand, the increasingly stringent PRC regulations and standards on environmental protection has resulted in replacement of small industry players with inferior capacities and the undersupply condition will become more severe.

Moreover, in assessing the prospects of containerboard market, we have also reviewed the growth of certain sectors that would have considerable impact on the consumption of containerboards, such as transportation and retail sectors. As revealed from the China Statistical Yearbook 2006 issued by National Bureau of Statistics of China, the total freight traffic in the PRC increased from approximately 12,349 million tonnes in 1995 to approximately 18,621 million tonnes in 2005, representing a compound annual growth rate of approximately 4.2% and the PRC's total domestic retail sales of consumer goods increased from approximately RMB2.4 trillion in 1995 to approximately RMB6.7 trillion in 2005, representing a compound annual growth rate of approximately 11.0%.

With the promising GDP growth rate of the PRC and the endurable expansion of containerboard market with undersupplied demand as mentioned above, the Board is optimistic about the prospects of the containerboard market. Leveraging on the Group's prolonged presence in paper trading industry with good reputation, its prevailing extensive client exposure and substantial selling and marketing experiences, together with the strong background and abundant experiences of the Korean professional team, the Directors believe that the Acquisition enables the Group to broaden its revenue base and profitability and secure the stable supply of containerboard products.

In view that (i) the Acquisition is in line with the Company's business development strategy which represents a vertical expansion of the Group's business in the PRC to paper products manufacturing industry; (ii) the Group's management can leverage its expertise and experience in the paper manufacturing industry to manage the upstream business; (iii) measures to be taken by the Group to ensure the fluent operation of Kingsrich and JYTP such as the recruitment of Korean technical team with sound working experiences in paper manufacturing business, the proactive establishment of long-term bonding with reliable suppliers to secure the stable source of supply of raw materials of high quality at competitive price, and the reliance on the Group's existing customer network and the extension of sales channels under professional team's efforts; (iv) the operating performance of the Group will be enhanced through the development in the containerboard manufacturing market which have higher margins than its existing paper trading business as a result of the Acquisition; (v) persistent growth capacity and undersupplied demand of the containerboard market can be derived from vigorous and relentless economic growth in the PRC; and (vi) the proposed manufacturing arm to be undertaken by Kingsrich and JYTP will become continuous source of supply of containerboard products to the Group subsequent to the Acquisition, we are of the view that the Acquisition represents a rational business opportunity of the Group to expand its existing business of trading and marketing of paper products and is beneficial to the Group and the Shareholders as a whole.

2 Principal terms of the agreements

2.1 Consideration for the Acquisition in the Sale and Purchase Agreement

The Consideration is HK$7,997,568, which will be satisfied in cash by the Company's internal resources upon Completion. The Consideration, comprising the Loan Consideration and the Share Consideration, was arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to the paid up capital of Kingsrich of US$1,000 (equivalent to approximately HK$7,816), the amount of the Loan as at 31 May 2007 of US$295,528 (equivalent to approximately HK$2.3 million at the Agreed Exchange Rate), the premium of market valuation of the Land as at 31 March 2007 of approximately RMB65 million (equivalent to approximately HK$66.74 million) as indicated by the Valuer over the land premium payable by JYTP under the Land Use Right Grant Contract and the time and effort spent by the Vendor in setting up JYTP. In giving its indication of the market value of the Land, the Valuer has assumed the Land is freely transferable in the market at no extra land premium and other onerous charges payable and on the basis that it is given vacant possession and free from encumbrances. During the period from 31 May 2007 to the Latest Practicable Date, the amount of the Loan has remained unchanged.

As advised by the Directors, the Group has identified the promising prospects of the PRC market for its paper business and has been sourcing suitable investment options for capturing the business opportunities derived from undersupplied demand in containerboard market. The Acquisition represents a valuable option to the Group to expand its business to containerboard manufacturing industry without requiring much additional efforts and time in getting approval from the PRC relevant authorities for formation of Sino-foreign equity joint venture and grant of the Land while the Group at present has limited connection or network in doing so. The Company noted that the investment cost of the Vendor is approximately HK$2.3 million which has been used for negotiations at an earlier stage and initial formation of joint venture. In addition, by reference to premium of the market valuation of the Land as at 30 June 2007 (assuming a valid State-owned Land Use Rights Certificate had been obtained and all land grant premium has been fully paid) of approximately HK$66.74 million from an independent valuation report by the Valuer as set out in the Appendix IV to the Circular over the land premium of approximately HK$26.92 million payable under the Land Use Right Grant Contract, we concur with the view of the Directors that the Consideration which represented a premium of approximately HK$5.7 million to the investment cost of approximately HK$2.3 million to the Vendor is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

2.2 Settlement method of the Consideration

As set out in the Letter, the Consideration will be settled in cash by the Group's internal resources. Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to the Circular, we consider that the Group has the necessary financial resources to pay for the Consideration and its financial position or operation will not be adversely affected by the Acquisition.

2.3 Capital contribution in the joint venture contract of JYTP

Pursuant to the terms of the joint venture contract of JYTP, the registered capital of JYTP is US$30 million (equivalent to approximately HK$234.5 million) which shall be contributed as to 99% by Kingsrich in cash and in specie (equipment) and as to 1% by JNGEDZC in cash.

According to the terms of the approval of the relevant approving authority, 20% of the registered capital of JYTP shall be contributed within 90 days from date of issue of its business license (i.e. by 26 June 2007) and the remaining 80% shall be contributed within 2 years. As advised by the Company's PRC legal adviser, failure to make capital contribution in the prescribed time limit may result in the registration authority of JYTP issuing notice demanding ratification of such failure and/or imposing a fine at the rate of 5% to 15% of the amount of the outstanding registered capital. Under the terms of the Sale and Purchase Agreement, the Vendor has undertaken, among other things, to indemnify the Purchaser, Kingsrich and JYTP in respect of any penalties, claims and liabilities which any of them may incur or suffer resulting from the delay in payment of registered capital mentioned above. In addition, the risk of revoking the business license of JYTP is minimal in the view of the Company's PRC legal adviser as the delay in making capital contribution is less than 2 years. The Company has been informed by the Vendor that Kingsrich and JNGEDZC have been in discussion with江蘇省南通工商行政管理局 (Administration for Industry and Commerce of Nantong, Jiangsu Province) for an extension of the time limit for the payment the first 20% of the registered capital of JYTP, which will be settled by the Group's internal resources and bank borrowings after Completion.

In accordance with latest capital expenditure estimated by the Group, capital outlay of approximately RMB620 million (equivalent to approximately HK$636.6 million) is required for settlement of the land premium of the Land under the Land Use Right Grant Contract and the construction of paper mill and power plant, which is under the permitted threshold of total investment cost of JYTP of US$90 million (equivalent to approximately HK$703.5 million). As advised by the Directors, the registered capital of JYTP will be used for partial payment of such purposes.

With reference to several major Hong Kong listed companies engaging in paper manufacturing industry that have joint ventures in the PRC with paper product production facilities, the registered capital of such joint ventures ranged from approximately HK$276 million to HK$3,931 million, with annual production capacity ranging from 0.1 million tonnes to 3.3 million tonnes. In view of the expected annual production capacity of JYTP, we are of the view that the registered capital of JYTP is in scale with other paper product production joint ventures established in the PRC by such Hong Kong listed companies.

Based on the above and given that the registered capital of JYTP will be used for funding of its capital outlay and the contribution of the registered capital is in proportion to the shareholders' respective equity interest in JYTP, we consider that the capital contribution to be borne by the Group is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3 Financial effects of the Acquisition on the Group

The following illustrates the effect on net tangible assets value, earnings, cash position and gearing of the Group as a result of the Acquisition assuming that there will not be any changes to the total issued share capital of the Company as at the Latest Practicable Date.

3.1 Net tangible assets value

The Group had an audited consolidated net tangible assets value attributable to the equity shareholders of the Company of approximately HK$667.6 million as at 31 March 2007. Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to the Circular, assuming the Acquisition had taken place on 31 March 2007, the Group's net tangible assets value attributable to the equity shareholders of the Company would be reduced by approximately HK$7.5 million, mainly as a result of the intangible assets of approximately HK$5.7 million which may be arisen from the difference between the Consideration and the net assets value of Kingsrich Group. However, after taking into account of growth prospect and the undersupplied demand of containerboard market in the PRC, the potential synergies for enhancing the overall performance of the Group and the premium of current market valuation of the Land over the land premium payable as discussed above, we are of the view that the reduction is fair and reasonable.

3.2 Earnings

Upon Completion, there would be no immediate material impact on the earnings of the Group while the results of Kingsrich Group would be consolidated into the Group after Completion. In view of the sustainable growing demand of the containerboard market as described above, we are of the view that the earnings of the Group will be enhanced as a result of the Acquisition in the long run after the commencement of operation of JYTP with regard to the approved manufacturing capacity of kraftliner boards and corrugated medium, which is in the interests of the Company and the Independent Shareholders as a whole.

3.3 Cashflow

As disclosed in its latest annual report, the Company had an audited cash and cash equivalents balance of approximately HK$337.5 million as at 31 March 2007. According to accountants' report of Kingsrich Group as set out in Appendix II to the Circular, the aggregate cash and cash equivalents contributed by Kingsrich Group upon Completion would be approximately HK$8,000. The Consideration, as set out in the Letter, will be settled in cash by the Group's internal resources. We are of the view that the Acquisition will not exert considerable pressure on the Group's working capital position and the Enlarged Group will still have sufficient working capital for its ongoing operations in the absence of unforeseeable circumstances.

3.4 Gearing

Based on the Company's latest annual report, the Group had an audited gearing ratio as at 31 March 2007 of approximately 22.5% (being the Group's long term debts of approximately HK$157.2 million over the Group's shareholders' funds of approximately HK$700.0 million). The Group intends to fund the Consideration through internal resources which will not have any material effect to the gearing ratio. After Completion, if external borrowings are used to fund the entire amount of the capital contribution required to be contributed by Kingsrich of approximately US$29.7 million (equivalent to approximately HK$232.1 million), assuming the total equity of the Group remains unchanged, the gearing ratio of the Group will be increased to 55.6%, which we consider acceptable.

RECOMMENDATION

Having considered the above principle factors and reasons in respect of the Acquisition, we are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Acquisition is on normal commercial terms, the business to be conducted by Kingsrich Group is in the normal and usual course of business of the Group and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder if a general meeting of the Company were to be convened for the purpose of considering and approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Taifook Capital Limited

Derek C.O. Chan	**April Chan**
Managing Director	*Executive Director*

(A) THREE YEAR FINANCIAL SUMMARY

The following is a summary of the consolidated financial information of the Group with unqualified opinion from PricewaterhouseCoopers for the three years ended 31 March 2005, 2006 and 2007, as extracted from the annual reports of the Company for the year ended 31 March 2006 and 2007.

The accounting policies adopted by the Group were changed for the year ended 31 March 2006 due to the adoption of new/revised Hong Kong Financial Reporting Standards and the figures for the year ended 31 March 2005 have been restated to reflect these changes.

	Year ended 31 March		
	(as restated)		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
Turnover	2,944,408	3,120,108	3,146,763
Profit before taxation	74,762	40,703	59,071
Taxation	(16,574)	(8,914)	(7,301)
Profit for the year	58,188	31,789	51,770
Attributable to:			
Equity holders of the Company	56,584	30,449	50,867
Minority interests	1,604	1,340	903
	58,188	31,789	51,770
Earnings per share — basic	HK$0.132	HK$0.071	HK$0.119

	At 31 March		
	(as restated)		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Total assets	1,974,969	2,029,301	2,175,209
Total liabilities	(1,356,449)	(1,391,402)	(1,468,346)
	618,520	637,899	706,863
Equity attributable to equity holders of the Company	615,083	633,969	699,991
Minority interests	3,437	3,930	6,872
	618,520	637,899	706,863

(B) AUDITED FINANCIAL STATEMENTS

The following are the audited financial statements of the Group for the year ended 31 March 2007 together with accompanying notes, extracted from the Company's annual report for the year ended 31 March 2007.

Consolidated Profit and Loss Account
For the financial year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5	3,146,763	3,120,108
Cost of sales		(2,861,845)	(2,854,305)
Gross profit		284,918	265,803
Other gains and income	5	24,096	21,205
Selling expenses		(100,168)	(104,024)
Administrative expenses		(83,668)	(74,427)
Other operating expenses		(12,858)	(8,865)
Operating profit	6	112,320	99,692
Finance costs	7	(51,338)	(53,587)
Share of losses of associated companies		(1,911)	(5,402)
Profit before taxation		59,071	40,703
Taxation	8	(7,301)	(8,914)
Profit for the year		51,770	31,789
Attributable to:			
Equity holders of the Company		50,867	30,449
Minority interests		903	1,340
		51,770	31,789
Dividends	10	17,170	10,731
Earnings per share — basic	11	11.9 cents	7.1 cents
Dividends per share			
Interim		1.5 cents	1.5 cents
Proposed final		2.5 cents	1.0 cent
		4.0 cents	2.5 cents

Consolidated Balance Sheet
As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	118,411	81,137
Prepaid premium for land leases	15	48,785	71,415
Investment property	16	51,679	—
Intangible asset	17	32,414	—
Interest in associated companies	19	57,976	60,682
Deferred tax assets	29	4,055	2,524
Finance lease receivables	21	1,518	2,421
		314,838	218,179
Current assets			
Inventories	20	352,225	337,424
Accounts receivable, deposits and prepayments	21	1,122,076	1,106,010
Other financial assets at fair value through profit or loss	22	34,446	24,879
Taxation recoverable		—	1,688
Restricted bank deposits	23	14,095	33,323
Bank balances and cash	24	337,529	307,798
		1,860,371	1,811,122
Current liabilities			
Accounts payable and accrued charges	25	649,967	507,725
Trust receipt loans	26	389,509	437,204
Taxation payable		2,348	—
Other financial liabilities at fair value through profit or loss	22	406	703
Borrowings	26	262,953	221,655
		1,305,183	1,167,287
Net current assets		555,188	643,835
Total assets less current liabilities		870,026	862,014
Financed by:			
Share capital	27	42,926	42,926
Reserves	28	646,334	586,751
Proposed final dividend	28	10,731	4,292
		657,065	591,043
Shareholders' funds		699,991	633,969
Minority interests		6,872	3,930
Total equity		706,863	637,899
Non-current liabilities			
Borrowings	26	157,159	221,222
Deferred tax liabilities	29	6,004	2,893
		163,163	224,115
		870,026	862,014

Balance Sheet
As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Interest in subsidiaries	18	249,897	249,897
Current assets			
Amounts due from subsidiaries	18	143,087	142,656
Dividend receivable from a subsidiary		10,731	4,292
Bank balances and cash	24	12	8
		153,830	146,956
Current liabilities			
Accrued charges		452	122
Taxation payable		29	10
		481	132
Net current assets		153,349	146,824
Total assets less current liabilities		403,246	396,721
Financed by:			
Share capital	27	42,926	42,926
Reserves	28	349,589	349,503
Proposed final dividend	28	10,731	4,292
		360,320	353,795
Shareholders' funds		403,246	396,721

Consolidated Statement of Changes in Equity
For the year ended 31 March 2007

Group

	Attributable to equity holders of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Subtotal**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	42,926	176,597	395,560	615,083	3,437	618,520
2004–2005 final dividend paid	—	—	(12,878)	(12,878)	—	(12,878)
Profit for the year	—	—	30,449	30,449	1,340	31,789
Asset revaluation reserve transferred to retained earnings	—	(27,237)	27,237	—	—	—
Capital injection by a minority shareholder	—	—	—	—	1,422	1,422
Surplus on properties revaluation, net of tax	—	3,203	—	3,203	—	3,203
Currency translation difference	—	3,926	(556)	3,370	94	3,464
Dividend paid to a minority shareholder	—	—	—	—	(2,363)	(2,363)
Share of reserve of an associated company	—	1,181	—	1,181	—	1,181
2005–2006 interim dividend paid	—	—	(6,439)	(6,439)	—	(6,439)
Reserves	42,926	157,670	429,081	629,677	3,930	633,607
Proposed 2005–2006 final dividend	—	—	4,292	4,292	—	4,292
At 31 March 2006	42,926	157,670	433,373	633,969	3,930	637,899
At 1 April 2006 as per above	42,926	157,670	433,373	633,969	3,930	637,899
2005–2006 final dividend paid	—	—	(4,292)	(4,292)	—	(4,292)
Profit for the year	—	—	50,867	50,867	903	51,770
Capital injection by a minority shareholder	—	—	—	—	2,000	2,000
Surplus on properties revaluation, net of tax	—	12,120	—	12,120	—	12,120
Currency translation difference	—	14,561	—	14,561	39	14,600
Share of reserve of an associated company	—	(795)	—	(795)	—	(795)
2006–2007 interim dividend paid	—	—	(6,439)	(6,439)	—	(6,439)
Reserves	42,926	183,556	462,778	689,260	6,872	696,132
Proposed 2006–2007 final dividend	—	—	10,731	10,731	—	10,731
At 31 March 2007	42,926	183,556	473,509	699,991	6,872	706,863

Consolidated Cash Flow Statement
For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Operating activities			
Cash inflow generated from operations	30(a)	212,198	106,418
Interest paid		(51,338)	(53,587)
Hong Kong profits tax paid		974	(11,372)
Overseas taxation paid		(3,002)	(1,801)
Net cash inflow from operating activities		158,832	39,658
Investing activities			
Purchase of property, plant and equipment		(10,597)	(6,241)
Proceeds from disposal of property, plant and equipment		2,477	1,485
Acquisition of a subsidiary	30(c)	(45,998)	—
Capital outlay for finance lease receivables		(3,059)	(5,100)
Capital element received from finance lease receivables		2,890	846
Interest element received from finance lease receivables		597	106
Increase in net derivative financial instruments		(3,315)	(1,095)
Purchase of investments in financial assets		(6,206)	(4,002)
Proceeds from sale of investments in financial assets		299	12,566
Interest received		11,754	13,034
Dividends received from investments in financial assets		931	1,015
Dividends received from an associated company		—	125
Net cash (outflow)/inflow from investing activities		(50,227)	12,739
Financing activities			
Bank loans raised	30(b)	532,595	666,409
Repayment of bank loans	30(b)	(578,457)	(530,779)
Repayment of finance lease liabilities		(4,850)	—
Decrease/(increase) in restricted bank deposits		19,228	(33,323)
Decrease in trust receipt loans		(47,695)	(128,211)
Dividends paid to shareholders		(10,731)	(19,317)
Dividend paid to minority shareholders		—	(2,363)
Capital contribution from minority shareholders of a subsidiary		2,000	1,422
Net cash outflow from financing activities		(87,910)	(46,162)
Effect of changes in exchange rates on bank balances and cash		8,069	4,250
Net increase in bank balances and cash		28,764	10,485
Bank balances and cash at the beginning of the year		307,798	297,313
Bank balances and cash at the end of the year	24	336,562	307,798

Notes to the Accounts

1 General information

The principal activity of the Company is investment holding. The principal activity of the subsidiaries are trading and marketing of paper products.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is 3/F Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated accounts are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated accounts have been approved for issue by the Board of Directors on 26 July 2007.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of buildings, investment property, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in note 4.

The following standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 April 2006 but are not relevant to or have no significant financial impact to the Group's operation:

Amendment to HKAS 19	Actuarial gains and losses, group plans and disclosures
Amendment to HKAS 39	The fair value option
Amendment to HKAS 21	Net investment in a foreign operation
Amendment to HKAS 39	Cash flow hedge accounting of forecast intragroup transactions
Amendment to HKAS 39 and HKFRS 4	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 6 (Amendment)	Exploration for and evaluation of mineral resources
HK(IFRIC)-Int 4	Determining whether an arrangement contains a lease
HK(IFRIC)-Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC)-Int 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29, financial reporting in hyperinflationary economies

The following new standards, amendments to standards and interpretations have been issued but are not effective for the current year and have not been early adopted:

HKFRS 7	Financial instruments: disclosures
HKFRS 8	Operating segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	Interim financial reporting and impairment
HK(IFRIC)-Int 11, HKFRS 2	Group and treasury share transactions
HK(IFRIC)-Int 12	Service concession arrangements
Amendment to HKAS 1	Capital disclosures

The Group is in the process of assessing the impact to the Group's accounting policies on the adoption of the above standards and interpretations in future periods.

2.2 *Foreign currency translation*

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

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

2.4 Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

Regular purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all other financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Other financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit and loss account in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

2.5 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit and loss account. Subsequent recoveries of amounts previously written off are credited in the profit and loss account.

2.6 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.7 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account (note 2.9).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 2.9).

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

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

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

2.8 Property, plant and equipment

Buildings comprise mainly warehouses and offices. Buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Valuations of building inside and outside Hong Kong are valued by external independent valuers and the directors respectively. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are expensed in the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset expensed in the profit and loss account and depreciation based on the asset's original cost is transferred from "other reserve" to "retained earnings".

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives. The principal annual rates are as follows:

Buildings	2.5% to 5.9%
Furniture and fixtures	10% to 25%
Machinery and equipment	10% to 20%
Office and computer equipment	10% to 20%
Motor vehicles and vessels	20%
Leasehold improvements	20% or over the unexpired lease period, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.3).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.9 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investment in associates and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Company allocates goodwill to each business segment in each country in which it operates (note 2.3).

2.10 Investment property

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the accounts.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

2.11 Operating leases (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Employee 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 balance sheet date.

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

(ii) Retirement benefit obligations

The Group operates a defined contribution scheme for all its employees in Hong Kong. A defined contribution scheme is a pension scheme that the Group pays fixed contribution into a separate entity. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also contributes on a monthly basis to various defined contribution schemes, organised by relevant municipal and provincial governments in the People's Republic of China (the "PRC") for all its employees in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees for post-retirement benefits beyond the contributions made. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. Contributions to these schemes are expensed as incurred.

2.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Sales commission is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

2.17 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.18 Finance lease (as lessor)

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

2.19 Finance lease (as lessee)

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

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

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management policies approved by the Board of Directors are carried out by a central treasury department ("Group Treasury"). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Foreign exchange risk

The Group operates in various Asian countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group enters into forward contracts to reduce foreign exchange risk.

(b) Credit risk

The carrying amount of trade and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated accounts.

(c) Liquidity risk

The Group has been prudent in liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The management aims to maintain flexibility in funding by keeping credit lines available.

(d) Cash flow interest-rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from bank borrowings. As at 31 March 2007, borrowings were primarily at floating rates.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As at 31 March 2007, the Company has deferred tax assets in the amount of HK$4,055,000. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised for temporary differences arising from impairment provisions taken on inventory and receivables. As discussed in note 29 to the accounts, the State Council in the PRC has yet to issue further detailed measures and regulations which could provide further opportunities for the Group entities to reduce their corporate income tax rate. Should the Group entities be eligible for additional tax incentives, every 1% reduction in tax rate would render a further increase of deferred tax assets in the amount of RMB105,000.

(b) Estimated provision for trade and other receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impaired receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment expenses in the period in which such estimate has been changed.

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

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

(d) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 17).

(e) Useful lives and residual values of property, plant and equipment

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

5 Turnover, other gains and income and segment information

Revenues recognised are as follows:

	Group 2007	2006
	HK$'000	*HK$'000*
Turnover — sale of goods	3,146,763	3,120,108
Other gains and income		
Interest income	12,351	13,140
Sales commission	29	1,029
Gain on sale of investments in financial assets	97	1,840
Dividend income — listed investments	931	1,015
Fair value gain on investment property	4,922	—
Others	5,766	4,181
	24,096	21,205

(a) Primary reporting format — Business segments

At 31 March 2007, the Group is organised on a worldwide basis into four main business segments:

(1) Trading and marketing of paper products;

(2) Provision of logistics services;

(3) Trading and marketing of aeronautic parts; and

(4) Provision of marine services to marine, oil and gas industries.

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

	Paper	Logistics services	Aeronautic parts	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	3,459,882	69,574	57,461	28,405	—	3,615,322
Inter-segment revenue	(456,450)	(12,109)	—	—	—	(468,559)
Revenue	3,003,432	57,465	57,461	28,405	—	3,146,763
Segment result	97,861	2,403	3,658	9,669	(1,271)	112,320
Finance costs *(note 7)*						(51,338)
Share of losses of associated companies	(1,911)	—	—	—	—	(1,911)
Profit before taxation						59,071
Taxation *(note 8)*						(7,301)
Profit for the year						51,770

The segment results for the year ended 31 March 2006 are as follows:

	Paper	Logistics services	Aeronautic parts	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	3,462,781	14,704	36,988	—	—	3,514,473
Inter-segment revenue	(391,644)	(2,721)	—	—	—	(394,365)
Revenue	3,071,137	11,983	36,988	—	—	3,120,108
Segment result	96,930	1,154	2,029	—	(421)	99,692
Finance costs *(note 7)*						(53,587)
Share of losses of associated companies	(5,402)	—	—	—	—	(5,402)
Profit before taxation						40,703
Taxation *(note 8)*						(8,914)
Profit for the year						31,789

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of non-current assets and current assets except deferred tax assets and taxation recoverable.

Segment liabilities comprise accounts payable and accrued charges, trust receipt loans and other financial liabilities at fair value through profit or loss.

Capital expenditure comprises additions to property, plant and equipment (note 14) and intangible assets (note 17), including additions resulting from acquisitions through business combinations (note 14, 17 and 30(c)).

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

	Paper	Logistics services	Aeronautic parts	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	1,876,548	77,478	38,900	76,800	43,452	2,113,178
Associates	57,976	—	—	—	—	57,976
Segment assets	1,934,524	77,478	38,900	76,800	43,452	2,171,154
Segment liabilities	979,679	9,103	13,992	35,074	2,034	1,039,882
Capital expenditure *(notes 14 and 30(c))*	10,657	6,314	24	74,615	—	91,610

The segment assets and liabilities at 31 March 2006 and capital expenditure for the year then ended are as follows:

	Paper	Logistics services	Aeronautic parts	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	1,873,441	46,199	33,198	—	11,569	1,964,407
Associates	60,682	—	—	—	—	60,682
Segment assets	1,934,123	46,199	33,198	—	11,569	2,025,089
Segment liabilities	933,121	4,464	8,027	—	20	945,632
Capital expenditure *(note 14)*	3,326	2,805	110	—	—	6,241

Other segment items included in the consolidated profit and loss account are as follows:

	Year ended 31 March 2007					
	Paper	Logistics services	Aeronautic parts	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment *(note 14)*	4,329	1,332	460	1,587	101	7,809
Amortisation of prepaid premium for land leases *(note 15)*	1,260	304	—	—	62	1,626

	Year ended 31 March 2006					
	Paper	Logistics services	Aeronautic parts	Marine services	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment *(note 14)*	5,597	767	410	—	101	6,875
Amortisation of prepaid premium for land leases *(note 15)*	1,167	521	—	—	62	1,750

(b) Secondary reporting format — geographical segments

The Group's four business segments operate in three main geographical areas, even though they are managed on a worldwide basis.

	Group					
	Turnover		**Segment assets**		**Capital expenditure**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,323,616	1,502,063	1,200,087	1,363,684	7,068	1,877
The People's Republic of China (the "PRC")*	1,471,467	1,490,137	764,237	583,493	9,872	3,774
Others	351,680	127,908	206,830	77,912	74,670	590
	3,146,763	3,120,108	2,171,154	2,025,089	91,610	6,241

* *The People's Republic of China, for the purpose of this report, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan.*

6 Operating profit

Operating profit is stated after charging and crediting the following:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Charging		
Depreciation of property, plant and equipment	7,809	6,875
Amortisation of prepaid premium for land leases	1,626	1,750
Loss on disposal of property, plant and equipment	255	229
Operating lease rentals in respect of land and buildings	8,286	19,406
Transportation costs	92,829	30,854
Provision for impairment on inventories	1,648	89
Provision for impairment on receivables	19,611	9,137
Employee benefit expense *(note 12)*	87,028	73,446
Unrealised losses on investments in financial assets	—	429
Auditor's remuneration	1,151	738
Crediting		
Unrealised gain on investments in financial assets	545	—
Provision for impairment on receivables written back	6,162	2,242

7 Finance costs

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within 5 years	37,333	40,266
Interest on trade credit	14,005	13,321
	51,338	53,587

8 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current	3,132	6,179
Over provision in previous years	(70)	(107)
	3,062	6,072
Overseas taxation	3,002	1,801
Deferred taxation relating to origination and reversal of temporary differences *(note 29)*	1,237	1,041
	7,301	8,914

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Profit before taxation	59,071	40,703
Adjustment: Share of losses of associated companies	1,911	5,402
	60,982	46,105
Calculated at a taxation rate of 17.5% (2006: 17.5%)	10,671	8,068
Effect of different taxation rates in other countries	426	(196)
Income not subject to taxation	(4,512)	(771)
Expenses not deductible for taxation purposes	786	1,920
Over provision in previous years	(70)	(107)
Taxation charge	7,301	8,914

9 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of HK$17,256,000 (2006: HK$10,627,000) (note 28).

10 Dividends

	Group 2007	2006
	HK$'000	*HK$'000*
Interim — HK$0.015 (2006: HK$0.015) per share	6,439	6,439
Proposed final — HK$0.025 (2006: HK$0.01) per share	10,731	4,292
	17,170	10,731

At a meeting held on 26 July 2007, the Directors proposed a final dividend of HK2.5 cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2008.

11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company.

	Group 2007	2006
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	50,867	30,449
Weighted average number of ordinary shares in issue	429,258	429,258
Basic earnings per share (HK cent per share)	11.9 cents	7.1 cents

Diluted earnings per share is not presented because there were no dilutive potential shares outstanding during the year.

12 Employee benefit expense (including Directors' remuneration)

	Group 2007	2006
	HK$'000	*HK$'000*
Wages, salaries and bonus	83,781	71,132
Long service payments	(221)	(491)
Contributions to pension scheme	3,468	2,805
	87,028	73,446

13 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 March 2007 is set out below:

	2007					2006
	Fee	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Sham Kit Ying	—	5,039	500	—	5,539	6,039
Lee Seng Jin	—	3,615	1,800	125	5,540	6,705
Sham Yee Lan, Peggy	—	646	1,000	30	1,676	676
Chow Wing Yuen	—	1,100	372	34	1,506	1,914
Lee Yue Kong, Albert	—	840	604	30	1,474	1,430
Non-executive directors						
Pang Wing Kin, Patrick	80	—	—	—	80	80
Lau Wang Yip, Eric	80	—	—	—	80	80
Tong Yat Chong	100	—	—	—	100	80
Ng Hung Sui, Kenneth	80	—	—	—	80	80

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2006: four) Directors whose emoluments are reflected in the analysis presented above. Last year the emoluments payable to the remaining one individual are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	—	590
Discretionary bonuses	—	212
Contributions to pension scheme	—	24
	—	826

	Number of individuals	
Emolument band	2007	2006
HK$		
0–1,000,000	—	1

14 Property, plant and equipment — Group

	Buildings Inside Hong Kong	Buildings Outside Hong Kong	Furniture and fixtures	Machinery and equipment	Motor vehicles and vessels	Leasehold improvements	Office and computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005								
Cost or valuation	52,825	10,942	5,797	30,745	20,516	10,622	14,541	145,988
Accumulated depreciation	—	—	(5,027)	(26,734)	(11,865)	(10,345)	(12,106)	(66,077)
Net book amount	52,825	10,942	770	4,011	8,651	277	2,435	79,911
Year ended 31 March 2006								
Opening net book amount	52,825	10,942	770	4,011	8,651	277	2,435	79,911
Net exchange difference	—	168	50	75	102	(43)	19	371
Additions	—	—	842	716	2,662	378	1,643	6,241
Revaluation surplus *(note 28)*	2,844	359	—	—	—	—	—	3,203
Disposals	—	—	(44)	(8)	(1,451)	(42)	(169)	(1,714)
Depreciation	(1,326)	(409)	(299)	(974)	(2,468)	(127)	(1,272)	(6,875)
Closing net book amount	54,343	11,060	1,319	3,820	7,496	443	2,656	81,137
Year ended 31 March 2006								
Cost or valuation	55,669	11,469	6,567	31,533	20,578	10,913	15,796	152,525
Accumulated depreciation	(1,326)	(409)	(5,248)	(27,713)	(13,082)	(10,470)	(13,140)	(71,388)
Net book amount	54,343	11,060	1,319	3,820	7,496	443	2,656	81,137
Year ended 31 March 2007								
Opening net book amount	54,343	11,060	1,319	3,820	7,496	443	2,656	81,137
Net exchange difference	—	300	42	1,238	291	37	103	2,011
Acquired through purchase of a subsidiary *(note 30(c))*	—	—	2	37,491	4,522	—	180	42,195
Additions	—	6,281	737	623	7,978	380	1,002	17,001
Revaluation surplus *(note 28)*	12,291	—	—	—	—	—	—	12,291
Transfer to investment property *(note 16)*	(25,683)	—	—	—	—	—	—	(25,683)
Disposals	—	(671)	—	(1,109)	(940)	—	(12)	(2,732)
Depreciation	(207)	(512)	(458)	(2,209)	(3,184)	(150)	(1,089)	(7,809)
Closing net book amount	40,744	16,458	1,642	39,854	16,163	710	2,840	118,411
Year ended 31 March 2007								
Cost or valuation	41,714	17,385	7,181	69,696	32,129	11,326	17,143	196,574
Accumulated depreciation	(970)	(927)	(5,539)	(29,842)	(15,966)	(10,616)	(14,303)	(78,163)
Net book amount	40,744	16,458	1,642	39,854	16,163	710	2,840	118,411

Buildings situated in Hong Kong and major buildings situated outside Hong Kong were revalued at 31 March 2007 on the basis of open market value carried out by FPDSavills (Hong Kong) Limited, an independent firm of chartered surveyors. The remaining buildings situated outside Hong Kong were revalued at 31 March 2007 by the Directors.

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

	2007	2006
	HK$'000	*HK$'000*
Cost	46,388	52,903
Accumulated depreciation	(11,418)	(12,932)
Net book amount	34,970	39,971

The analysis of the cost or valuation at 31 March 2007 of the above assets is as follows:

	Buildings Inside Hong Kong	Buildings Outside Hong Kong	Furniture and fixtures	Machinery and equipment	Motor vehicles and vessels	Leasehold improvements	Office and computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	—	—	7,181	69,696	32,129	11,326	17,143	137,475
At valuation	41,714	17,385	—	—	—	—	—	59,099
	41,714	17,385	7,181	69,696	32,129	11,326	17,143	196,574

The analysis of the cost or valuation at 31 March 2006 of the above assets is as follows:

	Buildings Inside Hong Kong	Buildings Outside Hong Kong	Furniture and fixtures	Machinery and equipment	Motor vehicles and vessels	Leasehold improvements	Office and computer equipment	Total
At cost	—	—	6,567	31,533	20,578	10,913	15,796	85,387
At valuation	55,669	11,469	—	—	—	—	—	67,138
	55,669	11,469	6,567	31,533	20,578	10,913	15,796	152,525

At 31 March 2007, buildings situated in Hong Kong with carrying value amounted to approximately HK$40,744,000 (2006: HK$54,343,000) were pledged as securities for bank borrowings made available to the Group (note 33).

As at 31st March 2007, the aggregate net book amount of plant and machinery held by the Group under finance leases was HK$11,651,000 (2006: nil). The net book amount of motor vehicles held by the Group under finance leases was HK$4,903,000 (2006: nil).

15 Prepaid premium for land leases

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

	Group 2007	2006
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of between 10 to 50 years	43,390	65,882
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	5,395	5,533
	48,785	71,415
At 1 April	71,415	73,098
Exchange differences	70	67
Transfer to investment property *(note 16)*	(21,074)	—
Amortisation	(1,626)	(1,750)
At 31 March	48,785	71,415

At 31 March 2007, prepaid premium for land leases situated in Hong Kong with carrying value amounted to approximately HK$43,390,000 (2006: HK$65,882,000) was pledged as securities for bank borrowings made available to the Group (note 33).

16 Investment property

	Group 2007	2006
	HK$'000	*HK$'000*
At 1 April	—	—
Transfer from property, plant and equipment *(note 14)*	25,683	—
Transfer from prepaid premium for land leases *(note 15)*	21,074	—
Fair value gain	4,922	—
At 31 March	51,679	—

The investment property was revalued at 31 March 2007 by independent, professionally qualified valuers FPDSavills (Hong Kong) Limited. Valuations were based on current prices in an active market for the properties.

The Group's interest in investment property at its book value is analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of between 10 to 50 years	51,679	—
	51,679	—

At 31 March 2007, the investment property situated in Hong Kong with carrying value amounted to approximately HK$51,679,000 (2006: nil) was pledged as a security for bank borrowings made available to the Group (note 33).

17 Intangible asset

	Group
	HK$'000
At 1 April 2006	—
Acquisition of a subsidiary *(note 30(c))*	32,414
At 31 March 2007	32,414
At 31 March 2007	
Cost or valuation	32,414
Net book amount	32,414

Goodwill amount of HK$32,414,000 is generated from the acquisition of Hypex Holdings Limited during the year. Goodwill is allocated to the Group's marine services unit according to business segment.

In accordance to HKAS 36 "Impairment of Assets", the Group completed its annual impairment test for goodwill allocated to the Group's cash generating unit ("CGU") by comparing their recoverable amount to their carrying amount as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the marine services business in which the CGU operates.

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

Gross margin	39%
Growth rate	5%
Discount rate	10%

The Directors are of the opinion that there was no impairment of goodwill as at 31 March 2007.

18 Interest in subsidiaries

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost *(note (a))*	249,897	249,897
Amounts due from subsidiaries *(note (b))*	143,087	142,656

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 March 2007 are set out in note 36 to the accounts.

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

19 Interest in associated companies

	Group 2007	2006
	HK$'000	*HK$'000*
At 1 April	60,682	65,621
Share of associates' results		
— loss before taxation	(1,911)	(5,292)
— taxation	—	(110)
— dividend paid	—	(125)
	58,771	60,094
Exchange difference	(795)	588
At 31 March	57,976	60,682

Interest in associated companies at 31 March 2007 include goodwill of HK$3,890,000 (2006: HK$3,890,000).

Details of the Group's principal associated companies are as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenue	Loss	Interest held	Principal activity
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	%	
2007								
United Pulp & Paper Company Limited *(note i)* (Listed in Singapore)	22,192,000 shares of S$0.25 each	Singapore	693,646	338,756	420,396	(10,148)	18.97%	Manufacture and sale of paper and paper products
2006								
United Pulp & Paper Company Limited *(note i)* (Listed in Singapore)	22,192,000 shares of S$0.25 each	Singapore	650,413	306,867	361,614	(27,323)	19.02%	Manufacture and sale of paper and paper products

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

(ii) The above table lists out the principal associated company of the Company as at 31 March 2007 which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the Directors, result in particulars of excessive length.

20 Inventories

	Group 2007	2006
	HK$'000	*HK$'000*
Merchandise	352,225	337,424

As at 31 March 2007, inventories of the Group are stated at cost less provision for impairment on inventories. The inventories for the Group are stated after a provision for impairment on inventories of approximately HK$13,209,000 (2006: HK$11,561,000).

21 Accounts receivable, deposits and prepayments

	Group 2007 *HK$'000*	2006 *HK$'000*
Trade receivable — net	962,301	1,018,608
Other receivable, deposits and prepayments	156,870	85,569
Finance lease receivables	4,423	4,254
	1,123,594	1,108,431
Finance lease receivables — non current portion	(1,518)	(2,421)
	1,122,076	1,106,010

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

The ageing analysis of trade receivables is as follows:

	Group 2007 *HK$'000*	2006 *HK$'000*
Current to 60 days	693,075	641,357
61 to 90 days	134,820	171,060
Over 90 days	134,406	206,191
	962,301	1,018,608

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, which are widely dispersed within Hong Kong, the PRC and other countries.

Finance lease receivables

	Group 2007 *HK$'000*	2006 *HK$'000*
Non-current		
Finance leases — gross receivables	1,583	2,691
Unearned finance income	(65)	(270)
	1,518	2,421
Current		
Finance leases — gross receivables	3,246	2,225
Unearned finance income	(341)	(392)
	2,905	1,833

	Group 2007 HK$'000	2006 HK$'000
Gross receivables from finance leases:		
Not later than 1 year	3,246	2,225
Later than 1 year and not later than 5 years	1,583	2,691
	4,829	4,916
Unearned future finance income on finance leases	(406)	(662)
Net investment in finance leases	4,423	4,254
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	2,905	1,833
Later than 1 year and not later than 5 years	1,518	2,421
	4,423	4,254

22 Investment in financial assets/(liabilities)

	Group 2007 HK$'000	2006 HK$'000
Other financial assets at fair value through profit or loss		
Listed securities, at fair value:		
Listed shares in Hong Kong	—	297
Listed shares outside Hong Kong	21,690	14,802
Bonds listed outside Hong Kong	7,940	7,982
	29,630	23,081
Derivative financial instruments	4,816	1,798
	34,446	24,879
Derivative financial liabilities	(406)	(703)
	34,040	24,176

23 Restricted bank deposits

	Group 2007 HK$'000	2006 HK$'000
Pledged as securities for banking facilities	14,095	33,323

Restricted bank deposits earn interest at a fixed rate of 2.07% per annum (2006: 2.07% per annum).

24 Bank balances and cash

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	257,012	179,111	12	8
Short-term bank deposits	80,517	128,687	—	—
	337,529	307,798	12	8

The effective interest rate on short-term bank deposits was 5.16% per annum (2006: 3.2% per annum); these deposits have an average maturity of 14 days (2006: 14 days).

Cash and cash equivalents and bank overdrafts include the following for the purpose of the consolidated cash flow statement:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	337,529	307,798	12	8
Bank overdrafts *(note 26)*	(967)	—	—	—
	336,562	307,798	12	8

25 Accounts payable and accrued charges

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Trade and bills payables	543,748	459,129
Accrued expenses and other payables	93,809	37,718
Loan from a minority shareholder	1,563	—
Amount due to related companies	10,847	10,878
	649,967	507,725

At 31 March 2007, the ageing analysis of trade and bills payables was as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Current to 60 days	444,611	266,991
61 to 90 days	12,578	101,485
Over 90 days	86,559	90,653
	543,748	459,129

26 Borrowings

	Group 2007	2006
	HK$'000	*HK$'000*
Non-current		
Bank loans — unsecured	131,212	190,909
Bank loans — secured *(note 33)*	19,063	30,313
Finance lease liabilities	6,884	—
	157,159	221,222
Current		
Trust receipt loans — unsecured	219,527	283,359
Trust receipt loans — secured *(note 33)*	169,982	153,845
Bank loans — unsecured	245,022	208,322
Bank loans — secured *(note 33)*	11,250	13,333
Bank overdrafts *(note 24)*	967	—
Finance lease liabilities	5,714	—
	652,462	658,859
Total borrowings	809,621	880,081

At 31 March 2007, the Group's bank loans and overdrafts and trust receipt loans were repayable as follows:

	Group			
	Bank loans and overdrafts		Trust receipt loans	
	2007	2006	2007	2006
Within one year	257,239	221,655	389,509	437,204
In the second year	100,947	87,614	—	—
In the third to fifth years inclusive	49,328	133,608	—	—
	407,514	442,877	389,509	437,204

The effective interest rate at the balance sheet date on bank loans, bank overdrafts and trust receipt loans was 5.3% per annum (2006: 5.5% per annum).

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

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

	Group 2007	2006
	HK$'000	*HK$'000*
Hong Kong dollar	770,731	776,465
PRC Renminbi	25,325	87,893
Malaysian Ringgit	—	10,118
Singapore dollar	967	—
US dollar	—	5,605
	797,023	880,081

Finance lease liabilities

	2007	2006
	HK$'000	*HK$'000*
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	5,876	—
Later than 1 year but not later than 5 years	7,266	—
Later than 5 years	178	—
	13,320	—
Future finance charges on finance leases	(722)	—
Present value of finance lease liabilities	12,598	—

	2007	2006
	HK$'000	*HK$'000*
The present value of finance lease liabilities is as follows:		
Not later than 1 year	5,714	—
Later than 1 year but not later than 5 years	6,714	—
Later than 5 years	170	—
	12,598	—

At the balance sheet date, the carrying amount of finance lease liabilities approximate its fair value.

The effective borrowing rates range from 2.2% to 7.23% per annum.

27 Share capital

	Number of shares of HK$0.10 each		Share capital	
	2007	2006	2007	2006
			HK$'000	*HK$'000*
Authorised:				
At the beginning and the end of year	800,000,000	800,000,000	80,000	80,000
Issued and fully paid:				
At the beginning and the end of year	429,258,039	429,258,039	42,926	42,926

The shareholders of the Company adopted a share option scheme to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 March 2007 and 2006, no share option was granted or outstanding.

28 Reserves

Group

	Share premium *HK'000*	Assets revaluation reserve *HK'000*	Capital reserve *(note a)* *HK'000*	Exchange fluctuation reserve *HK'000*	Retained earnings *HK'000*	Total *HK'000*
At 1 April 2005	96,293	50,442	33,311	(3,449)	395,560	572,157
2004–2005 final dividend paid	—	—	—	—	(12,878)	(12,878)
Profit for the year	—	—	—	—	30,449	30,449
Asset revaluation reserve transferred to retained earnings	—	(27,237)	—	—	27,237	—
Surplus on properties revaluation *(note 14)*	—	3,203	—	—	—	3,203
Currency translation difference	—	—	—	3,926	(556)	3,370
Share of reserve of an associated company	—	—	—	1,181	—	1,181
2005–2006 interim dividend paid	—	—	—	—	(6,439)	(6,439)
Reserves	96,293	26,408	33,311	1,658	429,081	586,751
Proposed 2005–2006 final dividend	—	—	—	—	4,292	4,292
At 31 March 2006	96,293	26,408	33,311	1,658	433,373	591,043
At 1 April 2006, as per above	96,293	26,408	33,311	1,658	433,373	591,043
2005–2006 final dividend paid	—	—	—	—	(4,292)	(4,292)
Profit for the year	—	—	—	—	50,867	50,867
Surplus on properties revaluation *(note 14)*	—	12,291	—	—	—	12,291
Revaluation — tax *(note 29)*	—	(171)	—	—	—	(171)
Currency translation difference	—	—	—	14,561	—	14,561
Share of reserve of an associated company	—	—	—	(795)	—	(795)
2006–2007 interim dividend paid	—	—	—	—	(6,439)	(6,439)
Reserves	96,293	38,528	33,311	15,424	462,778	646,334
Proposed 2006–2007 final dividend	—	—	—	—	10,731	10,731
At 31 March 2007	96,293	38,528	33,311	15,424	473,509	657,065

Company

	Share premium	Contributed surplus *(note b)*	Retained earnings	Total
	HK'000	*HK'000*	*HK'000*	*HK'000*
At 1 April 2005	96,293	249,697	16,495	362,485
2004–2005 final dividend paid	—	—	(12,878)	(12,878)
2005–2006 interim dividend paid	—	—	(6,439)	(6,439)
Profit for the year *(note 9)*	—	—	10,627	10,627
Reserves	96,293	249,697	3,513	349,503
Proposed 2005–2006 final dividend	—	—	4,292	4,292
At 31 March 2006	96,293	249,697	7,805	353,795
At 1 April 2006 as per above	96,293	249,697	7,805	353,795
2005–2006 final dividend paid	—	—	(4,292)	(4,292)
2006–2007 interim dividend paid	—	—	(6,439)	(6,439)
Profit for the year *(note 9)*	—	—	17,256	17,256
Reserves	96,293	249,697	3,599	349,589
Proposed 2005–2006 final dividend	—	—	10,731	10,731
At 31 March 2007	96,293	249,697	14,330	360,320

(a) The capital reserve of the Group represents the difference between the nominal value of the shares issued by Samson Paper (BVI) Limited and the nominal value of the share capital of those companies forming the Group pursuant to a group reorganisation in 1995.

(b) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represents the difference between the nominal value of the Company's shares issued and the net asset value of the subsidiaries acquired. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its component of reserves of the underlying subsidiaries.

29 Deferred Taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

The movement on the deferred tax (liabilities)/assets account is as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
At 1 April	(369)	672
Deferred taxation charged to profit and loss account *(note 8)*	(1,237)	(1,041)
Tax charged directly to equity *(note 28)*	(171)	—
Acquisition of a subsidiary *(note 30(c))*	(172)	—
At 31 March	(1,949)	(369)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has no material unrecognised tax losses as at 31 March 2007 and 2006.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets

	Group					
	Provisions		**Tax losses** *(note)*		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April	—	1,406	2,524	2,638	2,524	4,044
Credited/(charged) to profit and loss account	—	(1,406)	1,531	(114)	1,531	(1,520)
At 31 March	—	—	4,055	2,524	4,055	2,524

Deferred tax liabilities

	Group					
	Accelerated tax depreciation		**Fair value gains**		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April	2,893	3,372	—	—	2,893	3,372
Charged directly to equity *(note 28)*	—	—	171	—	171	—
Acquisition of a subsidiary *(note 30(c))*	172	—	—	—	172	—
Charged/(credited) to profit and loss account	1,971	(479)	797	—	2,768	(479)
At 31 March	5,036	2,893	968	—	6,004	2,893

The amounts shown in the balance sheet include the following:

	Group 2007 HK$'000	2006 HK$'000
Deferred tax assets to be recovered after more than 12 months	4,055	2,524
Deferred tax liabilities to be settled after more than 12 months	(6,004)	(2,893)
	(1,949)	(369)

Note:

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The new CIT Law increases the corporate income tax rate for foreign invested enterprises from 15% to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying value of deferred tax assets has been increased by RMB1,046,000 for the year ended 31 March 2007.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

30 Consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operations

	Group 2007 HK$'000	2006 HK$'000
Operating profit	112,320	99,692
Depreciation of property, plant and equipment	7,809	6,875
Amortisation of prepaid premium for land leases	1,626	1,750
Fair value gain on investment property	(4,922)	—
Loss on disposal of property, plant and equipment	255	229
Realised gains on sale of investments in financial assets	(97)	(1,840)
Unrealised (gains)/losses on investments in financial assets	(545)	429
Interest income	(12,351)	(13,140)
Dividend income	(931)	(1,015)
Operating profit before working capital changes	103,164	92,980
(Increase)/decrease in inventories	(13,424)	16,017
Decrease/(increase) in accounts receivable, deposits and prepayments	12,513	(32,833)
Increase in accounts payable and accrued charges	100,791	26,885
Effect of change in exchange rate	9,154	3,369
Net cash inflow generated from operations	212,198	106,418

(b) Analysis of changes in financing during the year

	Group Bank loans	
	2007	**2006**
	HK$'000	HK$'000
At 1 April	442,877	303,210
Acquisition of a subsidiary *(note 30(c))*	4,828	—
Bank loans raised	532,595	666,409
Repayment of bank loans	(578,457)	(530,779)
Effect of change in exchange rate	4,704	4,037
At 31 March	406,547	442,877

(c) Business combinations — Group

On 1 December 2006, the Group acquired 100% of the issued share capital of Hypex Holdings Limited, which is an investment holding company for a group of subsidiaries which provide marine services to shipyards in Singapore. The acquired business contributed revenues of HK$28,405,000 and net profit of HK$6,975,000 to the Group for the period from 1 December 2006 to 31 March 2007. If the acquisition had occurred on 1 April 2006, revenue and profit for the year to the Group would have been HK$74,600,000 and HK$7,727,000 respectively.

Details of net assets acquired and goodwill are as follows:

	Fair value
	HK$'000
Property, plant and equipment *(note 14)*	42,195
Inventories	1,377
Accounts receivable, deposits and prepayments	27,507
Cash and cash equivalents	207
Accounts payable and accrued charges	(41,451)
Borrowings *(note 30(b))*	(4,828)
Bank overdrafts	(984)
Finance lease liabilities	(11,044)
Deferred tax liabilities *(note 29)*	(172)
Fair value of net assets acquired	12,807
Goodwill	32,414
Total consideration	45,221

Analysis of consideration

	HK$'000
Consideration	50,000
Loan to a subsidiary	(4,779)
Cash paid	45,221

Analysis of the net cash outflow in respect of the acquisition of the subsidiary:

	HK$'000
Cash paid for consideration	45,221
Cash and cash equivalents acquired	(207)
Bank overdrafts	984
	45,998

At the date of acquisition, the fair value of net assets acquired was close to their carrying amount.

There was no acquisition in the year ended 31 March 2006.

31 Bank guarantees

At 31 March 2007, the Company continued to provide corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2007 amounted to HK$797,023,000 (2006: HK$880,081,000).

32 Commitments

(a) Capital commitments

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Property, plant and equipment, contracted but not provided for	1,500	—
Intangible assets, contracted but not provided for	3,832	—
	5,332	—

(b) As at 31 March 2007, a wholly-owned subsidiary of the Company had commitment in respect of the injection of capital into certain subsidiaries in the PRC amounted to approximately HK$90,754,000 (2006: HK$50,546,000).

(c) Operating lease commitments

At 31 March 2007, the future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Not later than one year	7,382	2,034
Later than one year but not later than five years	5,717	4,574
	13,099	6,608

33 Charge of assets

At 31 March 2007, trust receipt loans of HK$169,982,000 (2006: HK$153,845,000) and bank loans of HK$30,313,000 (2006: HK$43,646,000) were secured by legal charges on the Group's properties in Hong Kong with net book amount of approximately HK$135,813,000 (2006: approximately HK$120,225,000) (notes 14, 15 and 16).

34 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business at prices and terms no less than those charged and contracted with other third party suppliers of the Group are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
(a) Sale to and purchase from related parties		
(i) Sales to associated companies	—	9,440
(ii) Purchases from associated companies	78,728	182,574
(iii) Purchase of machinery from associated company	—	131
(iv) Rental income from an associated company	266	—

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
(b) Year-ended balances arising from sales/purchases of goods/services		
Payables to associated companies	12,626	10,878
Receivables from associated companies	8,975	—

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

(c) Key management compensation

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

35 Ultimate holding company

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

36 Particulars of principal subsidiaries

Name of subsidiary	**Country place incorporation**	**Particulars of issued and fully paid up share capital/ registered capital**	**Percentage holding** *2007 & 2006*	**Nature of business**
Shares held directly:				
* Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK$1 each	100	Investment holding
Shares held indirectly:				
Boardton Consultants Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Property investment
Burotech Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	100	Printing and sales of computer forms and trading of commercial paper products
* Foshan NanHai JiaLing Paper Company Limited**	The People's Republic of China	Registered capital HK$81,380,000	100	Processing and trading of paper products in the PRC
Foundation Paper Company Limited	Hong Kong	10,000 ordinary shares of HK$100 each	100	Export trading of paper products to the PRC
Global Century Investments Limited	British Virgin Islands	1 ordinary shares of US$1 each	100	Property holding
High Flyer Logistics (Hong Kong) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100	Logistics services
* Shenzhen High Flyer International Transportation Co. Ltd.**	The People's Republic of China	Registered capital RMB10,000,000	80.4	Container transport services
* Hypex Holdings Limited **	Singapore	2 ordinary shares of US$1 each	100	Marine services to shipyards
* Prosperous Consolidation & Warehouse (HK) Co Ltd **	Hong Kong	1,000 ordinary shares of HK$1 each	75	Consolidation & warehouse services

Name of subsidiary	Country place incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding *2007 & 2006*	Nature of business
* Prosperous Transportation (HK) Co Ltd.**	Hong Kong	2,000,000 ordinary shares of HK$1 each	75	Transportation services
Samson Paper Company Limited	Hong Kong	100 ordinary shares of HK$10 each	100	Trading of paper products
		2,850,000 non-voting shares of HK$10 each	100	
* Samson Paper (Beijing) Company Limited **	The People's Republic of China	Registered capital HK$16,380,000	100	Trading of paper products
* Samson Paper (China) Company Limited	Hong Kong	1,000 ordinary shares of HK$10 each	100	Investment holding
* Samson Paper (M) Sdn. Bhd.**	Malaysia	2,250,000 ordinary shares of RM1 each	75.69	Manufacturing & trading of paper products
* Samson Paper (Shanghai) Company Limited **	The People's Republic of China	Registered capital RMB61,650,000	100	Trading of paper products
* Samson Paper (Shenzhen) Company Limited **	The People's Republic of China	Registered capital HK$17,000,000	100	Trading of paper products
Shun Hing Paper Company	Hong Kong	7,600 ordinary shares of HK$100 each	100	Trading of paper products
		2,400 non-voting shares of HK$100 each	100	
United Aviation (Singapore) Pte. Ltd.**	Singapore	1 ordinary shares of US$1 each	100	Trading of aeronautical parts

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

** *Foreign investment enterprises.*

All subsidiaries operate in Hong Kong except otherwise stated.

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

37 Subsequent event

On 13 July 2007, a subsidiary of the Company entered into a Sale and Purchase Agreement for the acquisition by the subsidiary of the entire issued share capital of, and shareholder's loan to, Kingsrich Group Limited ("Kingsrich") for an aggregate consideration of HK$7,997,568.

江蘇遠通紙業有限公司 (Jiangsu Yuan Tong Paper Co. Ltd.) ("JYTP"), a company incorporated in the PRC with limited liability which is owned as to 99% by Kingsrich and 1% by 江蘇省南通港閘經濟開發區總公司 (Jiangsu Nantong Gangzha Economic Development Zone Corp.), will build its first Greenfield paper mill in Nantong, Jiangsu, the PRC. The paper mill will have a planned annual capacity of 250,000 MT per annum. It will be focused on producing kraftliner board and testliner board in the initial stage, and extend its production to high performance corrugating medium at a later stage. It is expected to begin trial run in January 2009 and become fully operational in April 2009. The registered capital of JYTP is US$30,000,000. Pursuant to the terms of the approval of the relevant approving authority, 20% of the registered capital of JYTP shall be contributed within 90 days of the date of issue of its business licence (i.e. by 26 June 2007) and the remaining 80% shall be contributed within two years.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

20 August 2007

The Directors
Samson Paper Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Kingsrich Group Limited ("Kingsrich") and its subsidiary (together, "Kingsrich Group") set out in Section I to III below, for inclusion in the circular of Samson Paper Holdings Limited (the "Company") dated 20 August 2007 (the "Circular") in connection with the proposed acquisition of Kingsrich Group by the Company. The Financial Information comprises the balance sheet and consolidated balance sheet of Kingsrich and Kingsrich Group as at 31 May 2007 respectively and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement of Kingsrich Group for the period from 12 April 2006 (date of incorporation of Kingsrich) to 31 May 2007 (the "Relevant Period"), and a summary of significant accounting policies and other explanatory notes.

Kingsrich was incorporated as a limited liability company in the British Virgin Islands on 12 April 2006. As at the date of this report, Kingsrich holds 99% direct interest in the registered capital of Jiangsu Yuan Tong Paper Company Limited ("JYTP"), a Sino-foreign equity joint venture with limited liability and a private company. JYTP has not commenced any operation yet as at the date of this report. Details of JYTP are as follows:

Name	Place and date of incorporation	Registered capital
Jiangsu Yuan Tong Paper Company Limited	The People's Republic of China, 28 March 2007	US$30,000,000

No audited financial statements have been prepared for Kingsrich since its date of incorporation as there is no statutory requirement to prepare audited financial statements for companies incorporated in the British Virgin Islands.

The Financial Information has been prepared based on the unaudited consolidated financial statements of Kingsrich Group with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY

The directors of Kingsrich during the Relevant Period are responsible for the preparation and the fair presentation of the consolidated financial statements of Kingsrich in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the consolidated financial statements and the preparation and the true and fair presentation of Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the unaudited consolidated financial statements of Kingsrich for the Relevant Period in preparing the Financial Information, and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Kingsrich and Kingsrich Group as at 31 May 2007 and of Kingsrich Group's results and cash flows for the Relevant Period.

I. FINANCIAL INFORMATION

A. Consolidated balance sheet

	Note	As at 31 May 2007 HK$'000
Non-current assets		
Intangible assets	7	1,797
Current assets		
Other receivable	8	513
Bank and cash balances		8
		521
Current liability		
Amount due to shareholder	9	2,310
Net current liabilities		(1,789)
Total assets less current liability		8
Equity		
Share capital	10	8
Shareholders' funds		8

B. Balance sheet — Company

		As at 31 May 2007
	Note	*HK$'000*
Current assets		
Amount due from subsidiary	9	1,797
Other receivable	8	513
Bank and cash balances		8
		2,318
Current liability		
Amount due to shareholder	9	2,310
Net current assets		8
Total assets less current liability		8
Equity		
Share capital	10	8
Shareholders' funds		8

C. Consolidated profit and loss account

From 12 April 2006 to 31 May 2007, Kingsrich Group did not have consolidated operating results. All operating expenses are borne by Better Development Limited, the ultimate holding company of Kingsrich Group. Hence, consolidated profit and loss account is not presented.

D. Consolidated statement of change in equity

	For the period from 12 April 2006 (date of incorporation) to 31 May 2007
	HK$'000
At 12 April 2006	—
Issue of share capital	8
As at 31 May 2007	8

E. Consolidated cash flow statement

	For the period from 12 April 2006 (date of incorporation) to 31 May 2007
	HK$'000
Operating activity	
Change in working capital	
Increase in other receivable	(513)
Net cash outflow from operating activity	(513)
Investing activity	
Increase in intangible assets	(1,797)
Net cash outflow from investing activity	(1,797)
Financing activities	
Issue of share capital	8
Amount due to shareholder	2,310
Net cash inflow from financing activities	2,318
Net increase in cash and cash equivalents	8
Cash and cash equivalents at 12 April 2006	—
Cash and cash equivalents at 31 May 2007	8

II. NOTES TO THE FINANCIAL INFORMATION

1 General information

Kingsrich Group Limited ("Kingsrich") is a limited liability company incorporated in the British Virgin Islands. The address of its registered office is Sea Meadow House, Blackburne Highway (P.O. Box 116), Road Town, Tortola, the British Virgin Islands. Financial year end of Kingsrich is 31 March.

Kingsrich has a direct equity interest of 99% in Jiangsu Yuan Tong Paper Company Limited ("JYTP"), a Sino-foreign equity joint venture with limited liability. JYTP is established to manufacture and trade kraftliner board and corrugated medium. JYTP has not commenced any operation in the period from 28 March 2007 (incorporation date of JYTP) to 31 May 2007.

The Financial Information is presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of this Financial Information are set out below.

(a) Basis of preparation

The Financial Information has been prepared in accordance with HKFRS and HK(IFRIC) Interpretation issued by the Hong Kong Institute of Certified Public Accountants which are effective as at the time of preparing the Financial Information. This is the only Financial Information prepared by Kingsrich Group since incorporation and it is the first HKFRS Financial Information of Kingsrich Group and HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards" has been applied.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management of Kingsrich and its subsidiary (together, "Kingsrich Group") to exercise its judgement in the process of applying Kingsrich Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to Kingsrich Group, are disclosed in note 4.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the current period and have not been early adopted by Kingsrich Group:

HKFRS 7	Financial instruments: disclosures
HKFRS 8	Operating segments
HK(IFRIC)-Int 9	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	Interim financial reporting and impairment
HK(IFRIC)-Int 11, HKFRS 2	Group and treasury share transactions
HK(IFRIC)-Int 12	Service concession arrangements
Amendment to HKAS 1	Capital disclosures
HKAS 23 (Revised)	Borrowing costs

The directors of Kingsrich Group anticipate that the application of these standards, amendment or interpretations will not have material impact on the results and the financial position of Kingsrich Group.

The Financial Information has been presented for a period from 12 April 2006 (date of Kingsrich's incorporation) to 31 May 2007 as Kingsrich Group did not have any operation during the relevant period. The directors believe that the Financial Information is unlikely to be materially different from that which would be presented for one year.

At 31 May 2007, Kingsrich Group's net current liabilities amounted to HK$1,789,000. Better Development Limited, Kingsrich Group's ultimate holding company, has confirmed its intention to provide continuing financial support to Kingsrich so as to enable Kingsrich Group to meet its liabilities as and when they fall due and to enable Kingsrich Group to continue operating in the foreseeable future. The directors believe that Kingsrich Group will continue as a going concern and accordingly have prepared the Financial Information on a going concern basis.

(b) Consolidation

The consolidated financial information incorporates the Financial Information of Kingsrich and its subsidiary made up to 31 May 2007.

Subsidiaries are all entities over which Kingsrich Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Kingsrich Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to Kingsrich Group. They are de-consolidated from the date that control ceases.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Kingsrich Group.

In Kingsrich's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Kingsrich on the basis of dividend received and receivable.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information are measured using the currency of the primary economic environment in which each of the Kingsrich Group entities operates (the "functional currency"). The Financial Information are presented in Hong Kong dollars, which is the Kingsrich's presentation currency. Kingsrich's functional currency is Renminbi.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Intangible assets

Intangible assets represent costs incurred for the acquisition of land use right grant contract, which is detailed in note 11(b). The intangible assets are carried at cost less accumulated impairment losses. The intangible assets will be amortised using the straight-line method to allocate the cost of intangible assets over their estimated useful lives (50 years) when the related land use right is available for use.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

(f) Impairment of assets

Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

3 Financial risk management

(a) Financial risk factor

Kingsrich Group has exposures to credit risk and liquidity risk. These risks are limited by Kingsrich Group's financial management policies and practices as described below.

(i) Foreign currency risk

Kingsrich Group is exposed to foreign exchange risk arising mainly from United States Dollars. Foreign exchange risk arises from future commercial transactions and Kingsrich Group's capital commitment (note 11 (a)). Kingsrich Group manages its foreign exchange risk by performing regular reviews of Kingsrich Group's net foreign exchange exposures. Kingsrich Group has not used any forward contracts to hedge its exposure as foreign exchange risk is considered insignificant.

(ii) Credit risk

Kingsrich Group's credit risk is primarily attributable to other receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(iii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash for Kingsrich Group's operations and the financial support from its ultimate holding company, Better Development Limited.

(b) Fair value estimation

The carrying amounts of amount due from subsidiary, other receivable and amount due to shareholder approximate their fair values due to their short maturities.

The face values less any estimated credit adjustments for financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The directors, however, are of the opinion that there are no estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities of Kingsrich Group.

5 Directors' emoluments

None of the directors or key management received or will receive any fees or emoluments in respect of their services to Kingsrich Group during the Relevant Period.

6 Subsidiary

As at 31 May 2007, there was no injection made to the capital of the subsidiary (note 11(a)). Details of the subsidiary of Kingsrich are as follows:

Name	**Place and date of incorporation**	**Direct interest held**	**Registered capital**	**Principal activity**
Jiangsu Yuan Tong Paper Company Limited ("JYTP")	The People's Republic of China, 28 March 2007	99%	US$30,000,000	Manufacture and sales of kraftliner board and corrugated medium

Note: The financial year end of JYTP is 31 December.

7 Intangible assets

	As at 31 May 2007 *HK$'000*
Cost	
At 12 April 2006	—
Additions	1,797
As at 31 May 2007	1,797
Net book amount	1,797

Intangible assets represent costs incurred for the acquisition of the Land Use Right Grant Contract as detailed in note 11(b) and application for the licence of paper mill.

In accordance to HKAS 36 "Impairment of assets", the directors have performed an impairment review of the carrying amount of intangible assets. For the purpose of the impairment review, intangible assets are reviewed for impairment by comparing their recoverable amount to their carrying amount as at the balance sheet date. The recoverable amount of the intangibles is determined based on value-in-use calculations, which use cash flow projections based on financial budgets approved by management covering a five-year period.

The directors have concluded that there was no impairment of intangible assets as at 31 May 2007.

8 Other receivable

Other receivable is non-interest bearing and is collectible within twelve months from the period end of 31 May 2007. Kingsrich Group does not hold any collateral as security.

9 Amount due from subsidiary and amount due to shareholder

The amount due from subsidiary is interest free, unsecured and collectible on demand. Management is expecting to collect the amount within 12 months from the balance sheet date.

The amount due to shareholder is interest-free, unsecured and repayable on demand.

10 Share capital

	As at 31 May 2007 *HK$'000*
Authorised:	
50,000 shares of US$1 each	390
Issued and fully paid:	
1,000 shares of US$1 each	8

Kingsrich was incorporated on 12 April 2006 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. Upon incorporation, 1,000 subscriber shares of US$1 each were issued at par for cash.

11 Capital commitment

(a) As at 31 May 2007, Kingsrich has commitment in respect of the injection of capital into JYTP amounted to US$29,700,000 (equivalent to approximately HK$232,147,080), of which 20% shall be contributed within 90 days of the date of issue of JYTP's business licence (i.e. by 26 June 2007) and the remaining 80% shall be contributed within two years.

As of the date of this report, the capital contribution due on 26 June 2007 has not been made by Kingsrich. Kingsrich management have been in discussion with 江蘇省南通工商行政管理局 (Administration for Industry and Commerce of Nantong, Jiangsu Province) for an extension of the time limit for payment of the first 20% of the registered capital of JYTP. Formal approval for such extension had not been granted yet. Failure to make capital contribution in the prescribed time may result in the registration authority of JTYP issuing notice demanding ratification of such failure; and/or imposing a fine at the rate of 5% to 15% of the amount of the registered capital that has not been contributed within the prescribed time limit and if the delay in making capital contribution shall continue for more than 2 years, the registration authority of JYTP may revoke the business licence of JYTP.

(b) As at 31 May 2007, Kingsrich Group has commitment in respect of the acquisition of land use right and construction of paper mill pursuant to the Land Use Right Grant Contract entered into by JYTP. The land use right relates to a piece of land with a gross area of approximately 194,000 square meters located at 中國江蘇省南通市港閘區通港路南側 (South Side of Tong Gang Road, Gangzha Area, Nantong City, Jiangsu Province, the PRC) (the "Land"), for which JYTP is committed to pay a land premium of RMB26,222,000 (equivalent to approximately HK$26,920,000). Pursuant to the Land Use Right Grant Contract, the land use right over the Land was for a term of 50 years until 26 April 2057 and the Land shall be used for industrial purposes. According to the terms of the Land Use Right Grant Contract, JYTP is required to pay the aforesaid land premium within 10 days from the date of the Land Use Right Grant Contract (i.e. by 7 May 2007). As at 31 May 2007, no payment was made by Kingsrich Group in relation to the land use right.

As of the date of this report, JYTP has not yet paid the aforesaid land premium. Kingsrich management has been in discussion with the Nantong Land Bureau for an extension of the time limit for payment of the said land premium. Formal approval for such extension had not been granted yet. Pursuant to the Land Use Right Grant Contract, JYTP may be subject to a daily penalty at the rate of 0.1% of the amount of land premium not paid. If such delay continues for more than 6 months, Nantong Land Bureau may terminate the Land Use Right Contract, resume the land and ask JYTP for compensation in respect of any losses suffered by Nantong Land Bureau and JTYP has no right to demand repayment of any deposits paid.

12 Ultimate holding company

The directors regard Better Development Limited, a company incorporated in the British Virgin Islands with limited liability, as being the ultimate holding company. The ultimate controlling party is Ms Liu Lai Sum, Christina.

13 Subsequent event

There has no significant event for Kingsrich Group subsequent to 31 May 2007 and up to the date of this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Kingsrich or its subsidiary in respect of any period subsequent to 31 May 2007. In addition, no dividend or distribution has been declared, made or paid by Kingsrich or its subsidiary in respect of any period subsequent to 31 May 2007.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(A) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

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

We report on the unaudited pro forma financial information set out on pages 92 to 93 under the heading of "Unaudited Pro Forma Financial Information" (the "Unaudited Pro Forma Financial Information") in Appendix III to the circular dated 20 August 2007 (the "Circular") of Samson Paper Holdings Limited (the "Company"), in connection with the proposed acquisition of Kingsrich Group Limited (the "Transaction") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 92 to 93 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountant

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

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

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted statement of assets and liabilities of the Group as at 31 March 2007 with the audited consolidated balance sheet of the Group as at 31 March 2007, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

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

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2007 or any future date.

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2007

Unaudited Pro Forma Financial Information of the Enlarged Group

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Enlarged Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of Kingsrich Group Limited as if it had taken place on 31 March 2007. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the proposed acquisition been completed as at 31 March 2007 or at any future date.

	Unadjusted statement of assets and liabilities of the Group as at 31 March 2007	Proforma adjustments		Unaudited pro forma adjusted statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
Non-current assets				
Property, plant and equipment	118,411			118,411
Prepaid premium for land leases	48,785			48,785
Investment property	51,679			51,679
Intangible assets	32,414	1,797	5,680	39,891
Interest in associated companies	57,976			57,976
Deferred tax assets	4,055			4,055
Finance lease receivables	1,518			1,518
	314,838			322,315
Current assets				
Inventories	352,225			352,225
Accounts receivable, deposits and prepayments	1,122,076	513		1,122,589
Other financial assets at fair value through profit or loss	34,446			34,446
Restricted bank deposits	14,095			14,095
Bank balances and cash	337,529	8	(7,998)	329,539
	1,860,371			1,852,894
Current liabilities				
Accounts payable and accrued charges	649,967			649,967
Amount due to shareholder	—	2,310	(2,310)	—
Trust receipt loans	389,509			389,509
Taxation payable	2,348			2,348
Other financial liabilities at fair value through profit or loss	406			406
Bank borrowings	262,953			262,953
	1,305,183			1,305,183
Net current assets	555,188			547,711
Total assets less current liabilities	870,026			870,026
Non-current liabilities				
Borrowings	157,159			157,159
Deferred tax liabilities	6,004			6,004
	163,163			163,163
Net assets	706,863			706,863

Notes:

1. The unadjusted statement of assets and liabilities of the Group is extracted from the audited consolidated balance sheet of the Group as at 31 March 2007 set out in the published annual report of the Company for the year ended 31 March 2007.

2. The adjustment represents the inclusion of the assets and liabilities of Kingsrich Group Limited and its subsidiary as at 31 May 2007 set out in the Appendix II to this Circular.

3. The adjustment reflects the aggregate consideration of HK$7,997,568 for the acquisition of the entire issued share capital of Kingsrich Group Limited and the repayment of loan due to shareholder by Kingsrich Group Limited in accordance with the Sale and Purchase Agreement entered into between Rise Gain Development Limited, an indirect wholly-owned subsidiary of the Company, and Better Development Limited on 13 July 2007. The consideration is for:

   (i) acquisition of balances of intangible assets, other receivable, bank and cash balances and amount due to shareholder of Kingsrich Group Limited and its interest in the Land Use Right Grant Contract entered by Jiangsu Yuan Tong Paper Company Limited ("JYTP") on 27 April 2007 for the acquisition of the land use right in respect of a piece of land located at 中國江蘇省南通市港閘區通港路南側 (South Side of Tong Gang Road, Gangzha Area, Nantong City, Jiangsu Province, the PRC); and

   (ii) repayment of the shareholder's loan of US$295,528 (equivalent to approximately HK$2,309,965) due by Kingsrich Group Limited to Better Development Limited as at 31 May 2007.

4. Capital commitment

As at 31 May 2007, Kingsrich Group Limited has commitment in respect of the injection of capital into JYTP amounted to US$29,700,000 (equivalent to approximately HK$232,147,080), of which 20% shall be contributed within 90 days of the date of issue JYTP's business licence (i.e. by 26 June 2007) and the remaining 80% shall be contributed within two years

As of the date of this report, the capital contribution due on 26 June 2007 has not been made by Kingsrich Group Limited. Kingsrich Group Limited's management has been in discussion with 江蘇省南通工商行政管理局 (Administration for Industry and Commerce of Nantong, Jiangsu province) for an extension of the time limit for payment of the first 20% of the registered capital of JYTP. Formal approval for such extension had not been granted yet. Failure to make capital contribution in the prescribed time may result in the registration authority of JTYP issuing notice demanding ratification of such failure; and/or imposing a fine at the rate of 5% to 15% of the amount of the registered capital that has not been contributed within the prescribed time limit and if the delay in making capital contribution shall continue for more than 2 years, the registration authority of JYTP may revoke the business licence of JYTP.

5. No adjustment has been made to reflect any trading result or other transaction of the Group and the Kingsrich Group Limited and its subsidiary entered into subsequent to 31 March 2007 and 31 May 2007 respectively.

(B) INDEBTEDNESS

Borrowings

At the close of business on 30 June 2007, the Enlarged Group had outstanding borrowings of approximately HK$861 million, comprising bank loans of approximately HK$399 million, trust receipt loans of approximately HK$452 million and finance lease liabilities of approximately HK$10 million.

Debt Securities

At the close of business on 30 June 2007, the Enlarged Group had no outstanding debt securities.

Securities and guarantees

On 30 June 2007, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amounts of facilities utilized by the subsidiaries amounted to approximately HK$851 million.

Mortgages and Charges

On 30 June 2007, certain prepaid premium for land lease and buildings in Hong Kong of the Company's subsidiaries, with a total carrying value of approximately HK$136 million were pledged to banks as securities for bank loans of approximately HK$26 million and trust receipt loans of approximately HK$202 million granted to the Group.

Contingent liabilities

At as 30 June 2007, the Enlarged Group had no contingent liabilities.

Disclaimer

Save as referred to in this section and apart from intra-Enlarged Group liabilities and normal trade payables, the Enlarged Group did not have, at the close of business on 30 June 2007, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchases contracts or finance leases, guarantees, or other material contingent liabilities.

(C) WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the present credit facilities obtained and the existing internal financial resources, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of value of the property interest of the Group as at 30 June 2007.

savills
第一太平戴維斯

The Directors
Samson Paper Holdings Limited
3rd Floor
Seapower Industrial Centre
177 Hoi Bun Road
Kwun Tong
Kowloon

T: (852) 2801 6100
F: (852) 2530 0756

23/F Two Exchange Square
Central, Hong Kong

EA LICENCE: C-023750
savills.com

20 August 2007

Dear Sirs,

RE: A PARCEL OF LAND SITUATED AT THE SOUTHERN SIDE OF TONG GANG ROAD, GANG ZHA DISTRICT, NANTONG CITY, JIANGSU PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")

In accordance with the instructions from Samson Paper Holdings Limited (the "Company") for us to value the property situated in the People's Republic of China (the "PRC"), we confirm that we have carried out an inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the property as at 30 June 2007 (the "Valuation Date") for the purpose of incorporation in a public circular.

Our valuation of the property is our opinion of its market value of which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation, we have assumed that, unless otherwise stated, transferable land use rights of the property for a specific term at a nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. In valuing the property, we have assumed that the Company has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the unexpired term as granted.

In valuing the property, we have made reference to the comparable sales transactions as available in the market assuming sale with the benefit of vacant possession.

We have been provided with a Contract for Grant of State-owned Land Use Rights relating to the property. However, we have not inspected the original documents to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and its legal adviser on PRC laws, Grandall Legal Group Hangzhou Law Firm, regarding the title to the property. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, site area and other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to our valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

We have inspected the property. We have not carried out investigations on site to determine the suitability of the ground conditions and the services etc for future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the property is free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Valuation Standard on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts stated are in Renminbi.

Our valuation certificate is attached herewith.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Charles C K Chan, Chartered Estate Surveyor, MSc, FRICS, FHKIS, MCIArb, RPS(GP), has about 23 years' experience in the valuation of properties in Hong Kong and 18 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2007
A parcel of land situated at southern side of Tong Gang Road, Gang Zha District, Nantong City, Jiangsu Province, PRC (the "Land")	The property comprises a parcel of land with a site area of approximately 194,241.67 sq.m. (2,090,817 sq.ft.). The land use rights of the property have been granted for a term of 50 years expiring on 26 April 2057 for industrial uses.	The property is vacant.	No commercial value

Notes:

1. Pursuant to Contract for Grant of State-owned Land Use Rights No. Tong Di Gang Kai Chu Zi [2007] 014 entered into between The Bureau of State Land and Resources of Nantong City, Jiangsu Province, the PRC ("Nantong Land Bureau") and 江蘇遠通紙業有限公司 ("Jiangsu Yuan Tong Paper Co., Ltd") ("JYTP") on 27 April 2007, Nantong Land Bureau agreed to grant the land use rights of the Land to JYTP for a term of 50 years for industrial uses.

2. Pursuant to Construction Land Planning Permit No. Nan Tong Shi [2007] Tong Di Gang Kai Jian Chu Zi 014 issued by Nantong Land Bureau on 27 April 2007, the construction land with a site area of 194,241.67 sq.m. is in compliance with the planning requirements.

3. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter-alia, the following information:

   (i) JYTP has not settled the land grant premium. As such, JYTP cannot obtain the State-owned Land Use Certificate and the corresponding land use rights of the Land; and

   (ii) after the settlement of the land grant premium and penalty (if any), JYTP can obtain the State-owned Land Use Certificate and is thus entitled to use, transfer, lease or mortgage the land use rights of the property.

4. We have assigned no commercial value to the Land as JYTP has not settled the land grant premium in full.

5. Had a valid State-owned Land Use Certificate been obtained, the market value of the Land as at 30 June 2007 assuming that all land grant premium has been fully paid would be RMB65,000,000.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which (i) 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 (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:

		Number of Shares beneficially held					
Name of Director	**Capacity**	**Personal Interest**	**Corporate Interest**	**Family Interest**	**Other Interest**	**Total**	**Percentage**
Mr. LEE Seng Jin	Beneficial owner & beneficiary of trust	92,144,000	—	16,712,556	187,820,000 *(Note)*	296,676,556	69.11%
Ms. SHAM Yee Lan, Peggy	Beneficial owner & beneficiary of trust	572,556	16,140,000	92,144,000	187,820,000 *(Note)*	296,676,556	69.11%
Mr. CHOW Wing Yuen	Beneficial owner	540,000	—	—	—	540,000	0.13%

Note: Shares were held by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds all the units in the private unit trust. The objects of the family trust include Mr. Lee Seng Jin and Ms. Sham Yee Lan, Peggy.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules.

3. DIRECTORS' INTERESTS IN CONTRACTS

(a) Each of the executive Directors has entered into a service contract with the Company terminable by either party with not less than three months' notice in advance. As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(b) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at that date which is significant in relation to the business of the Group as a whole.

(c) As at the Latest Practicable Date, none of the Directors, the Independent Financial Adviser, PricewaterhouseCoopers, the Valuer and Grandall Legal Group Hangzhou Law Firm had any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Company were made up.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons or corporations (not being Directors or chief executive of the Company), had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

	Long Position in the Shares	
Name of Shareholder	**Number of Shares**	**Approximate percentage of the Company's total issued share capital**
Quinselle Holdings Limited *(Notes 1 & 2)*	187,820,000	43.75%
HSBC International Trustee Limited *(Notes 1 & 2)*	187,820,000	43.75%

Notes:

1. Quinselle Holdings Limited held the 187,820,000 Shares in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust, holds all the units in the private unit trust.

2. None of the Directors of the Group is a director or employee of Quinselle Holdings Limited or HSBC International Trustee Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

5. COMPETING INTERESTS

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

6. MATERIAL CONTRACTS

Within the two years immediately preceding the Latest Practicable Date, the following agreements, being contracts not entered into in the ordinary course of business, have been entered into by members of the Group and are or may be material:

(a) the Sale and Purchase Agreement;

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

(c) the shareholders' agreement dated 24 January 2006 entered into between United Paper Industries Pte Limited ("United Paper"), Top Pegasus Limited ("Top Pegasus") and Samson Paper (M) Sdn. Bhd. ("Samson Paper JV") for the establishment of Samson Paper JV as a joint venture with an issued and paid up capital of RM2,250,000 to operate a manufacturing plant in Kuala Selangor, Malaysia for the cutting and laminating paper and paper board and to manufacture, distribute and sell paper and paper board. United Paper and Top Pegasus have agreed to provide (1) corporate guarantees in respect of Samson Paper JV's banking facilities up to the aggregate amount of RM5,430,000 and RM12,670,000 respectively; and (2) shareholder's loan to Samson Paper JV in the amounts of RM1,750,772 and RM4,085,135 respectively.

7. LITIGATION

As at the Latest Practicable Date and so far as the Directors are aware, no member of the Enlarged Group is engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

9. EXPERTS

(a) The following is the qualification of the expert which has given opinion or advice which is contained in this circular:

Name	Qualifications
Taifook Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Savills Valuation and Professional Services Limited	A professional property valuer
Grandall Legal Group Hangzhou Law Firm	PRC lawyers

(b) As at the Latest Practicable Date, each of the Independent Financial Adviser, PricewaterhouseCoopers, the Valuer and Grandall Legal Group Hangzhou Law Firm was not interested beneficially nor non-beneficially in any shares in the Company or any of its subsidiaries nor any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company or any of its subsidiaries.

(c) Each of the Independent Financial Adviser, PricewaterhouseCoopers, the Valuer and Grandall Legal Group Hangzhou Law Firm has given and has not withdrawn, its written consent to the issue of this circular with the inclusion of the text of its letter and references to its name, in the form and context in which they respectively appear.

10. GENERAL

(a) The qualified accountant and secretary of the Company is Mr. Lee Yue Kong, Albert, an executive Director. Mr. Lee is a Certified Public Accountant. He is an associate member of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants.

(b) The principal share registrar and transfer office of the Company is Butterfield Corporate Services Limited situated at 6 Front Street, Hamilton, Bermuda. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at 3rd Floor, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong during normal business hours up to and including 4 September 2007:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out on pages 5 to 21 of this circular;

(c) the letter from the Independent Board Committee, the text of which is set out in the circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(e) the annual reports of the Company for the two years ended 31 March 2007;

(f) the accountants' report on the Kingsrich Group for the period from 12 April 2006 to 31 May 2007, the text of which is set out in Appendix II to this circular;

(g) the report on the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;

(h) the letter and valuation certificate from the Valuer, the text of which is set out in Appendix IV to this circular;

(i) the written consents referred to in the paragraph headed "Experts" in this Appendix; and

(j) a copy of each of the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix.