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 licensed securities dealer, 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, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

森信
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SAMSON PAPER HOLDINGS LIMITED

森 信 紙 業 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF ALL THE REMAINING ASSETS AND PROPERTIES OF 山東華眾紙業有限公司 (Shandong Huazhong Paper Co., Ltd.*) AND 山東華彩紙業有限公司 (Shandong Huacai Paper Co., Ltd.*)

* *For identification purpose only*

Hong Kong, 30 June 2008

CONTENTS

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

"Acquisition"	the proposed acquisition of the remaining assets of Huazhong and Huacai, which have both gone into liquidation, by the Group through its subsidiaries pursuant to the Assets Transfer Contract
"Announcement"	the announcement issued by the Company dated 20 February 2008
"Assets"	the remaining assets of Huazhong and Huacai, including but not limited to land and factories which consist of machineries currently in use, the production equipment, the electricity power plant, the water treatment plant, and certain fixtures
"Assets Transfer Contract"	the assets transfer contract in respect of the Acquisition of the remaining assets of Huazhong and Huacai dated 20 February 2008 entered into between UPP Investments and the Receivers as supplemented by the Memorandum
"Auction"	the public auction held by the Auctioneer in Shandong Province, the PRC, on 10 January 2008 on which, among others, the Assets were put up for auction
"Auction Completion Date"	10 January 2008, being the date on which the Auction was held and completed
"Auction Service Charge"	the auction service charge payable by UPP Investments to the Auctioneer in relation to the Acquisition pursuant to the Assets Transfer Contract
"Auctioneer"	山東富通拍賣有限公司, an auction house in the Shandong Province, the PRC, who perform the Auction
"Board"	the board of Directors
"Company"	Samson Paper Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Consideration"	the consideration for the Acquisition in the amount of RMB385,250,173
"Directors"	the executive directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Huacai"	山東華彩紙業有限公司 (Shandong Huacai Paper Co., Ltd.*), a company incorporated under the laws of the PRC, which has gone into liquidation and has appointed the Huacai Receiver to manage its remaining assets
"Huacai Receiver"	山東華彩紙業有限公司破產管理人(Receiver of Shandong Huacai Paper Co., Ltd.*), being the receiver appointed under the PRC laws in relation to the liquidation of Huacai
"Huazhong"	山東華眾紙業有限公司 (Shandong Huazhong Paper Co., Ltd.*), a company incorporated under the laws of the PRC, which has gone into liquidation and has appointed the Huazhong Receiver to manage its remaining assets
"Huazhong Receiver"	山東華眾紙業有限公司破產管理人 (Receiver of Shandong Huazhong Paper Co., Ltd.*), being the receiver appointed under the PRC laws in relation to the liquidation of Huazhong
"Independent Third Party(ies)"	An independent third party not connected with any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates, as defined in the Listing Rules
"Latest Practicable Date"	27 June 2008, 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
"Memorandum"	a memorandum supplemental to the Asset Transfer Agreement date 9 April 2008 entered into between Universal Shandong and the Receivers
"mu"	being 畝, a surface area measure being commonly used in PRC and 1 mu is equivalent to approximately 666 square metres
"PRC"	the People's Republic of China
"Property Valuer"	Savills Valuation and Professional Services Limited, being an independent valuer appointed in respect of the preparation of the property valuation report
"SFO"	Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong)
"Shareholders"	holders of shares of the Company

"Shares"	shares in the capital of the Company
"Shenzhen Jialing"	深圳市嘉凌貿易有限公司 (Shenzhen Jialing Trading Company Limited), an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Universal Shandong"	遠通紙業（山東）有限公司 (Universal Pulp & Paper (Shandong) Co. Ltd.*), a Sino-foreign equity joint venture company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"UPP Investments"	遠通發展投資有限公司 (UPP Investments Limited), an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

In this circular, for illustration purpose, amounts in RMB have been translated into Hong Kong dollars at the exchange rate of HK$1 to RMB0.9286. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rate.

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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 Director:
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

30 June 2008

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF ALL THE REMAINING ASSETS AND PROPERTIES OF 山東華眾紙業有限公司 (Shandong Huazhong Paper Co., Ltd.*) AND 山東華彩紙業有限公司 (Shandong Huacai Paper Co., Ltd.*)

1. INTRODUCTION

The Board refers to the announcement of the Company dated 20 February 2008 whereby the Board announced that on 20 February 2008, UPP Investments entered into the Assets Transfer Contract with Huazhong Receiver and Huacai Receiver, (collectively known as the "Receivers"), pursuant to which the Receivers have agreed to sell, and UPP Investments has agreed to procure the Acquisition by Universal Shandong on all the Assets

* *For identification purpose only*

at a total cash consideration of RMB385,250,173 (equivalent to approximately HK$414,872,037). Upon completion of the Acquisition, Universal Shandong will own all the Assets. Universal Shandong is owned as to 90% by UPP Investments and as to 10% by Shenzhen Jialing. Both UPP Investments and Shenzhen Jialing are indirect wholly-owned subsidiaries of the Company. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, Huazhong, Huacai, the Receivers, and their respective ultimate beneficial owners are Independent Third Parties. The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further information on the Acquisition and other information of the Company as required by the Listing Rules.

2. PROPOSED ACQUISITION

The Assets Transfer Contract

Major terms of the Assets Transfer Contract are summarised as below:

Date	:	20 February 2008
Parties	:	(1) UPP Investments Limited (遠通發展投資有限公司) (2) Huazhong Receiver; and (3) Huacai Receiver
Nature of the transaction	:	Pursuant to the Assets Transfer Contract, the Receivers have agreed to sell, and UPP Investments has agreed to procure the Acquisition by Universal Shandong of all the Assets

Consideration : The total Consideration for the Acquisition is RMB385,250,173 (equivalent to approximately HK$414,872,037) and is payable by UPP Investments to the Receivers. Of such total Consideration, RMB302,723,113 (equivalent to approximately HK$325,999,476) is for the acquisition of that part of the Assets of Huazhong and RMB82,527,060 (equivalent to approximately HK$88,872,561) is for the acquisition of that part of the Assets of Huacai. In addition, an amount of RMB3,852,501.73 (equivalent to approximately HK$4,148,720), being the Auction Service Charge is payable to the Auctioneer. The Consideration and the Auction Service Charge shall be paid in the following manners:

(i) a security deposit of RMB100,000,000 (equivalent to approximately HK$107,688,994) has been paid by UPP Investments to the Auctioneer, of which RMB3,852,501.73 (equivalent to approximately HK$4,148,720) is for the payment of the Auction Service Charge and the remaining RMB96,147,498.27 (equivalent to approximately HK$103,540,274) will be applied towards partial payment of the Consideration;

(ii) subject to the Memorandum, a sum of RMB96,477,588.23 (equivalent to approximately HK$103,895,744), together with the partial payment of RMB96,147,498.27 (equivalent to approximately HK$103,540,274) as mentioned above, which is equivalent to 50% of the Consideration, shall be paid within three months from the Auction Completion Date and titles of all production equipment together with their related documents shall be transferred to Universal Shandong on the same day; and

(iii) the remaining balance of the Consideration, being RMB192,625,086.50 (equivalent to approximately HK$207,436,018), will be payable by Universal Shandong within six months from the Auction Completion Date and titles of the rest of all the Assets (including but not limited to land use rights) shall be transferred to Universal Shandong on the same day.

As at the Latest Practicable Date, the partial Consideration referred to in sub-paragraphs (ii) and (iii) above has not been settled yet.

Other Undertakings	:	UPP Investments has undertaken to Huazhong and Huacai that: (1) UPP Investments will procure Universal Shandong to pay and settle the Consideration as it becomes due; and (2) UPP Investments will pay by itself or procure Universal Shandong to pay according to the PRC laws, all the taxes incurred arising from the Acquisition. The Receivers agreed, among other things, that: (1) the Receivers undertake that the Assets are free from mortgage, lien, and are not subject to any seizure or blocked in respect of the Assets; (2) in the event that the Assets are being seized, it shall use their best endeavours to obtain a release of the Assets from such seizure and to indemnify any losses suffered by UPP Investments or Universal Shandong; and (3) the Receivers undertake that Universal Shandong will not be required to pay any charges (including but not limited to any transfer fees, land premium, penalties or fines) incurred in relation to the transfer of the ownership of the Assets (including but not limited to the land use rights and real estate ownership). If any such charge is incurred, the Receivers undertake to fully indemnify Universal Shandong against any such charges.
Effective Date	:	The Assets Transfer Contract will become effective upon signing and/or sealing of the company seals by either the legal representatives or relevant authorized persons of all parties.
Completion Date	:	Completion is expected to take place within six months from the Auction Completion Date.

The Terms of the Memorandum

Since a foreign exchange capital funds account has not yet been opened by Universal Shandong in the PRC pending the obtaining of the necessary approvals from relevant PRC authorities and funds can yet be remitted into the PRC for payment of the Consideration by Universal Shandong, Universal Shandong and the Receivers entered into the Memorandum on 9 April 2008 and agreed that the sum of RMB96,477,588.23, being part of the Consideration referred to in sub-paragraph (ii) under the paragraph headed “Consideration” above, shall be paid within seven working days after a foreign exchange capital funds account is opened by Universal Shandong and titles of all production equipment together with their related documents shall be transferred to Universal Shandong on the same day.

Information about the Assets

The Assets are located in Zaozhuang City, Shandong Province, the PRC which is strategically located to tap strong demand from industrial zones along the Yangtze River in the south as well as the Beijing-Tianjin area in the north-east. Another location advantage is the proximity to local supplies of coal for power generation for the production use. The Assets include land and factories which consist of machineries currently in use, the production equipment, the electricity power plant, the water treatment plant, and certain fixtures free from any related liabilities or encumbrances. The total area of the land and factories site is about 708 mu. The factories consist of 4 production lines which are running by machineries. Among the 4 production lines, 3 of such have a designed annual total production capacity of approximately 170,000 metric tonnes of duplex boards and 20,000 metric tonnes of kraftliner boards and corrugated medium respectively. The fourth production line is still under construction and is expected to have an installed machine capacity of approximately 200,000 metric tonnes of kraftliner boards and corrugated medium upon completion of the construction. In order to meet the needs of the forthcoming operation of the fourth production line, it is understood that in addition to the existing 33 megawatt coal fired steam turbine power plants, additional 15 megawatt power plant expansion is under construction. The Assets will be recorded as fixed assets at the Consideration in the books of the Group.

Information about the Receivers

Huazhong and Huacai are under liquidation by order of the People's Court of the PRC upon voluntary petition of Huazhong and Huacai respectively. Both Huazhong and Huacai are not in operation currently. Huazhong Receiver and Huacai Receiver are the receivers appointed under the PRC laws in relation to the liquidation of Huazhong and Huacai respectively, whose principal business is to manage the remaining assets of Huazhong and Huacai under liquidation procedure.

3. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group has identified the PRC market as the growth engine for its paper business. In order to further enlarge the market share to enhance the growth in sales and to secure a stable supply of these types of paper products, the Group decides to make use of its experience and sales network in the 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, in addition to the previous acquisition in production investment in Nantong, the PRC as announced in July 2007. On top of having an expert team in paper manufacturing, the Group has substantial experience in paper manufacturing through its investment in United Pulp and Paper Company Ltd., a Singapore listed company, in 2002, and with more than 5 years experience in handling the integrated group, the Group has gained an extensive knowledge and experience in different areas from waste paper collection to paper manufacturing. With the extensive sales distribution network for the sales of paper products in the PRC, the management of the Company considers that the Group will be able to sell and distribute the types of paper products proposed to be manufactured by Universal Shandong and thus will directly benefit the financial performance of the Group.

Financial Effects of the Acquisition

Earnings

Upon completion of the Acquisition, the Directors do not expect the Acquisition will have any material impact on the earnings of the Group until the Assets resume to a normal production status.

Net asset value

Upon completion of the Acquisition, the fixed assets of the Group will be increased by approximately RMB385,250,173 (equivalent to approximately HK$414,872,037).

As the remaining balance of the Consideration payable by Universal Shandong will be financed from the internal resources of the Group and/or bank borrowings, the Group's bank borrowings and in turn the liabilities will be increased to the extent of the remaining balance of the Consideration which will be financed by bank borrowings.

Source of Funding

The Company will fund the Consideration and Auction Service Charge by the internal resources of the Group and bank borrowings.

4. VALUATION

Valuation reports on the Assets (including land and property and machineries and equipment) to be acquired attached as Appendix III were prepared by the Property Valuer. The current market value of the land and property to be acquired was RMB151,300,000 (equivalent to approximately HK$162,933,000) and the machineries and equipment to be acquired was RMB596,443,000 (equivalent to approximately HK$642,303,000) based on their state as at 31 May 2008.

5. LISTING RULES IMPLICATIONS

The Acquisition

In respect of the Acquisition, as the consideration ratio calculated in accordance with Chapter 14 of the Listing Rules are more than 25% but less than 100%, it constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and shareholders' approval requirements of the Listing Rules.

Shareholders' Approval

Since none of the Shareholders is interested in the Acquisition and, as such, no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Acquisition. According to Rule 14.44 of the Listing Rules, written approval from the majority Shareholder(s) is accepted in lieu of a majority vote at a general meeting of the Company to approve the Acquisition.

The Company has obtained the approval by way of written shareholders' approval from Quinselle Holdings Limited who is interested in 219,620,000 Shares representing approximately 51.16% of the issued share capital of the Company. Pursuant to Rule 14.44 of the Listing Rules, the Acquisition which constitutes a major transaction has been approved by way of written shareholders' approval in lieu of holding a general meeting of the Company.

6. INFORMATION ON THE GROUP

The Group is principally engaged in investment holding, trading and marketing of paper products. The principal products of the Group are book printing papers and packaging boards of which duplex boards, kraftliner boards, testliner boards and corrugated medium are currently accounted for approximately 34% of the Group's total sales volume in paper business.

7. PROCEDURE FOR DEMANDING A POLL

Pursuant to the Bye-Laws of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(a) the chairman of the meeting; or

(b) at least three shareholders of the Company present in person or by proxy or authorised representative for the time being entitled to vote at the meeting; or

(c) any shareholder or shareholders of the Company present in person or by proxy or authorised representative and holding between them not less than one-tenth of the total voting rights of all shareholders of the Company having the right to attend and vote at the meeting; or

(d) any shareholder or shareholders of the Company present in person or by proxy or authorised representative and holding Shares conferring a right to attend and vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

8. RECOMMENDATIONS

The Directors are of the view that the Acquisition is fair and reasonable and in the interest of the Shareholders as a whole and will recommend the Shareholders to vote in favour of the Acquisition if a general meeting of the Company is required to be held to approve the Acquisition.

9. ADDITIONAL INFORMATION

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

By Order of the Board
SAMSON PAPER HOLDINGS LIMITED
SHAM Kit Ying
Director

(A) THREE YEAR FINANCIAL SUMMARY

The following is a summary of the consolidated financial information of the Group 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 and a summary of the consolidated financial information of the Group for interim period ended 30 September 2007, as extracted from the interim report of the Company for the period ended 30 September 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			Period ended 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS				
Turnover	2,944,408	3,120,108	3,146,763	1,949,218
Profit before taxation	74,762	40,703	59,071	43,610
Taxation	(16,574)	(8,914)	(7,301)	(7,734)
Profit for the year/period	58,188	31,789	51,770	35,876
Attributable to:				
Equity holders of the Company	56,584	30,449	50,867	35,766
Minority interests	1,604	1,340	903	110
	58,188	31,789	51,770	35,876
Earnings per share — basic	HK$0.132	HK$0.071	HK$0.119	HK$0.083

	At 31 March			At 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Total assets	1,974,969	2,029,301	2,175,209	2,648,285
Total liabilities	(1,356,449)	(1,391,402)	(1,468,346)	(1,914,066)
	618,520	637,899	706,863	734,219
Equity attributable to equity holders of the Company	615,083	633,969	699,991	726,340
Minority interests	3,437	3,930	6,872	7,879
	618,520	637,899	706,863	734,219

(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

	Note	2007 HK$'000	2006 HK$'000
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

	Note	2007 HK$'000	2006 HK$'000
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 realisable value

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

(d) Estimated impairment of goodwill

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

(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 HK$'000	Buildings Outside Hong Kong HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Total HK$'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	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:

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 HK$'000	Company 2006 HK$'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 HK$'000	Group 2006 HK$'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 HK$'000	Liabilities HK$'000	Revenue HK$'000	Loss HK$'000	Interest held %	Principal activity
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	**2006**
	HK$'000	*HK$'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	**2006**
	HK$'000	*HK$'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$'000	Group 2006 HK$'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$'000	Group 2006 HK$'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	Group 2006
	HK$'000	*HK$'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	Group 2006
	HK$'000	*HK$'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 2007	Group 2006	Company 2007	Company 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	**2006**
	HK$'000	*HK$'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	Group 2006
	HK$'000	*HK$'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	Group Bank loans 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 *HK$'000*	Group 2006 *HK$'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 *HK$'000*	Group 2006 *HK$'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
* Prosperous Transportation (HK) Co Ltd.**	Hong Kong	2,000,000 ordinary shares of HK$1 each	75	Transportation 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
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.

(C) INDEBTEDNESS

Borrowings

At the close of business on 31 May 2008, the Group had outstanding borrowings of approximately HK$1,216 million, comprising bank loans of approximately HK$633 million, trust receipt loans of approximately HK$565 million and finance lease liabilities of approximately HK$18 million.

Debt Securities

At the close of business on 31 May 2008, the Group had no outstanding debt securities.

Securities and guarantees

On 31 May 2008, 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$915 million.

Mortgages and Charges

On 31 May 2008, certain prepaid premium for land lease and buildings in Hong Kong of the Company's subsidiaries, with a total carrying value of approximately HK$168 million were pledged to banks as securities for bank loans of approximately HK$86 million and trust receipt loans of approximately HK$201 million granted to the Group.

Contingent liabilities

At as 31 May 2008, the Group had no contingent liabilities.

Disclaimer

Save as referred to in this section and apart from intra Group liabilities and normal trade payables, the Group did not have, at the close of business on 31 May 2008, 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.

(D) WORKING CAPITAL

The directors, after due and careful consideration, are of the opinion that, based on available banking and other facilities and internal resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

THE ECONOMY

In the six months ended 30 September 2007, the Hong Kong economy continued to enjoy robust growth with GDP rising at a rate of 9.8% in the third quarter compared to 8.7% for the second quarter of 2007. In the PRC, the economy maintained phenomenal growth, with GDP up 11.5% for the first nine months of 2007.

THE PAPER INDUSTRY

According to the Hong Kong Census and Statistics Department, the total export value of printed matters was HK$10,306 million during the review period, up 8.6% against the same period last year. The Territory's import of printed matters was valued at HK$6,286.6 million, up 10.7% compared with the same period last year.

OPERATIONS REVIEW

During the six months ended 30 September 2007, the Group achieved remarkable results, with growing turnover and improving gross profit margin. Turnover increased by 15.6% to HK$1,949 million as compared with the same period last year. Gross profit increased by 21.6% to HK$180 million, with gross profit margin improved to 9.2% (2006/07: 8.8%). Operating profit increased by 23.5% to HK$70.6 million. Profit attributable to shareholders rose sharply, up by 46.2% to HK$35.8 million. Net profit margin also improved, from 1.5% in the corresponding period last year to 1.8% this review period. Earnings per share were HK8.3 cents (2006/07: HK5.7 cents).

By business segment, paper products, consumable aeronautic parts/services, marine services, and logistics services accounted for 94.5%, 2.1%, 1.9%, and 1.5% of the Group's turnover respectively.

PAPER BUSINESS

The encouraging growth of the Group's paper business reflected the Group's continuous effort and success in broadening its sales network in the PRC. Increasing market demand for paper products driven by the booming economy also pushed up the average prices of book printing papers and packaging boards by approximately 10% and 5% respectively and in turn the turnover of the Group's paper products benefited. The Group's shift of strategic focus on to serving quality customers as a means of combating the effects of intense competition in the paper industry and controlling credit risk also proved to be successful. Provision for doubtful debts after taking into account the provision written back significantly decreased from 0.7% to 0.1% of total turnover from paper product sales during the review period.

All these factors together contributed to the business achieving turnover of HK$1,841.5 million, representing a rise of 13.2% when compared with the corresponding period last year. In terms of operating profit, HK$68.5 million was recorded representing a rise of 17.6%.

The PRC market continued to be the main growth driver of the segment's business. Paper product sales in the market increased by 24.9% to HK$951.8 million, making up 51.7% of the Group's total turnover from paper business. The Group sold 11.7% more paper products in tonnage through its extensive sales network in the PRC.

Hong Kong is the Group's second key market accounting for 41.5% of its total paper product sales. The Group achieved turnover of HK$764.3 million, or a rise of 9.3% against the same period last year. As the Group has been consolidating its businesses in other Asian countries, such as Malaysia, to control credit risks and enjoy more healthy growth in the long run, paper sales from these regions for the review period dropped by 23.9% to HK$125.4 million, accounting for 6.8% of total turnover from paper product sales.

Regarding the Group's paper manufacturing arm, the Singapore-listed United Pulp & Paper Company Limited ("UPP") achieved a net gain of S$1.1 million (2006/07: S$0.4 million). The improved performance was the result of higher paper product prices and UPP's successful switch from using fuel oil to natural gas for powering its production plant. The change in fuels was implemented in September 2006 and has since been translating into significant savings for the operation particularly when oil prices have been on the rise.

Sales contribution by product was maintained at a stable level. Book printing papers and packaging boards accounted for 50.5% and 33.2% of the Group's total turnover of paper products respectively.

CONSUMABLE AERONAUTIC PARTS/SERVICES BUSINESS

The Group has successfully diversified its business in recent years to cover also consumable aeronautic parts/services. This segment continued to generate increasing revenue for the Group, up by 50.5% to HK$42.0 million, with operating profit up by 126.5% to HK$4.1 million.

LOGISTICS SERVICES BUSINESS

The Group has sought to consolidate its logistics services business by focusing more on key profit centres such as transportation and warehousing services as reflected in its ongoing expansion in the Yangtze River Delta region. Accordingly, turnover from logistics services decreased by 10.8% to HK$28.9 million, but operating loss was reduced by 42.5% to HK$1.5 million (2006/07: operating loss of HK$2.6 million).

MARINE SERVICES BUSINESS

Hypex Holdings Limited, the wholly-owned subsidiary of the Group acquired in December 2006, provides corrosion prevention services to the marine, oil and gas industries in Singapore. The corrosion prevention services comprise blasting (hydro and grit) and painting work. It recorded turnover of HK$36.8 million and operating profit of HK$1.3 million during the period under review.

PROSPECTS

The management team is optimistic about the Group's business prospects. The anticipated steady rise in the price of paper products in the coming months will bode well for the Group. To strengthen its presence and capture the enormous business opportunities in the PRC, the Group has opened a new office in Xiamen and will open offices in Shenyang, Naning and Nanjing in the second half of the financial year, expanding its sales office network currently covering Beijing, Shanghai, Chongqing, Tianjin, Guangzhou, Foshan, Shenzhen and Wuxi.

On 20 February 2008, UPP Investments entered into the Assets Transfer Contract with Huazhong Receiver and Huacai Receiver, (collectively known as the "Receivers"), pursuant to which the Receivers have agreed to sell, and UPP Investments has agreed to procure the Acquisition by Universal Shandong on all the Assets at a total cash consideration of RMB385,250,173 (equivalent to approximately HK$414,872,037). Upon completion of the Acquisition, Universal Shandong will own all the Assets.

Universal Shandong is a Sino-foreign equity joint venture company established under the laws of the PRC. 90% and 10% of its equity interest are held by UPP Investments and Shenzhen Jialing respectively. Both UPP Investments and Shenzhen Jialing are indirect wholly-owned subsidiaries of the Company.

The Assets are located in Zaozhuang City, Shandong Province, the PRC which is strategically located to tap strong demand from industrial zones along Yangtze River in the south as well as the Beijing-Tianjin area in the north-east. Another location advantage is the proximity to local supplies of coal for power generation for the production use. The Assets include land and factories which consist of machineries currently in use, the production equipment, the electricity power plant, the water treatment plant, and certain fixtures free from any related liabilities or encumbrances. The total area of the land and factories site is about 708 mu. The factories consist of 4 production lines which are running by machineries. Among the 4 production lines, 3 of such have a designed annual total production capacity of approximately 170,000 metric tonnes of duplex boards and 20,000 metric tonnes of kraftliner boards and corrugated medium respectively. The fourth production line is still under construction and is expected to have an installed machine capacity of approximately 200,000 metric tonnes of kraftliner boards and corrugated medium upon completion of construction. In order to meet the needs of the forthcoming operation of the fourth production line, it is understood that in addition to the existing 33 megawatt coal fired steam turbine power plant, additional 15 megawatt power plant expansion is under construction. The Assets will be recorded as fixed assets at the Consideration in the books of the Group.

On 13 July 2007, Rise Gain Development Limited ("Rise Gain"), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement for the acquisition 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. Kingsrich is an investment holding company whose principal business is the holding of 99% equity interest in 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. JYTP is principally engaged in the business of kraftliner board and testliner board production as well as production of high performance corrugating medium. There will be no variation to the aggregate remuneration payable to and benefits in kind receivable by the directors of Rise Gain in consequence of the acquisition of Kingsrich.

Between 2002 and 2006, consumption of containerboard products in the PRC had consistently exceeded domestic production. This phenomenon is expected to continue in the next 10 years according to RISI projection. However, containerboard products only accounted for less than 5.0% of the total volume of paper products sold by the Group in 2006. This translates into growth potential for the Group with an over 1,000-strong regular client base in the Asia Pacific Region and strong reputation in the PRC printing and packaging industry as leverage. The Group is confident of securing orders for the new paper mill and expanding the containerboard business in the next few years to bring better returns to shareholders.

Looking ahead, the Group will strive to strengthen its position in the paper industry and expand its business by moving upstream, aiming to become one of the leading paper industry players in the PRC.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2007, the total number of the Group's employees was 934. The Group's remuneration policies are primarily based on prevailing market levels and salaries are reviewed with reference to the performance of the Group and the individual employee concerned. In addition to salary payment, other staff benefits including performance bonus, education subsidies, provident fund, medical insurance and share option are offered to reward our high-calibre staff. Training on strategic planning and implementation, sales and marketing disciplines are offered to various management levels on a regular basis.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's short term deposits and bank balances and bank borrowings as at 30 September 2007 amounted to approximately HK$417 million (including restricted bank deposits of HK$55 million) and HK$1,014 million respectively. As at 30 September 2007, its gearing ratio, measured on the basis of the Group's long term debt over the Group's shareholders' funds was 17.6% (31 March 2007: 22.5%). With bank balances and other current assets of approximately HK$2,306 million as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital to meet its present requirement.

The Group's foreign currency purchases were mainly denominated in United States dollars and RMB. Foreign exchange contracts and options were used, if necessary, to hedge the Group's foreign currency exposure. As the Group relied on the RMB banking finances to fund the operation in the PRC, which provides a natural hedge against currency risks, the appreciation of RMB does not have much impact on the Group.

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

The Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of such facilities utilized by the subsidiaries as at 30 September 2007 amounted to HK$1,014,328,000 (31 March 2007: HK$797,023,000).

As at 30 September 2007, trust receipt loans of HK$277,265,000 (31 March 2007: HK$169,982,000) and bank loans of HK$48,909,000 (31 March 2007: HK$30,313,000) were secured by legal charge on certain properties of the Group in Hong Kong.

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 to be acquired by the Company as at 31 May 2008.

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
Hong Kong

Savills Valuation and
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30 June 2008

Dear Sirs

RE: AN INDUSTRIAL COMPLEX LOCATED AT SONG ZHUANG CUN, XUECHENG DISTRICT, ZAOZHUANG, SHANDONG PROVINCE, PRC (THE "PROPERTY").

In accordance with your instructions for us to value the property situated in the People's Republic of China (the "PRC") to be acquired by Samson Paper Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of such property as at 31 May 2008 for the inclusion in a circular issued by the Company.

Our valuation of the property is our opinion of its market value 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 of the property, unless otherwise stated, we have assumed that transferable land use rights of the property for its specific term at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information regarding the title to the property. In valuing the property, unless otherwise stated, we have assumed that the owner of the property has an enforceable title and free and uninterrupted rights to use, occupy or assign the property for the whole of the unexpired terms as granted.

The property is to be held by the Group for owner-occupation. Due to the specific purposes for which the buildings and structures of the property were constructed, there are no readily identifiable market comparables. Thus the buildings and structures cannot be valued on the basis of direct comparison. They have been valued on the basis of their depreciated replacement cost. We would define "depreciated replacement cost" for this purpose to be our opinion of the land value in its existing use and an estimate of the new replacement costs of the buildings and structures, including professional fees and finance charges, from which deductions are then made to allow for age, physical and functional obsolescence. The depreciated replacement cost approach generally provides the most reliable indications of value for property in the absence of a known market based on comparable sales.

We have been provided with copies of extracts of title documents 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 to us by the Company and its legal adviser on PRC laws, Grandall Legal Group (Shanghai), 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 and floor areas and other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information 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 exterior and where possible, the interior of the property. During the course of our inspection, we did not note any serious defects. Moreover, no structural survey has been made and we are therefore unable to report that the property is free from rot, infestation or any other defects. No tests were carried out on any of the services. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is 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 Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

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

We enclose herewith our valuation certificate.

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, MSc, FRICS, FHKIS, MCIArb, RPS(GP), is a qualified valuer and has about 24 years' experience in the valuation of properties in Hong Kong and has about 19 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2008
An industrial complex located at Song Zhuang Cun, Xuecheng District, Zaozhuang, Shandong Province, PRC	The property comprises 15 parcels of land with a total site area of approximately 472,038.68 sq.m. (5,081,024 sq.ft.) on which an industrial complex is erected. The industrial complex comprises 63 buildings and structures completed in various stages between 1987 and 2002. The total gross floor area of the property is approximately 127,584.16 sq.m. (1,373,316 sq.ft.). In addition, there is a boiler room with a gross floor area of approximately 937.44 sq.m. (10,091 sq.ft.) which is under construction. Amongst 15 parcels of land, two of which are allocated land whilst the remaining 13 of which are held under land use rights for various terms with the latest one due to expire on 30 September 2048.	The property will be occupied by the Group for production, office, dormitory, canteen and other ancillary purposes after the acquisition.	RMB151,300,000

Notes:

1. Pursuant to 15 State-owned Land Us Rights Certificates issued by Zaozhuang Xuecheng District Land Administrative Bureau, the land use rights of 15 parcels of land with a total site area of approximately 472,038.68 sq.m. have been granted to 山東華眾紙業有限公司 (Shandong Huazhong Paper Co., Ltd) ("Huazhong") for industrial uses. Details of the said certificates are listed out below:

No.	Certificate No.	Site Area *(sq.m.)*	Use	Expiry Date of Land Use Term	Remarks
1.	Xue Guo Yong (95) Zi 022070	1,966.70	Industrial	11 November 2045	
2.	Xue Guo Yong (95) Zi 022071	1,050.00	Industrial	11 November 2045	
3.	Xue Guo Yong (95) Zi 022072	420.00	Industrial	11 November 2045	
4.	Xue Guo Yong (95) Zi 022073	153,313.30	Industrial	11 November 2045	
5.	Xue Guo Yong (95) Zi 020075	124,467.26	Industrial	15 April 2046	
6.	Xue Guo Yong (1999) Zi 020076	1,780.98	Industrial	6 October 2047	
7.	Xue Guo Yong (1999) Zi 020077	36,800.00	Industrial	30 September 2048	
8.	Xue Guo Yong (1999) Zi 020078	12,438.80	Industrial	15 April 2046	
9.	Xue Guo Yong (1999) Zi 020079	36,526.97	Industrial	15 April 2046	
10.	Xue Guo Yong (1999) Zi 020080	76,692.75	Industrial	15 April 2046	
11.	Xue Guo Yong (1999) Zi 020081	2,214.82	Industrial	15 April 2046	
12.	Xue Guo Yong (1999) Zi 020082	5,336.00	Industrial	15 April 2046	
13.	Xue Guo Yong (1999) Zi 020083	6,971.30	Industrial	—	Allocated land
14.	Xue Guo Yong (1999) Zi 020084	2,427.80	Industrial	—	Allocated land
15.	Xue Guo Yong (96) Zi 0220103	9,632.00	Transformer room	28 July 2046	

2. Pursuant to Building Ownership Certificate No. Zao Zheng Gong Fang Quan Zi 000476, the building ownership of 27 buildings with a total gross floor area of approximately 42,273.37 sq.m. is vested in Huazhong.

3. Except for the said 27 buildings, there are no building ownership certificates issued for the remaining 36 buildings.

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

   (i) Huazhong is the owner of the land use rights of the property; and

   (ii) the building ownership certificate held by Huazhong is legal and valid. Huazhong has the rights to use, lease, transfer or mortgage the said 27 buildings.

5. We have assigned no commercial values to the allocated land as mentioned in Note 1 and the 36 buildings as mentioned in Note 3 as they are not transferable. For indicative purpose, had transferable State-owned Land Use Rights Certificates for the allocated land and Buildings Ownership Certificates for the 36 buildings been obtained, the capital value of the land and the depreciated replacement cost of the buildings as at 31 May 2008 were RMB1,700,000 and RMB189,200,000 respectively.

The following is the text of a letter and summary of values prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent plant and machinery valuer, in connection with their opinion of value of the machinery and equipment to be acquired by the Group as at 31 May 2008.

The Directors
Samson Paper Holdings Limited
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Hong Kong

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
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30 June 2008

Dear Sirs,

RE: VALUATION OF MACHINERY AND EQUIPMENT

In accordance with your instructions, we have conducted a valuation of machinery and equipment exhibited to us as those to be acquired by Samson Paper Holdings Ltd. ("the Company") and its subsidiaries (together referred to as the "Group"). We confirm that we have made relevant searches and enquiries and obtained further information for the purpose of providing you with an opinion of the market value for existing use of the machinery and equipment as at 31 May 2008.

Valuation Summary

As a result of our inspection and after making relevant enquiries, based on the valuation approach outlined in the following section, we are of the opinion that the market value for existing use of the machinery and equipment, as detailed in the attached schedules as at 31 May 2008 was as follows:

Market Value for Existing Use
as at 31 May 2008
RMB596,443,000

Total market value for existing use of machinery and equipment: Five Hundred Ninety-six Million Four Hundred Forty-three Thousand Renminbi.

This report letter forms part of a detailed valuation report dated 30 June 2008, which comprises:

- this report letter which identifies the assets valued, states the nature and extent of the investigation, and presents the opinion of value;
- a summary of values;
- assumptions and limiting conditions applicable to our assessment; and
- a schedule, with technical description of the machinery and equipment, showing for each item or group of items the valued market value for existing use of the machinery and equipment.

Purpose of Valuation

We understand that the purpose of this valuation is to assess the value of the machinery and equipment for inclusion in a circular to Shareholders of the Group. It is assumed that the acquirer is to continue to operate the machinery at its current location and we have adopted the market value for existing use basis as being the most appropriate.

Background and Description of Assets

Assets under review comprise the paper production facilities of two factories utilized in the manufacture and sales of kraftliner board and duplex paper board for packaging. These are:

Shandong Huazhong Paper Co., Ltd. ("Huazhong")

Huazhong has three paper mills utilising kraft pulp and old corrugated cartoon as raw materials located in Zhaozhuang, Shandong Province, the PRC. The first mill ("Paper Mill No.1") has one paper machine with a design capacity of 20,000 metric tonnes per year producing kraftliner board. The second mill ("Paper Mill No.2") has one paper machine with a design capacity of 50,000 metric tonnes per year producing coated duplex board. The third mill ("Paper Mill No.3") has only one paper machine commissioned in January 1999 and it has a design capacity of 120,000 metric tonnes per year producing coated duplex board. Effluent water from the mills is being treated in the 24,000 metric tonnes per day capacity sewage treatment plant.

Major machinery and equipment was sourced from Germany, Japan, Switzerland, UK and the PRC comprising stock preparation systems, three paper machines, a 33 MW cogeneration plant, a sewage treatment plant, maintenance equipment and material handling equipment. Other associated equipment includes office equipment, computers and laboratory equipment.

The machinery and equipment was inspected at Songzhuang Cun, Xuecheng District, Zhaozhuang, Shandong Province, the PRC.

At the time of inspection, the assets of Huazhong were observed to be generally in fair condition and apparently properly maintained.

Shandong Huacai Paper Co., Ltd. ("Huacai")

We have also included in this valuation the construction in progress of a 15MW co-generation plant and the fourth mill ("Paper Mill No.5") located at Songzhuang Cun, Xuecheng District, Zhaozhuang, Shandong Province, the PRC. The fourth mill has one paper machine with a design capacity of 200,000 tons per year of kraftliner boards and corrugated medium.

The major machinery and equipment was sourced from UK, Finland and the PRC.

At the time of inspection, the assets of Huacai were observed to be generally in good condition and apparently properly maintained.

Definition of Valuation

In arriving at our opinion of value we have followed the guidelines issued by the Royal Institute of Chartered Surveyors on the valuation of plant and machinery assets.

Market value is defined as the estimated amount for which an asset 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.

Market value for existing use is further defined as the market value of an asset based on continuation of its existing use, assuming the asset could be sold in the open market for its existing use, and otherwise in keeping with the market value definition regardless of whether or not the existing use represents the highest and best use of the asset.

Market value for existing use does not represent the amount that might be realised in the event of piecemeal disposition of the assets in the open market or from any alternative use to which they may be put.

Valuation Methodology

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transport, installation, commissioning and consultants' fees. Adjustment is then made for accrued depreciation, which encompasses condition, utility, age, wear and tear, functional and economic obsolescence.

The Transaction Approach

The transaction approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets which consists of all assets of a business enterprise including working capital and tangible and intangible assets.

General

In most valuations, all approaches to value must be considered, as one or more may be applicable to the subject assets. In some situations, elements of the three approaches may be combined to reach a value conclusion.

Analysis

In developing our opinion of the market value for existing use of the machinery and equipment, the income approach was considered and was excluded because no relevant financial information relating to the individual subject items is available. We have considered both the cost approach and the transaction approach in our assessment of the machinery and equipment. However due to there being insufficient comparable transactions in the open market in the PRC upon which to base an opinion, we have placed more emphasis on the cost approach in arriving at an opinion of value of the machinery and equipment.

In arriving at our assessment using the cost approach, we have firstly developed the replacement cost new. In arriving at replacement cost new we have conducted an inspection of the site, perused records, conducted interviews with senior engineering and accounting staff and obtained and reviewed detailed drawings and specifications relating to the plant and machinery.

Replacement costs were developed by reference to and indexing of historical cost information and by discussion with original suppliers regarding current costs for comparable equipment. We have made allowances for freight, installation and commissioning, finance charges, tariff, value added tax, taxes and duties and other fees.

Having developed replacement cost new, we then deducted for the various elements of depreciation to arrive at a Depreciated Replacement Cost (DRC), which we take as to be market value for existing use. Physical deterioration, functional obsolescence and economic obsolescence were included in our assessment of the depreciation allowance.

General

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the assets are used. It was assumed that prospective earnings would provide a reasonable return on the appraised value of the assets, plus the value of any assets not included in the valuation, and adequate net working capital.

During our inspection, we have reviewed acquisition records and asset listings of machinery and equipment, equipment specifications and other documents supplied to us by the Group. We have relied considerably on such documents in arriving at our opinion of value.

We confirm that we have no present or contemplated future interest in the subject property or any other interest that may prevent our having arrived at a fair and unbiased assessment of value.

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, MSc, FRICS, FHKIS, MCIArb, RPS(GP), has been a qualified valuer and has about 24 years' experience in the valuation of properties in Hong Kong and has extensive experience in plant and machinery valuation projects in Hong Kong and the PRC.

SUMMARY OF VALUES

Description	Market Value for existing use as at 31 May 2008 *(RMB)*
Huazhong	
— Paper Mill No.1	1,691,100
— Paper Mill No.2	75,970,200
— Paper Mill No.3	309,897,000
— Cogeneration Plant	55,849,800
— Sewage Treatment Plant	9,991,000
— Coating Processing Workshop	268,700
	453,667,800
Huacai	
— Construction In Progress	142,775,000
total:	**596,442,800**
rounded to:	**596,443,000**

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 not contained herein the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions 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 Part XV 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:

(a) Interest in the Shares

		Number of shares beneficially held				
		(A) Personal Interests	(B) Corporate Interests	(C) Family Interests	(A)+(B) +(C) Total Aggregate interests in Shares	Percentage of issued share capital
Mr. LEE Seng Jin	Beneficial owner	60,344,000	219,620,000 *(Note)*	16,712,556	296,676,556	69.11%
Ms. SHAM Yee Lan, Peggy	Beneficial owner	572,556	16,140,000	279,964,000	296,676,556	69.11%
Mr. CHOW Wing Yuen	Beneficial owner	540,000	—	—	540,000	0.13%

Note: These 219,620,000 Shares were held by Quinselle Holdings Limited, a company wholly owned by Mr. Lee Seng Jin as at the Latest Practicable Date, Mr. Lee Seng Jin is therefore deemed to be interested in the Shares held by Quinselle Holdings Limited under the SFO.

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, there were no outstanding share options or derivative instruments granted to the Directors and none of the Directors and the chief executive of the Company had or was deemed to have any interest or short positions in the Shares or underlying Shares or interest in 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 are taken or deemed to have under such provisions of the SFO) or; (ii) were required to be entered in the register referred to therein 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. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date, the following persons or corporation (not being Directors or chief executive of the Company) had an interest or a short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange 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 were as follows:

Long position in the Shares

Name of Shareholder	Number of Shares	Approximate percentage of interest to total issued share capital of the Company
Quinselle Holdings Limited *(Note)*	219,620,000	51.16%

Note: Quinselle Holdings Limited is a company wholly owned by Mr. Lee Seng Jin as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person or corporation (not being Directors or chief executive of the Company) who had an interest or a short position in Share or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange 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.

4. EXPERT AND CONSENT

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

Name	Qualification
Savills Valuation and Professional Services Limited	Property Valuer
Grandall Legal Group (Shanghai)	PRC lawyers

Each of Savills Valuation and Professional Services Limited and Grandall Legal Group (Shanghai) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of Savills Valuation and Professional Services Limited and Grandall Legal Group (Shanghai) did not have any direct or indirect interest in any assets which have since 31 March 2007 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, each of Savills Valuation and Professional Services Limited and Grandall Legal Group (Shanghai) was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

5. 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 dated 13 July 2007 in relation to the sale and purchase of the entire issued share capital of, and the shareholder's loan to, Kingsrich Group Limited entered into between Better Development Limited as vendor, Ms. Liu Lai Sum, Christina as vendor guarantor and Rise Gain Development Limited as purchaser at a consideration of HK$7,997,568; and

(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 the shareholder's loan to, Hypex Holdings Limited 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).

6. LITIGATION

As at the Latest Practicable Date and so far as the Directors are aware, no member of the 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.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were 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 financial statements of the Group were made up.

8. SERVICE CONTRACTS

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

As at the Latest Practicable Date, none of the Directors had entered into a service contract with a member of the Group which does not expire or is not terminable within one year without payment of compensation (other than statutory compensation).

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her associates (as defined under the Listing Rules) had any interests which competed or was likely to compete, either directly or indirectly, with the Company's business.

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 AVAILABLE 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, for a period of 14 days from the date of this circular:

(a) the Assets Transfer Contract;

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

(c) the letter from the Board, the text of which is set out on pages 4 to 11 of this circular;

(d) the annual reports of the Company for each of the two financial years ended 31 March 2007 and 31 March 2006;

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

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

(g) a copy of each of the service contracts referred to in the paragraph headed "Service Contracts" in this Appendix;

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

(i) a circular of the Company dated 28 February 2006 in respect of the establishment of a joint venture in Malaysia which constituted a discloseable transaction of the Company;

(j) a circular of the Company dated 12 October 2006 in respect of the sale and purchase of the entire issued capital of Hypex Holdings Limited which constituted a discloseable transaction of the Company;

(k) a circular of the Company dated 20 August 2007 in respect of the sale and purchase of Kingsrich Group Limited which constituted a major transaction of the Company; and

(l) a circular of the Company dated 16 October 2007 in respect of a purchase of assets which constituted a discloseable transaction of the Company.