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Samson group
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Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 0731)

ANNUAL REPORT 2011

Contents

Corporate Information

Board of Directors

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

Non-executive Director
LAU Wang Yip, Eric

Independent Non-executive Directors
PANG Wing Kin, Patrick
TONG Yat Chong
NG Hung Sui, Kenneth

Company Secretary

LEE Yue Kong, Albert

Principal Bankers

Bank of Tokyo-Mitsubishi UFJ
BNP Paribas Hong Kong Branch
China Construction Bank Corporation
CITIC Bank International Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

3/F, Seapower Industrial Centre
177 Hoi Bun Road
Kwun Tong
Kowloon, Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
6 Front Street
Hamilton
Bermuda

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shop 1712–16
17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended 31 March	
	2011	2010
	HK$'000	HK$'000
		(restated)
Revenue	4,676,899	3,861,245
Operating profit	135,126	125,977
Finance costs	47,000	29,984
Profit before taxation	88,126	96,398
Profit attributable to owners of the parent	73,450	61,999

CONSOLIDATED BALANCE SHEET

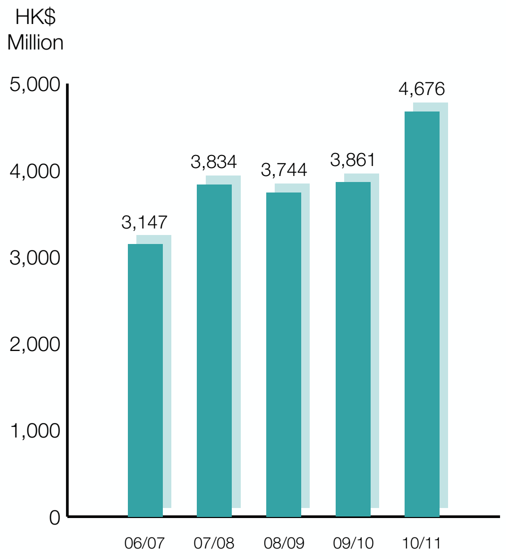
	As at 31 March	
	2011	2010
	HK$'000	HK$'000
		(restated)
Non-current assets	1,594,044	1,031,908
Current assets	3,115,491	2,755,974
Current liabilities	2,713,913	2,395,937
Shareholders' funds	1,212,141	1,072,990
Non-current liabilities	773,337	308,158

SHARE STATISTICS

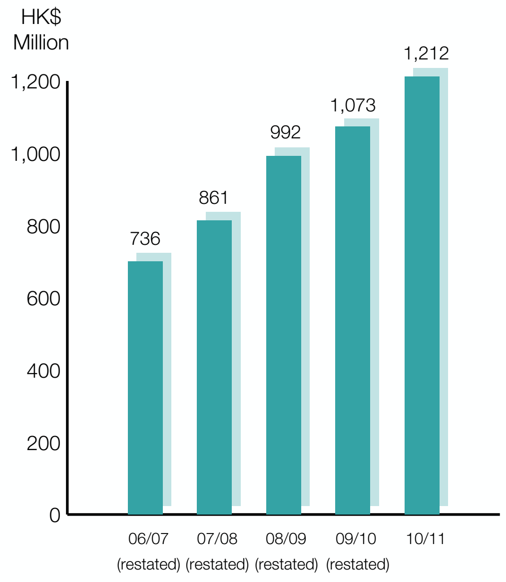
Earnings per share — basic (note)	HK6.7 CENTS	HK6.0 CENTS
Earnings per share — diluted (note)	HK5.8 CENTS	HK4.9 CENTS
Dividends per share	HK2.0 CENTS	HK3.0 CENTS
Net asset value per ordinary share (note)	HK117 CENTS	HK107 CENTS

note: On 20 January 2011, Samson Paper Holdings Limited (the "Company") issued 636,570,381 new ordinary shares through a bonus issue (note 29). The number of shares used for prior year calculations of earnings per share and net asset value per ordinary share shown above have been adjusted for bonus issue in order to provide a comparable basis for the current year.

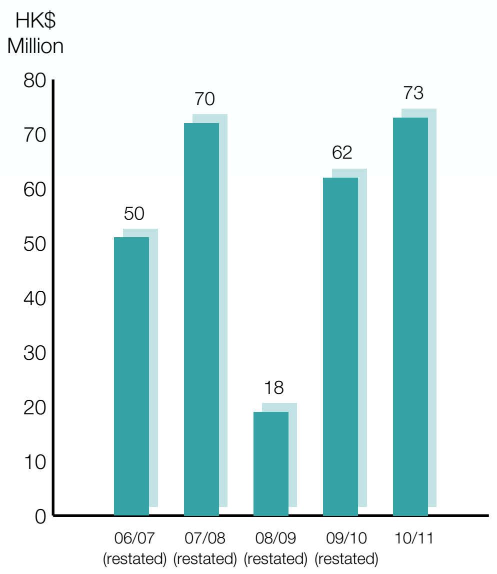
REVENUE



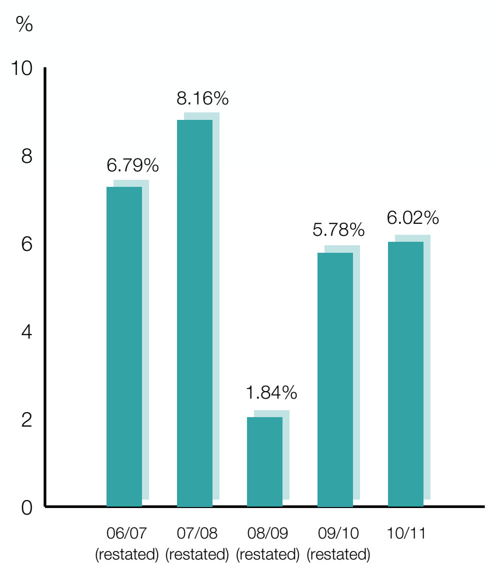
SHAREHOLDERS' FUNDS



PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT



RETURN ON SHAREHOLDERS' FUNDS



Chairman's Statement

The Economy

During the year under review, the revival of the global economy progressed. The economies of the Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China (the "PRC") were booming, benefitting from the new capital influx under the continued quantitative easing monetary policy in the US. The outbreak of the sovereignty debt crisis in Europe, leading to concern in markets during the second quarter of 2010, affected the consumer sentiment to a certain extent.

The GDP of the PRC rose by 10.3% in the calendar year of 2010, the highest growth rate among all major national economies in the world. As the PRC government began to tighten credit and money supply to curb inflation, its GDP still reported a rapid growth of 9.7% in the first quarter of 2011, indicating that the flourishing economy continued.

In terms of the local economy, the GDP of Hong Kong reported a rise of 7.0% in the first quarter of 2011, a moderate slowdown when compared to the actual growth of 7.2% in the calendar year of 2010. Since Hong Kong's economy was adversely affected by the financial crisis and its GDP actually dropped to negative figures during 2009, the rebound in 2010 was particularly strong. Although the earthquake, tsunami and subsequent nuclear crisis struck Japan, Hong Kong's third largest trading partner, it is believed that these incidents would not have significant impact on the growth of Hong Kong's economy as trade with Japan only accounted for 6.8% of total value of Hong Kong's trade.

The Printing and Paper Product Industries

In early 2010, there was a surge in paper prices mainly due to the earthquake in Chile, which has affected the pulp supply, and extended the production schedule of paper products, leading to customers stocking up inventories in the first half of the calendar year. However, the effect of the earthquake was only temporary. In addition, customers adopted a more prudent and conservative procurement approach as a result of the sovereignty debt crisis in Europe. The end result of these developments was that market demand for paper products gradually slowed down. Furthermore, facing the tightening monetary policy in the PRC, paper product suppliers had to speed up sales to ease the inventory pressure and increase their cash on hand. Surges in energy and raw material costs also exerted pressure on the production costs, but the price of paper products did not rise at the same rate under the fierce market competition. From September 2010 to March 2011, the prices of book printing papers and packaging boards have increased approximately 3% and 7% respectively.

Operations Review

For the year ended 31 March 2011, Samson Group (the "Group") recorded a satisfactory performance. Driven by the synergies gradually created within its trading business plus the rapid growth of the manufacturing business, the Group has set a new record in total turnover. Turnover grew by 21.1% year-on-year from HK$3,861,000,000 to HK$4,677,000,000. In terms of volume, it increased by 7.5%. Profit for the year has risen by 15.4% from HK$62,555,000 last year to HK$72,211,000. The Group has opened six new sales offices in the PRC during the year to capture the opportunities brought about by the rapid growth of the PRC economy. In order to grapple for larger market share amidst fierce market competition as a result of tightened monetary policy in the PRC since October 2010, the Group's overall gross profit margin dropped from 11.4% last year to 9.2%, while net profit margin declined slightly by 0.1 percentage point to 1.5% from last year. Earnings per share were HK 6.7 cents, compared to HK6.0 cents last year.

The Board recommended payments of a final dividend of HK1 cent per share, which is comparable to last year's HK2 cents prior to the issuance of one-for-one bonus share. Together with the interim dividend of HK1 cent per share, the total dividends were HK2 cents per share for the year.

The Group has been adhering to conservative financial strategy. During the year under review, tightening of monetary policy in the PRC spurred the Group to prudently reserve more fundings to support working capital needs of capturing new market and sales opportunity. As at 31 March 2011, the Group had cash and bank balance of HK$835,000,000 with a gearing ratio maintaining at a healthy level of about 50%. During the year, the Group continued to exercise a stringent credit policy. Despite the notable growth in turnover, the collection period was shortened by 1 day to 82 days. Net provision for doubtful and bad debts for the year reduced from HK$9,600,000 to HK$3,256,000, a further indication of a solid financial position.

By business segment, paper trading, paper manufacturing and other businesses accounted for 85.0%, 12.8% and 2.2% of the Group's total turnover respectively.

Paper Business

The Group is the only vertically integrated paper trader and manufacturer in Hong Kong. Its unique business model has brought important synergies to the Group. In light of the growing demand for paper products in the PRC market coupled with the favorable geographical location of its paper mill in Shandong, the Group is well-positioned to capture the tremendous demand for paper from various industrial areas in the nearby Yangtze River and Bohai Rim regions. As a result, turnover of the Group's paper products increased by 22.5% from HK$3,733,000,000 in the same period last year to HK$4,573,000,000. Operating profit was HK$148,000,000, a decrease of 2% from HK$151,000,000 in the same period last year as a result of fierce market competition in the paper trading business. In terms of volume, the Group sold 755,000 metric tonnes of paper products during the year under review, a rise of 7.5% when compared to the last corresponding year.

Paper Trading Business

Owing to the Group's well-established sales network in the PRC and the persistently strong market demand for paper products, sales volume of the paper trading business increased by 2.9%. Sales value grew by 17.8% to HK$3,977,000,000. During the year, the Group has accelerated the pace of opening new sales offices to fully capture the opportunities presented by the rapid growth of the PRC economy. To enhance market penetration amid the keen market condition resulted in 23.4% drop of operating profit from HK$128,000,000 to HK$98,000,000. Although no significant contribution has been made during the year, the newly set-up sales offices progressively increased the market share of the Group. The Group believes that the new offices will start contributing from next year onward, generating stronger synergies with existing networks and boost the sales of paper products for the manufacturing business, when the operations of the new sales offices advance.

Since its establishment in 1965, the Group has strived to extend its presence within the PRC with the aim to increase its market share. As of today, the Group has more than 20 sales offices across the country, covering both major coastal industrial and large inland cities. As a result, sales in China accounted for 50.2% of the total turnover of paper products. Hong Kong remained as the Group's second largest market with 40.9% of total sales of paper products while other Asian markets contributed to the remaining 8.9%.

The two key products of the paper trading business, book printing papers and packaging boards, accounted for 49.7% and 39.1% of the Group's total turnover generated from paper trading business respectively. The sales contributions from these two products remained stable.

Paper Manufacturing Business

To tap the enormous demand in the PRC, the Group extended its business into paper manufacturing after the acquisition of the Shandong paper mill in 2008. The move has been proven to be successful in lifting its revenue and profitability. Taking into account of HK$103,000,000 from internal sales, turnover surged by 37.8% (or HK$192,000,000) to HK$700,000,000 with sales volume rose by 10.7%. As its two production lines commenced full operation during the year and the third one (PM5) started production in late February 2011, the current production capacity of Shandong paper mill has increased from 170,000 metric tonnes to 370,000 metric tonnes.

The effective cost control measures and economies of scale of the paper manufacturing business boosted the operating profit for the year to HK$49,000,000, 122% higher than last year. Operating profit margin also grew by 33.9%% to 8.3%. The expanding sales network in the PRC also served as an ideal sales platform for the manufacturing business, and enabled the Group to maintain a balance between production and sales since the paper mill started production. The Group expects to see stronger support for the manufacturing business as the sales offices start to develop business in their own right.

Other Businesses

The aeronautic parts and services business and marine services business recorded a turnover of HK$37,000,000 and HK$59,000,000 respectively during the year under review. The aeronautic parts and services business reported an operating profit of HK$395,000 while the marine services businesses managed to make an operating profit of HK$3,537,000 before including the loss of HK$4,761,000 on sale of equipments.

Prospects

Although there is certain pessimistic view in the market on the progress of economic transition in the PRC and lowered their estimates of economic growth for the following two years, the International Monetary Fund expects the GDP of the PRC to increase by 9.6% and 9.5% during 2011 and 2012 respectively. The increase is sufficient to maintain the PRC's leading position among G20 members. Therefore, the Group remains sanguine about the long-term development of the country.

Under the Twelfth Five-year Plan, reduction of carbon emission is one of the key priorities of the country. More stringent environmental regulations are to be imposed on the paper manufacturing industry. The Ministry of Industry and Information Technology of the PRC has announced that the target of elimination on non-compliant paper production capacity has been significantly increased from 4,320,000 metric tonnes in 2010 to 7,445,000 metric tonnes in 2011. This accounts for around 7 to 8% of capacity of the entire paper manufacturing industry in the PRC. This industrial consolidation provides a golden opportunity for the Group to capture a greater share in the PRC market and advance our leading presence in the paper manufacturing industry. Hence, in the long run, the Group strives to boost itself to the next level and become one of the leaders within the PRC paper manufacturing industry.

The new production line at the Shandong paper mill has commenced production in late February 2011. The Group's total annual capacity almost doubled to 370,000 metric tonnes. It is expected that the new capacity of this production line is to be fully reflected in the next financial year. The cities in the Northern PRC are developing rapidly and have strong potential while the Shandong paper mill has sufficient land to support further development for a total production capacity exceeding 1,000,000 metric tonnes. Thus, the Group intends to increase production facilities as appropriate to boost its capacity in response to market demand.

For its paper trading business, the Group expects the sales offices opened during the year will start contributing to the business in the near future. Under our existing development approach, we will increase the number of sales offices in the PRC, to build a more expansive sales network and enhance the market penetration across the country.

The Group's overall long-term objectives are to develop into one of the leaders in the paper manufacturing industry and consolidate the leading presence of its trading business in the PRC and Hong Kong, leveraging the expanding economy of the PRC.

Appreciation

On behalf of the Board, I would like to extend my sincere gratitude to our customers, suppliers and bankers for their support. I also wish to express my great appreciation to our management and staff for their diligence and dedication during the past year.

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 27 June 2011

Sales by Geographical Area

During the year under review, with significant growth in paper business, the Group's revenue increased strongly by 21.1% to HK$4,677 million.

With more sales offices setting up and the third production line of the Group's paper mill in Shandong coming on line at the end of February 2011, turnover of paper business recorded a 22.5% increase to HK$4,573 million. Sales in the PRC grew 15.4% to HK$2,593 million, making up 56.7% of the Group's total revenue from paper products. Sales of paper products in Hong Kong contributed 35.6% while those in Malaysia and other Asian countries contributed the remaining 7.7% of the Group's revenue from paper business. In volume terms, the total sales of paper business in all geographical regions including paper manufacturing activity is 755,000 metric tonnes.

Apart from the paper business, the Group has been involved in the distribution business of consumable aeronautic parts and provision of related services, marine services business and logistics services. These business segments together contributed HK$104 million, 2.2% (2010: HK$128 million, 3.3%) of the Group's total revenue.

	2011 HK$ million	2010 HK$ million	% change
Hong Kong			
Paper trading	1,626.7	1,171.3	38.9%
Logistics services	1.0	3.6	-73.1%
The PRC			
Paper trading	1,996.2	1,890.1	5.6%
Paper manufacturing	596.4	356.8	67.2%
Logistics services	6.5	5.0	30.7%
Singapore			
Marine services	58.7	57.2	2.6%
Aeronautic parts and services	37.4	62.2	-39.8%
Other regions			
Paper trading	353.9	315.0	12.3%
Total revenue	4,676.8	3,861.2	21.1%

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

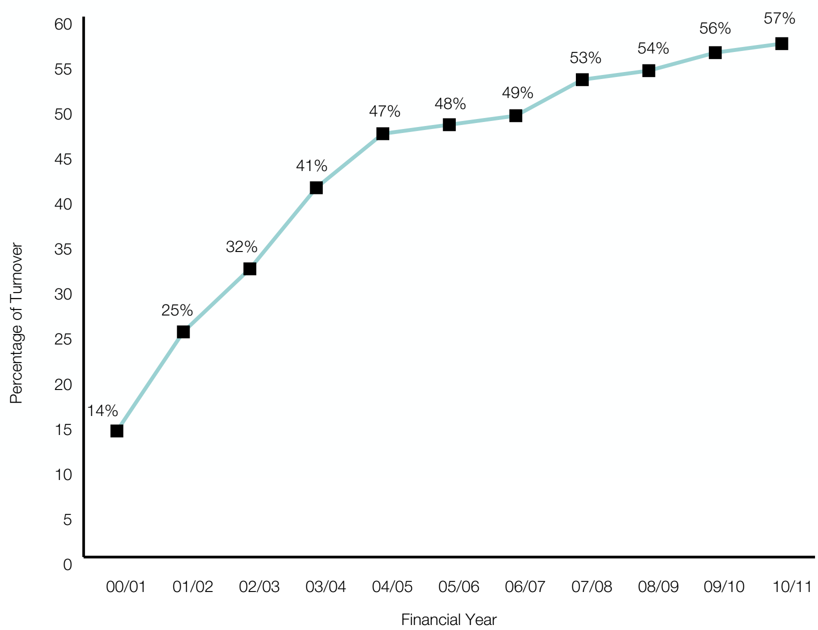
(in '000 Metric Tonnes)	2010	2009	+/-
Import	939	885	6.1%
Re-export	325	279	16.4%
Local consumption	614	606	1.3%

Sales by Geographical Area (continued)

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

(in'000 Metric Tonnes)	2010	2009	+/-
Newsprint	40	20	100%
Woodfree	410	380	7.9%
Coated paper	450	360	25%
Corrugated board	970	1,010	-4%
Duplex board	770	710	8.5%
Corrugating medium	240	460	-47.8%
Others	480	400	20%
	3,360	3,340	0.6%

Analysis of the PRC's Contribution to the Group's Turnover of Paper Products



Major Product Analysis

As a national paper distributor in Mainland China and one of the largest paper traders in Hong Kong, the Group currently maintains a stock of over 100 paper brands. The Group's two main product categories, book printing papers and packaging boards, accounted for 43.2% and 45.6% of the Group's turnover of paper products respectively. Sales of book printing papers increased by 15.4% resulting from the recovery of market demand while sales for packaging boards rose by 27.7% with the boost from the contribution of paper manufacturing segment.

Working Capital and Inventory Management

Amid the keen market condition with tightening of monetary policy in the PRC, the management continued to tighten its credit policy on customers and was cautious on selection of customers. Despite the notable growth in turnover, the collection period in average has been shortened by 1 day to 82 days. This helps keep the working capital of the Group in a better position. In order to further mitigate the credit exposure on the trade receivables, the majority of the Group's open credit sales are covered by credit insurance. Impaired receivable provision after write back of the previous years' impaired receivable of HK$3.3 million was HK$3.2 million, which is at 0.07% (2010: 0.25%) of the Group's total revenue.

The increase in the level of inventory is mainly attributable to more new sales offices setting up for the year as well as keeping raw materials in the mill for the use of the new production line. To maintain a stronger working capital position, the Group aims at keeping the inventory level at the region of 45 days when the new offices in the PRC are at full operational stage.

Employees and Remuneration Policies

As at 31 March 2011, the Group employed 1,809 staff members, 145 of whom are based in Hong Kong and 1,386 are based in the PRC and 278 are based in other Asian countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund, medical insurance and the use of a share option scheme to reward high-calibre staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

Liquidity and Financial Resources

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2011, short term deposits plus bank balances amounted to HK$835 million (2010: HK$593 million) (including restricted bank deposits of HK$152 million (2010: HK$130 million)) and bank borrowings amounted to HK$2,056 million (2010: HK$1,345 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2011, the Group's gearing ratio was 50.0% (2010: 41.1%), calculated as net debt divided by total capital. Net debt of HK$1,222 million (2010: HK$757 million) is calculated as total borrowings of HK$2,057 million (2010: HK$1,350 million) (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK$835 million. Total capital is calculated as total equity of HK$1,222 million (2010: HK$1,084 million) plus net debt. The increase in gearing ratio was mainly attributable to the Group's additional bank borrowings for its investment in new production facilities to capture new market and sales opportunity and the corresponding increase in the demand for working capital as a result of growth in turnover. The current ratio (current assets divided by current liabilities) was 1.15 times (2010: 1.15 times).

With bank balances and other current assets amounted to HK$3,115 million (2010: HK$2,756 million) as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital for its present requirement.

Foreign Exchange Risk

The Group's transaction currencies are principally denominated in Renminbi, United States dollar and Hong Kong dollar. The Group hedged its position with foreign exchange contracts and options when considered necessary. The Group has continued to obtain Renminbi loans which provide a natural hedge against currency risks. As at 31 March 2011, bank borrowings in Renminbi amounted to HK$411 million (2010: HK$84 million). The remaining borrowings are mainly in Hong Kong dollar. The majority of the Group's borrowings bear interest costs which are based on floating interest rates. As at 31 March 2011, the Group has no outstanding interest rate swap contracts (2010: Nil).

Contingent Liabilities and Charge of Assets

As at 31 March 2011, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2011 amounted to HK$2,056 million (2010: HK$1,345 million).

Certain prepaid premium for land leases, buildings and investment properties of the Company's subsidiaries, with a total carrying value of HK$291 million as at 31 March 2011 (2010: HK$219 million) were pledged to banks as securities for bank loans of HK$128 million (2010: HK$47 million) and trust receipt loans of HK$215 million (2010: HK$238 million) granted to the Group.

Corporate Governance

Corporate Governance Practices

The Company has always recognised the importance of transparency in governance and accountability to shareholders. It is the belief of the Board that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions (the "Code Provisions") of the "Code on Corporate Governance Practices" (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code. Throughout the financial year of 2011, the Company has met the Code Provisions set out in the Code except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's bye-laws.

Board of Directors

The Board currently comprises five executive and four non-executive Directors of whom three are independent as defined by the Stock Exchange. (The biographies of the Directors, together with information about the relationship among them, are set out on page 21). Independent non-executive Directors are one-third of the Board. Under the Company's bye-laws, every Director is subject to retirement by rotation at least once every three year. One-third of the Directors, who have served the longest on the Board, must retire from office at each Annual General Meeting and their re-election is subject to a vote of shareholders.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and financial performance. Day-to-day management of the Group's businesses is delegated to the executive Director or officer in charge of each division. The functions and authority that are so delegated are reviewed periodically to ensure that they remain appropriate.

Matters that reserved for the Board are those affecting the Group's overall strategic policies, finances and shareholders including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments. All Board members have access to the advice and services of the Company Secretary. All Directors have separate and independent access to the Management for enquiries and to obtain information when required. Independent professional advice can be sought at the Group's expense upon reasonable requests. The Directors are covered by appropriate insurance on Directors' liabilities from risk exposures arising from the management of the Company.

Board of Directors (continued)

The Board meets regularly to review the financial and operating performance of the Group and approve future strategies. Details of the number of Board meetings held in the year and attendance of each Board member at those meetings and meetings of the Audit Committee and the Remuneration Committee are set out below:

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

Note 1: Chairman of Remuneration Committee
Note 2: Chairman of Audit Committee

To implement the strategies and plans adopted by the Board effectively, an executive committee of selected executive Directors and senior managers meet monthly to review the performance of the businesses of the Group and make financial and operational decisions.

Chairman and Chief Executive Officer

The Group has appointed a Chairman, Mr. Sham Kit Ying and a Chief Executive Officer, Mr. Lee Seng Jin. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The Chief Executive Officer is a Board member and has executive responsibilities over the business direction and operational decisions of the Group.

Non-executive Directors

There are currently four non-executive Directors of whom three are independent. As a deviation from the Code, the term of office for non-executive Directors is not fixed but subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Company's bye-laws. At every Annual General Meeting, one-third of the Directors for the time being, who have served the longest on the Board, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Code.

Remuneration of Directors

The Remuneration Committee has clear terms of reference and is accountable to the Board. The principle role of the Remuneration Committee is to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises three members including the Deputy Chairman and two independent non-executive Directors. The current Committee members are:

Mr. Lee Seng Jin (Chairman)
Mr. Tong Yat Chong
Mr. Ng Hung Sui, Kenneth

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

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salaries and bonuses of the executive Directors and certain key executives. No executive Director has taken part in any discussion about his/her own remuneration.

The Directors' emoluments paid or payable to the Directors during the year are set out on an individual and named basis, in note 13 to the accounts of this Annual Report.

Nomination of Directors

The Company has not established a nomination committee. The Board as a whole is responsible for approving the appointment of its members and nominating them for election and re-election by the shareholders of the Company. New directors are sought mainly through referrals or internal promotion. In evaluating whether an appointee is suitable to act as a director of the Company, the Board will review the independence, professional knowledge, industry experience and personal skills of the appointee as well as personal ethics, integrity and time commitments of the appointee. During the year, there was no nomination of directors to fill board vacancies.

Audit Committee

The Company set up an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The Audit Committee comprises three non-executive Directors, two of them including the Chairman being independent. The current Committee members are:

Mr. Pang Wing Kin, Patrick (Chairman)
Mr. Lau Wang Yip,Eric
Mr. Tong Yat Chong

The Committee members possess diversified industry experience and the Chairman has professional qualifications and experience in financial matters. The Audit Committee met two times during the year, together with senior management and auditors, both internal and external, if considered necessary, to review the Company's internal controls and risk management process, financial reporting and compliance procedures, financial results and reports and to assess the external auditor for re-appointment. The Audit Committee reviews the interim and annual financial statements before submission to the Board for approval. The Group's unaudited interim results and audited annual results for 2011 had been reviewed by the Audit Committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made.

Audit Committee (continued)

The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the external auditor and the effectiveness of the audit process. The annual fees for audit and non-audit services are subject to close scrutiny by the Audit Committee. The Audit Committee has recommended to the Board that PricewaterhouseCoopers be re-appointed as the Group's external auditor at the coming Annual General Meeting.

Internal Control and Risk Management

The Board maintains a sound and effective system of internal controls in the Group and reviews its effectiveness through the Audit Committee. The system is set up to address key business risks of failure to meet corporate objectives. The purpose of such system is to manage and control risks properly, but not eliminate it. The Board decides the overall policies and strategies which are implemented by the executive management as well as the review of material controls including the financial, operational and compliance controls and risk management functions.

The Group carries out the businesses under an established control environment which is consistent with the principles stated in Internal Control and Risk Management — A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants. The internal control of the Group is designed to provide reasonable assurance regarding the achievements of effectiveness and efficiency of operation, reliability of financial reporting and compliance with applicable laws and regulations.

The Group's internal audit team under the supervision of Internal Audit Manager independently reviews the internal controls and evaluates their adequacy, effectiveness and compliance. The team comprises qualified personnel to maintain and monitor the system of controls on an ongoing basis. The Internal Audit Department reports the major findings and recommendations to the Audit Committee on a regular basis.

In the year 2010/2011, the internal audit reports of the Group were completed regularly and sent to the Audit Committee to review. According to the assessments made by the Board and the Group's Internal Audit team in 2010, the Audit Committee is satisfied that:

— The internal controls and accounting systems of the Group have been functioning effectively. They provide the reasonable assurance that the business risks are detected and monitored. The material assets are protected and the accounts are reliable. They help to ensure compliance with applicable laws and regulations.

— There is an ongoing basis of identifying and managing the risks existing in the Group.

Business Planning and Budgeting

The Group's budget meeting is held annually in the beginning of each year. It is a key control process in business planning. The budget meeting of the year 2011/2012 was held in February 2011. The scope of the meeting included the following areas:

1. Sales/product strategy;

2. Market analysis and competitor profile;

3. Purchasing strategy; and

4. Customers analysis.

Business Planning and Budgeting (continued)

On the other hand, the half-yearly performance review for the year 2010/2011 (i.e. April to September 2010) was conducted in October 2010. The monthly performance reviews for the same year were carried out as well. It is important to monitor results and progress against the budget. Revenue and expenditures were compared with the budget and projections were revised when considered necessary.

Auditor's Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong. During the year, PricewaterhouseCoopers, Hong Kong provided the following audit and non-audit services to the Group:

Service	Fee charged HK$'000
(a) Audit services	1,950
(b) Tax compliance services	124

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code throughout the year of 2011.

Financial Reporting

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

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, price-sensitive announcements, disclosures required under the Listing Rules, and other regulatory requirements. The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 25.

Communication with Shareholders

The Board and senior management recognise their responsibilities to look after the interests of the shareholders of the Company. The Company reports on its financial and operating performance to the shareholders through interim and annual reports. At the Annual General Meeting, shareholders can raise any questions relating to the performance and future directions of the Company to the Directors. Our corporate website which contains information, interim and annual reports, announcements and circulars issued by the Company as well as the recent development of the Group, enables the Company's shareholders to access information on the Group on a timely basis.

The Directors submit their report together with the audited accounts for the year ended 31 March 2011.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing, trading and marketing of paper products as set out in note 38 to the accounts. The Group also engages in trading of consumable aeronautic parts and provision of related services, provision of logistic services and marine services. The Group's customers are mainly based in Hong Kong and the PRC.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the accounts.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 26.

The Directors have declared an interim dividend of HK1.0 cent per share, totalling HK$6,366,000, which was paid on 20 January 2011.

The Directors recommend the payment of a final dividend of HK1.0 cent per share, totalling HK$12,731,000.

Reserves

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

Donations

Charitable and other donations made by the Group during the year amounted to HK$741,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in note 29 to the accounts.

Distributable Reserves

Distributable reserves of the Company at 31 March 2011, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$266,813,000 (2010: HK$266,325,000).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Five Year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out below:

	2007 HK$'000 (restated)	2008 HK$'000 (restated)	2009 HK$'000 (restated)	2010 HK$'000 (restated)	2011 HK$'000
Revenue	3,146,763	3,834,380	3,744,184	3,861,245	4,676,899
Profit attributable to owners of the parent	49,967	70,317	18,391	61,999	73,450
Total assets	2,211,438	2,939,027	3,087,004	3,787,882	4,709,535
Total liabilities	1,468,346	2,068,609	2,086,634	2,704,095	3,487,250
Total equity	743,092	870,418	1,000,370	1,083,787	1,222,285

Purchase, Sale or Redemption of Securities

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

Share Options

At the Special General Meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. At 31 March 2011, no option has been granted under the Option Scheme. Terms and conditions of the Option Scheme are set out below.

(1) Purpose
The purpose of the Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

(2) Participants
All Directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

(3) Maximum number of shares
The number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum number of shares available for issue under the Option Scheme is 42,925,803 as at the date of this report.

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

Share Options (continued)

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

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

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

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

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

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

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

Directors

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

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

Non-executive Director
Mr. LAU Wang Yip, Eric

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

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

Directors' Service Contracts

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

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

Directors' Interests in Contracts

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

Biographical Details of Directors and Senior Management

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

Executive Directors

Mr. SHAM Kit Ying (alias SHAM Kit), aged 85, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 52 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 54, is the Deputy Chairman and Chief Executive Officer of the Group. Mr. Lee is responsible for the formulation of the Group's corporate strategies and development. He joined the Group in 1997. He is the husband of Ms. Sham Yee Lan, Peggy and a son-in-law of Mr. Sham Kit Ying.

Mr. CHOW Wing Yuen, aged 52, is the Chief Operating Officer of the Group. Mr. Chow joined the Group in 1978 and is responsible for the overall management of the Group's operation in Hong Kong and the PRC. Mr. Chow has over 33 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 45, is a Director of the Group. Ms. Sham joined the Group in 1989 and is responsible for the Group's overall credit and administrative management. Ms. Sham is the wife of Mr. Lee Seng Jin and a daughter of Mr. Sham Kit Ying.

Mr. LEE Yue Kong, Albert, aged 55, is the Chief Financial Officer of the Group and the Company Secretary of the Company. Mr. Lee is responsible for the Group's financial and accounting management. He has over 28 years of experience in the finance, auditing and accounting fields. Prior to joining the Group in June 1997, Mr. Lee was an independent non-executive Director of the Company. He is an associate member of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants.

Non-executive Directors

Mr. PANG Wing Kin, Patrick, aged 55, is a qualified accountant and has over 28 years of working experience in the auditing, finance and general management areas. Mr. Pang was appointed independent non-executive Director of the Company in 1995. He is a member of the CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Institute of Internal Auditors of the United Kingdom.

Mr. LAU Wang Yip, Eric, aged 44, is a solicitor practising in Hong Kong. He was appointed non-executive Director of the Company in 1997 and is currently a partner of a local law firm. Mr. Lau holds a Bachelor's degree in Laws and has been admitted as a solicitor in England and Wales. He has also been admitted as a legal practitioner in Tasmania, Australia.

Mr. TONG Yat Chong, aged 54, is a qualified accountant and has over 26 years of experience in finance, accounting and management. Mr. Tong was appointed independent non-executive Director of the Company in 2004. Mr. Tong holds a Master of Business Administration degree from the University of Wales. He is a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and a Certified Public Accountant in Hong Kong.

Mr. NG Hung Sui, Kenneth, aged 44, is a solicitor practicing in Hong Kong. He was appointed independent non-executive Director of the Company in 2005 and is currently a partner of a local law firm. Mr. NG holds a Bachelor's degree in Laws and has been admitted as a solicitor in Hong Kong. He was also admitted as a solicitor in England and Wales and as a legal practitioner in Tasmania, Australia.

Mr. Ng was also appointed as an independent non-executive director of Mexan Limited (stock code: 22) on 19 April 2007. He has also been a member of the Criminal Law and Procedure Committee of the Law Society of Hong Kong since January 2007. He was appointed as a Notary Public of Hong Kong on 3 April 2008.

Biographical Details of Directors and Senior Management (continued)

Senior Management

Mr. CHU Wai Kwong, aged 54, is a Sales Director of Samson Paper (China) Company Limited. He joined the Group in 1976. He has over 25 years of sales experience in the paper distribution industry and is responsible for the purchases of packaging boards and overseeing the general operations in China.

Mr. HOI Tin On, Joseph, aged 49, is the Sales and Marketing Director of Universal Pulp and Paper (Shandong) Co. Ltd.. He joined the Group in 1990. He has over 25 years of working experience in the paper distribution industry.

Mr. CHAN Kwok Keung, aged 51, is a Sales Director (Northern China) of Samson Paper (China) Company Limited. He joined the Group in 1990 and has over 24 years of working experience in the paper distribution industry and is responsible for the purchases of printing paper and overseeing the general operations in Northern China.

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

As at 31 March 2011, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(a) Long position in shares of the Company

Ordinary shares of HK$0.10 each

		Number of ordinary shares beneficially held				
	Capacity	Personal interest	Corporate interest	Family interest	Total	Percentage
Mr. LEE Seng Jin	Beneficial owner	128,459,688	688,533,247	33,425,112	850,418,047	74.53%
Ms. SHAM Yee Lan, Peggy	Beneficial owner	1,145,112	32,280,000	816,992,935	850,418,047	74.53%
Mr. CHOW Wing Yuen	Beneficial owner	1,080,000	—	—	1,080,000	0.09%

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

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

Save as disclosed above, as at 31 March 2011, none of the Directors and chief executives had any interests or short positions in the shares, underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

Other than those interests disclosed above, the Directors and chief executives also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

At no time during the year was the Company, its holding company, its subsidiaries or its associated companies a party to any arrangement to enable any Director or chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company and its associated corporations as defined in the SFO.

(b) Short positions in shares and underlying shares of the Company

None of the Directors and the chief executive of the Company or their associates had any short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company

At 31 March 2011, the interests and short positions of the shareholders other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO are as follows:

Long position in ordinary shares of HK$0.10 each in the Company

Name of shareholder	Number of ordinary shares	Percentage
Quinselle Holdings Limited (note)	688,533,247	60.34%

Long position in CP shares of HK$0.10 each in the Company

Name of shareholder	Number of CP shares	Percentage
Quinselle Holdings Limited (note)	132,064,935	100%

Note: Quinselle Holdings Limited is wholly owned by Mr. Lee Seng Jin.

Save as disclosed above, the register which is required to be kept under Section 336 of the SFO shows that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 March 2011.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and therefore no additional disclosure with regard to major suppliers is made.

During the year, the Group sold less than 30% of its goods and services to its five largest customers and therefore no additional disclosure with regard to major customers is made.

Independence of Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors of the Company, an annual confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Compliance with the Continuing Disclosure Requirement under Chapter 13 of the Listing Rules

In accordance with the continuing disclosure requirements under Rule 13.21 of Chapter 13 of the Listing Rules (as amended on 31 March 2004), the Directors reported below details of the Group's loan agreements, which contains covenants requiring performance obligations of the controlling shareholder of the Company.

The Company has been granted a three and a half-year revolving credit and term loan facility amounting to HK$580,000,000 in August 2010 which requires that (i) Mr. Sham Kit Ying, Mr. Lee Seng Jin, Ms. Sham Yee Lan, Peggy and members of their respective immediate family shall in aggregate maintain not less than 100% of the direct or indirect legal and beneficial interest in Quinselle Holdings Limited; and maintain management control over Quinselle Holdings Limited; and (ii) Quinselle Holdings Limited shall maintain at least 51% of the direct or indirect legal and beneficial interest in the Company and remain the single largest shareholder of the Company.

Independent Auditor

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

SHAM Kit Ying
Chairman

Hong Kong, 27 June 2011

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Independent Auditor's Report
To the shareholders of Samson Paper Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated accounts of Samson Paper Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 83, which comprise the consolidated and company balance sheets as at 31 March 2011, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated accounts.

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

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2011

Consolidated Profit and Loss Account

For the financial year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000 (restated)
Revenue	5	4,676,899	3,861,245
Cost of sales		(4,244,695)	(3,420,242)
Gross profit		432,204	441,003
Other gains and income, net	5	58,893	19,881
Selling expenses		(178,399)	(178,204)
Administrative expenses		(167,567)	(143,588)
Other operating expenses		(10,005)	(13,115)
Operating profit	6	135,126	125,977
Finance costs	7	(47,000)	(29,984)
Share of profit of an associated company		—	405
Profit before taxation		88,126	96,398
Taxation	8	(15,915)	(33,843)
Profit for the year		72,211	62,555
Attributable to:			
Owners of the parent		73,450	61,999
Non-controlling interests		(1,239)	556
Earnings per share		72,211	62,555
Basic	11	HK 6.7 cents	HK 6.0 cents
Diluted	11	HK 5.8 cents	HK 4.9 cents
Dividends	10	19,097	19,089

The notes on pages 32 to 83 are an integral part of these consolidated accounts.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 March 2011

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year	72,211	62,555
Other comprehensive income		
Currency translation differences	52,118	11,719
Revaluation of land and buildings, net of deferred tax	32,852	13,601
Revaluation of available-for-sale financial assets	(167)	—
Share of reserves of an associated company	—	200
Other comprehensive income for the year, net of tax	84,803	25,520
Total comprehensive income for the year	157,014	88,075
Attributable to:		
— Owners of the parent	157,667	86,324
— Non-controlling interests	(653)	1,751
Total comprehensive income for the year	157,014	88,075

The notes on pages 32 to 83 are an integral part of these consolidated accounts.

Consolidated Balance Sheet

As at 31 March 2011

	Note	As at 31 March 2011 HK$'000	As at 31 March 2010 HK$'000 (restated)	As at 1 April 2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	14	1,330,148	828,789	734,155
Prepaid premium for land leases	15	42,343	41,883	42,483
Investment properties	16	150,000	115,000	115,000
Intangible assets	17	45,168	41,280	38,631
Interest in an associated company		—	—	60,140
Available-for-sale financial assets	18	4,327	—	—
Non-current deposit	19	14,863	—	—
Deferred tax assets	31	7,195	4,956	5,379
		1,594,044	1,031,908	995,788
Current assets				
Inventories	22	836,973	696,455	435,750
Accounts receivable, deposits and prepayments	23	1,431,250	1,388,730	976,854
Financial assets at fair value through profit or loss	24	6,282	15,197	11,434
Taxation recoverable		6,004	1,441	2,428
Restricted bank deposits	25	152,258	129,792	70,046
Bank balances and cash	26	682,724	463,614	594,704
		3,115,491	2,695,229	2,091,216
Non-current asset held for sale	21	—	60,745	—
		3,115,491	2,755,974	2,091,216
Current liabilities				
Accounts payable and accruals	27	1,362,261	1,299,176	946,792
Trust receipt loans	28	815,841	795,680	523,060
Taxation payable		15,239	17,285	10,466
Financial liabilities at fair value through profit or loss		—	—	356
Borrowings	28	520,572	283,796	195,587
		2,713,913	2,395,937	1,676,261
Net current assets		401,578	360,037	414,955
Total assets less current liabilities		1,995,622	1,391,945	1,410,743
Equity				
Equity attributable to owners of the parent				
Share capital	29	127,315	63,585	63,485
Reserves	30	1,072,095	996,674	928,739
Proposed final dividend	30	12,731	12,731	—
		1,084,826	1,009,405	928,739
		1,212,141	1,072,990	992,224
Non-controlling interests		10,144	10,797	8,146
Total equity		1,222,285	1,083,787	1,000,370
Non-current liabilities				
Borrowings	28	720,986	270,518	351,138
Deferred tax liabilities	31	52,351	37,640	25,260
Other payable		—	—	33,975
		773,337	308,158	410,373
		1,995,622	1,391,945	1,410,743

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

The notes on pages 32 to 83 are an integral part of these consolidated accounts.

Balance Sheet

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Interests in subsidiaries	20	249,897	249,897
Current assets			
Amounts due from subsidiaries	20	306,011	304,212
Tax recoverable		35	—
Bank balances and cash	26	113	893
		306,159	305,105
Current liabilities			
Accruals		666	664
Tax payable		—	17
		666	681
Net current assets		305,493	304,424
Total assets less current liabilities		555,390	554,321
Equity			
Equity attributable to owners of the parent			
Share capital	29	127,315	63,585
Reserves	30	415,344	478,005
Proposed final dividend	30	12,731	12,731
		428,075	490,736
Total equity		555,390	554,321

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

The notes on pages 32 to 83 are an integral part of these consolidated accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the parent					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2009, as previously reported	63,485	369,064	526,590	959,139	8,146	967,285
Effect of changes in accounting policy	—	33,085	—	33,085	—	33,085
At 1 April 2009, as restated	63,485	402,149	526,590	992,224	8,146	1,000,370
Comprehensive income						
Profit for the year, restated	—	—	61,999	61,999	556	62,555
Other comprehensive income						
Currency translation differences	—	10,524	—	10,524	1,195	11,719
Revaluation of land and buildings, net of deferred tax	—	13,601	—	13,601	—	13,601
Share of reserves of an associated company	—	200	—	200	—	200
Total other comprehensive income, restated	—	24,325	—	24,325	1,195	25,520
Total comprehensive income	—	24,325	61,999	86,324	1,751	88,075
Issuance of ordinary shares	100	700	—	800	—	800
Capital contribution by non-controlling interests	—	—	—	—	900	900
2009–2010 interim dividend paid	—	—	(6,358)	(6,358)	—	(6,358)
Reserves	63,585	427,174	569,500	1,060,259	10,797	1,071,056
Proposed 2009–2010 final dividend	—	—	12,731	12,731	—	12,731
At 31 March 2010, restated	63,585	427,174	582,231	1,072,990	10,797	1,083,787
At 1 April 2010, as previously reported	63,585	380,488	583,273	1,027,346	10,797	1,038,143
Effect of changes in accounting policy	—	46,686	(1,042)	45,644	—	45,644
At 1 April 2010, as restated	63,585	427,174	582,231	1,072,990	10,797	1,083,787
Comprehensive income						
Profit/(loss) for the year	—	—	73,450	73,450	(1,239)	72,211
Other comprehensive income						
Currency translation differences	—	51,532	—	51,532	586	52,118
Revaluation of land and buildings, net of deferred tax	—	32,852	—	32,852	—	32,852
Revaluation of available-for-sale financial assets	—	(167)	—	(167)	—	(167)
Total other comprehensive income	—	84,217	—	84,217	586	84,803
Total comprehensive income/(loss)	—	84,217	73,450	157,667	(653)	157,014
Issuance of ordinary shares	73	508	—	581	—	581
Bonus issue of shares	63,657	(63,657)	—	—	—	—
2009–2010 final dividend paid	—	—	(12,731)	(12,731)	—	(12,731)
2010–2011 interim dividend paid	—	—	(6,366)	(6,366)	—	(6,366)
Reserves	127,315	448,242	623,853	1,199,410	10,144	1,209,554
Proposed 2010–2011 final dividend	—	—	12,731	12,731	—	12,731
At 31 March 2011	127,315	448,242	636,584	1,212,141	10,144	1,222,285

The notes on pages 32 to 83 are an integral part of these consolidated accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
Cash generated from/(used in) operations	32(a)	28,890	(214,659)
Interest paid		(59,476)	(33,847)
Hong Kong profits tax paid		(13,789)	(6,659)
Overseas taxation paid		(2,754)	(9,263)
Net cash used in operating activities		(47,129)	(264,428)
Investing activities			
Purchase of property, plant and equipment		(469,762)	(103,932)
Purchase of intangible assets		(364)	(272)
Purchase of available-for-sale financial assets		(4,494)	—
Proceeds from disposal of property, plant and equipment		4,717	8,896
Proceeds from disposal of non-current assets held for sale		55,940	—
Proceeds from disposal of derivative financial instruments		633	—
Proceeds from disposal of financial assets at fair value through profit or loss		11,707	—
Deposit received for disposal of interests in an associated company		—	6,500
Deposit paid for purchase of machinery		(14,863)	—
Interest received		5,429	3,812
Dividends received from investments in financial assets		633	914
Net cash used in investing activities		(410,424)	(84,082)
Financing activities			
Bank loans raised	32(b)	1,051,297	84,767
Repayment of bank loans	32(b)	(363,442)	(73,816)
Repayment of finance lease liabilities		(3,708)	(7,270)
Increase in restricted bank deposits		(22,466)	(59,746)
Increase in trust receipt loans		20,161	272,620
Dividends paid to shareholders		(19,097)	(6,358)
Issuance of ordinary shares on exercise of bonus warrants		581	800
Capital contribution by non-controlling interests		—	900
Net cash generated from financing activities		663,326	211,897
Net increase/(decrease) in cash and cash equivalents		205,773	(136,613)
Cash and cash equivalents at the beginning of the year		461,044	594,704
Effect of changes in exchange rates on cash and cash equivalents		13,266	2,953
Cash and cash equivalents at the end of the year	26	680,083	461,044

The notes on pages 32 to 83 are an integral part of these consolidated accounts.

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing, trading and marketing of paper products. The Group is also engaged in the trading of consumable aeronautic parts and marine services. Detailed analysis of these business segments are set out in note 5 to the accounts.

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 Hong Kong dollars, unless otherwise stated. These accounts have been approved for issue by the Board of Directors on 27 June 2011.

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 of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of properties, available-for-sale financial assets and financial assets/liabilities at fair value through profit or loss.

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.

(i) Amended standard and interpretation adopted by the Group

The following revised standard and interpretation are mandatory for the first time for the financial year beginning on or after 1 April 2010.

- HKAS 17 (Amendment) 'Leases' deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepaid premium for land leases", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired prepaid premium for land leases as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The land interest of the Group that is held for own use is accounted for as property, plant and equipment using the revaluation model and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of Preparation (continued)

(i) *Amended standard and interpretation adopted by the Group (continued)*

The effect of the adoption of this amendment is as below:

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Increase/(decrease) in assets:			
Property, plant and equipment	110,500	75,100	60,400
Prepaid premium for land leases	(19,683)	(20,230)	(20,777)
Increase in liabilities:			
Deferred tax liabilities	15,402	9,226	6,538
Increase/(decrease) in equity:			
Retained earnings	(2,525)	(1,042)	—
Asset revaluation reserve	77,940	46,686	33,085

- In November 2010, HKICPA issued HK-Int 5 "Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause". The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

  In order to comply with the requirements of HK-Int 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

  The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 April 2010, with consequential reclassification adjustments to comparatives for the year ended 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

The effect of the adoption of this interpretation is as below:

	31 March 2011 HK$'000	31 March 2010 HK$'000	1 April 2009 HK$'000
Increase in current liabilities:			
Bank loans — unsecured	16,805	5,250	—
Bank loans — secured	24,375	24,375	42,625
Decrease in non-current liabilities			
Bank loans — unsecured	(16,805)	(5,250)	—
Bank loans — secured	(24,375)	(24,375)	(42,625)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of Preparation (continued)

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning on or after 1 April 2010 but do not have a significant impact on the Group (although they may affect the accounting for future transactions and events)

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 36 (Amendment)	Impairment of assets
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement — eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendments)	Group cash-settled share-based payment transaction
HKFRS 3 (Revised)	Business combinations
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations
HK(IFRIC) — Int 9	Reassessment of embedded derivatives
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners
HK(IFRIC) — Int 18	Transfer of assets from customers

(iii) New standards, amendments and interpretations have been issued but not effective for the financial year beginning on or after 1 April 2010 and have not been early adopted

The following standards, amendments and interpretations have been issued but are not effective for the financial year beginning on or after 1 April 2010 and have not been early adopted. The directors are currently assessing the impact on their adoption.

		Effective for annual periods of the Group beginning on or after
HKAS 12 (Amendment)	Income taxes	1 April 2012
HKAS 24 (Revised)	Related party disclosures	1 April 2011
HKAS 27 (as revised in 2011)	Separate financial statements	1 April 2013
HKAS 28 (as revised in 2011)	Investment in associate and joint ventures	1 April 2013
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets	1 April 2012
HKFRS 9	Financial instruments	1 April 2013
HKFRS 10	Consolidated financial statements	1 April 2013
HKFRS 11	Joint arrangements	1 April 2013
HKFRS 12	Disclosure of interest in other entities	1 April 2013
HKFRS 13	Fair value measurement	1 April 2013
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 April 2011
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments	1 April 2011
Annual Improvements Project	HKICPA's improvements to HKFRSs published in May 2010	1 April 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated accounts, to ensure consistency with the policies adopted by the Group.

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 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 (HK$), which is the Company's functional and the Group's presentation currency.

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

Foreign exchange gains and losses are presented in the profit and loss account within "other gains and income, net".

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

Land and buildings comprise mainly warehouses and offices. Subsequent to initial recognition, leasehold land classified as financial leases and buildings are carried at their revalued amounts less subsequent accumulated depreciation and impairment losses. Valuation of land and buildings in and outside Hong Kong are valued by external independent valuers on a regular basis with an interval of not more than 3 years. In the intervening years, the directors review the carrying value of the land and buildings and adjustment is made where they consider that there has been a material change. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income; all other decreases are expensed in the profit and loss account.

All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the cost of construction of buildings, the cost of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2.4.

2.6 Intangible assets

(a) *Goodwill*

Goodwill 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". 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 identified according to operating segment.

(b) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Costs incurred to acquire and bring specific computer software licences to working condition are capitalised and amortised over their estimated useful lives of ten years.

2.7 Investment properties

Investment property is defined as property held to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the profit and loss account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets

2.8.1 Classification

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

(a) *Financial assets at fair value through profit or loss*

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

(b) *Loans and receivables*

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

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

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

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

2.8.2 Recognition and measurement (continued)

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

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

2.9 Impairment of non-financial assets

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

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

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets (continued)

(a) *Assets carried at amortised cost (continued)*

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss accounts. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

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

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

Impairment testing of trade and other receivables is described in note 2.13.

2.11 Non-current asset held for sale

A non-current asset is classified as an asset held for sale when its carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. It is stated at the lower of carrying amount and fair value less costs to sell if its carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for trading merchandise is determined using the first-in, first-out method and cost for manufactured merchandise is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.14 Cash and cash equivalents

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

2.15 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.16 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Share capital

Ordinary shares and convertible non-voting preference shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

2.19 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 collectability of the related receivables is reasonably assured.

Service income is recognised when the relevant services are rendered.

Operating lease rental income is recognised on a straight-line basis over lease period of the lease. When the properties provide incentives to its tenants, the cost of incentives will be recognised over the lease term, on a straight-line basis, as a reduction of rental income.

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

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

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2.21 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(b) *Retirement benefit obligations*

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

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

2.22 Leases (as lessee)

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

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

Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated 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.

2.23 Leases (as lessor)

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

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Current and deferred income tax (continued)

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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's and the Company's accounts in the period in which the dividends are approved by the Company's equity holders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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) Market risk

(i) Currency risk

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

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.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings and trust receipt loans denominated in the relevant foreign currencies.

At 31 March 2011, if Hong Kong dollars had weakened/strengthened by 5% against the Renminbi with all other variables held constant, post-tax profit for the year would have been HK$8,231,000 (2010: HK$8,056,000) higher/lower, mainly as a result of the foreign exchange gains/losses on translation of Renminbi-denominated bank balances and cash, trade and other receivables, and the foreign exchange losses/gains on translation of Renminbi-denominated borrowings. Profit or loss is less sensitive to movements in Hong Kong dollars/Renminbi exchange rates in 2011 than 2010 because of the increased amount of Renminbi-denominated borrowings which acted as a natural hedge against Renminbi-denominated bank balances and cash, and trade and other receivables.

Hong Kong dollars is pegged to United States dollars at a range between 7.75 and 7.85, the foreign exchange exposure between United States dollars and Hong Kong dollars is therefore limited.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through profit or loss. With all other variables held constant, if the average future prices of equity securities increase/decrease by 5%, the impact on the post-tax profit for the year would increase/decrease by HK$314,000 (2010: HK$760,000).

(iii) Cash flow interest-rate risk

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

The Group's interest-rate risk arises from bank borrowings. As at 31 March 2011, borrowings are primarily at floating interest rates.

At 31 March 2011, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been HK$3,098,000 (2010: HK$3,455,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

The Group's cash and bank deposits are entered into with a diversified portfolio of reputable financial institutions. Counterparties' credit risks are carefully reviewed and in general, the Group only deals with financial institutions with low credit risk. The amount of counterparties' lending exposure to the Group is also an important consideration as a means to control credit risk.

Credit risk on trade debtors is managed by management of the individual business units and monitored by the Group's management on a group basis. The Group's trade debtors are mainly market leaders in their industries with low credit risk. For other smaller customers, management assesses their credit quality by considering its financial position, past experience and other relevant factors. The utilisation of credit limits is regularly monitored. Debtors with overdue balances will be requested to settle their outstanding balance.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. There was no individual customer with balance representing more than 10% of the Group's total trade receivables from third parties, thus there was no concentration of credit risk with respect to trade and bills receivable as there were a large number of customers. In addition, the majority of the Group's open credit sales are covered by credit insurance.

The carrying amount of cash and bank deposits, trade and other receivables and other financial assets at fair value through profit or loss and available-for-sale included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

The Company has no significant concentrations of credit risk. The carrying amounts of bank balances and balances with group companies included in the balance sheet represent the Company's maximum exposure to credit risk in relation to its financial assets.

As at 31 March 2011, management does not expect any major impairment on receivables from group companies.

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facilities (note 28) and cash and cash equivalents (note 26)) on the basis of expected cash flow.

The table below analyses the Group's and the Company's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
Group				
At 31 March 2011				
Term loans subject to a repayment on demand clause	41,180	—	—	—
Other bank borrowings	—	482,980	382,120	375,106
Trust receipt loans	—	819,784	—	—
Accounts payable and accruals	—	1,362,261	—	—
Finance lease liabilities	—	674	252	—
At 31 March 2010 (restated)				
Term loans subject to a repayment on demand clause	52,375	—	—	—
Other bank borrowings	—	228,171	135,263	143,000
Trust receipt loans	—	798,332	—	—
Accounts payable and accruals	—	1,299,176	—	—
Finance lease liabilities	—	2,939	1,695	—
Company				
At 31 March 2011				
Accruals	—	666	—	—
At 31 March 2010				
Accruals	—	664	—	—

The Company provides corporate guarantees as disclosed in note 33.

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
31 March 2011	23,167	11,611	7,636
31 March 2010	22,978	25,364	5,200

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash, bank balances and restricted deposits. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

	Group	
	2011 HK'000	2010 HK'000 (restated)
Total borrowings (note 28)	2,057,399	1,349,994
Less: Cash, bank balances and restricted deposits	(834,982)	(593,406)
Net debt	1,222,417	756,588
Total equity	1,222,285	1,083,787
Total capital	2,444,702	1,840,375
Gearing ratio	50.0%	41.1%

The increase in the gearing ratio is due to the increase in borrowings for working capital and capital expenditure for paper mills.

3.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value at 31 March 2011.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
— Trading securities	2,616	—	—	2,616
— Mutual funds	—	3,666	—	3,666
	2,616	3,666	—	6,282
Available-for-sale financial assets				
— Insurance policy	—	—	3,977	3,977
— Other investment	—	—	350	350
	—	—	4,327	4,327
	2,616	3,666	4,327	10,609

The following table presents the Group's assets that were measured at fair value at 31 March 2010.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
— Trading securities	619	—	—	619
— Mutual funds	—	14,578	—	14,578
	619	14,578	—	15,197

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, mutual funds) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value as instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. There is no quoted market price in an active market for certain financial assets and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed without incurring excessive costs.

The carrying amount of receivables, bank balances, payables and bank borrowings are assumed to approximate their fair values. The fair value of financial liabilities for disclosure 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) Current and deferred income taxes

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

(b) Estimated provision for 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). Goodwill is not impaired where the discount rate and growth rate used differ by 5% from management estimates.

(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.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. The calculations require the use of judgements and estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Fair value of properties

The fair value of each property and leasehold land classified as finance leases individually is determined at each balance sheet date by independent professional valuers by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income/net income, after allowing for outgoings, and in appropriate cases provisions for reversionary income potential. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and leasehold land classified as finance leases and future economic conditions. The fair value of each property and leasehold land classified as finance leases reflects, among other things, rental income from current bases and assumptions about rental income on 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.

(g) Plant and machinery under construction

Plant and machinery under construction is tested for its functioning before it is capable of operating in a manner intended by management. Cost of testing after deducting the net proceeds from selling any items produced during testing period are capitalised as cost to the plant and machinery under construction. Plant and machinery under construction are transferred to property, plant and equipment and depreciated when they are ready for intended use. The determination of intended use requires significant judgement.

5 REVENUE, OTHER GAINS AND INCOME AND SEGMENT INFORMATION

Revenue recognised is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Revenue		
Sale of goods	4,610,658	3,779,004
Provision of services	66,241	82,241
	4,676,899	3,861,245
Other gains and income, net		
Interest income	5,429	3,812
Dividend income — listed investments	633	914
Fair value gains on investment properties	35,000	—
Rental income	6,819	7,120
Net (losses)/gains on investments in financial assets	(33)	4,048
Net gains on disposal of an associated company	4,520	—
Others	6,525	3,987
	58,893	19,881

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from the perspective of the nature of products and services. The chief operating decision-maker assesses the performance of the operating segments based on a measure of segment profit/loss without allocation of finance costs which is consistent with that in the accounts.

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

As at 31 March 2011, the Group is organised on a worldwide basis into three main business segments:

(1) Paper trading: trading and marketing of paper products;

(2) Paper manufacturing: manufacturing of paper products in Shandong, the PRC;

(3) Others: including trading and marketing of aeronautic parts and provision of related services and the provision of marine services to marine, oil and gas industries.

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

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

Capital expenditure comprise additions to property, plant and equipment (note 14) and intangible assets (note 17).

The segment information for the year ended and as at 31 March 2011 is as follows:

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Total segment revenue	4,067,863	699,761	107,276	4,874,900
Inter-segment revenue	(91,048)	(103,345)	(3,608)	(198,001)
Revenue from external customers	3,976,815	596,416	103,668	4,676,899
Reportable segment results	98,222	49,325	(1,342)	146,205
Corporate expenses				(11,079)
Operating profit				135,126
Finance costs				(47,000)
Profit before taxation				88,126
Taxation				(15,915)
Profit for the year				72,211
Other items for the year ended 31 March 2011:				
Finance income	5,307	117	5	5,429
Depreciation of property, plant and equipment	9,968	15,983	7,586	33,537
Amortisation of prepaid premium for land leases	807	—	72	879
Amortisation of intangible assets	539	13	—	552
Fair value gain on investment properties	35,000	—	—	35,000
Capital expenditure	55,877	424,803	1,922	482,602

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

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	3,245,252	1,280,522	170,428	4,696,202
Taxation recoverable				6,004
Deferred tax assets				7,195
Corporate assets				134
Total assets				4,709,535
Reportable segment liabilities	1,890,909	257,280	29,246	2,177,435
Taxation payable				15,239
Deferred tax liabilities				52,351
Corporate liabilities				1,242,225
Total liabilities				3,487,250

The segment information for the year ended and as at 31 March 2010 is as follows:

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Total segment revenue	3,429,186	508,163	132,552	4,069,901
Inter-segment revenue	(52,716)	(151,398)	(4,542)	(208,656)
Revenue from external customers	3,376,470	356,765	128,010	3,861,245
Reportable segment results, restated	128,392	22,212	(8,395)	142,209
Corporate expenses				(16,232)
Operating profit, restated				125,977
Finance costs				(29,984)
Share of profit of an associated company	405	—	—	405
Profit before taxation, restated				96,398
Taxation				(33,843)
Profit for the year, restated				62,555
Other items for the year ended 31 March 2010:				
Finance income	3,558	45	209	3,812
Depreciation of property, plant and equipment, restated	7,195	12,839	8,668	28,702
Amortisation of prepaid premium for land leases, restated	787	—	65	852
Amortisation of intangible assets	528	15	—	543
Capital expenditure	15,226	93,329	1,121	109,676

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

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Segment assets, restated	2,709,132	825,112	185,292	3,719,536
Non-current asset held for sale	60,745	—	—	60,745
Reportable segment assets, restated	2,769,877	825,112	185,292	3,780,281
Taxation recoverable				1,441
Deferred tax assets				4,956
Corporate assets				1,204
Total assets, restated				3,787,882
Reportable segment liabilities	1,828,508	215,118	42,998	2,086,624
Taxation payable				17,285
Deferred tax liabilities, restated				37,640
Corporate liabilities				562,546
Total liabilities, restated				2,704,095

The Group's operating segments operate in the following geographical areas, even though they are managed on a worldwide basis.

	Group			
	Revenue		Non-current assets[1]	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000 (restated)
Hong Kong	1,627,745	1,174,870	325,332	278,495
The PRC[2]	2,599,135	2,251,900	1,171,272	651,892
Singapore	96,159	119,412	88,900	94,907
Korea	297,847	268,001	1,246	1,444
Malaysia	56,013	47,062	99	214
	4,676,899	3,861,245	1,586,849	1,026,952

1 Non-current assets exclude deferred tax assets.

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

6 OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	Group	
	2011 HK$'000	2010 HK$'000 (restated)
Charging		
Raw materials and consumerables	476,022	357,092
Changes in finished goods	3,726,425	3,006,833
Depreciation of property, plant and equipment	33,537	28,702
Amortisation of prepaid premium for land leases	879	852
Amortisation of intangible assets	552	543
Losses/(gains) on disposal of property, plant and equipment	4,701	(252)
Operating lease rentals in respect of:		
— land and buildings	10,561	9,412
— aircraft and related equipment	—	8,432
Transportation costs	118,787	108,572
Provision for impairment on inventories	7,287	2,712
Provision for impairment on receivables	6,598	16,701
Employee benefits expenses (note 12)	102,698	104,138
Auditor's remuneration	2,455	2,630
Crediting		
Net exchange gains	623	4,898
Realised and unrealised gains on derivative financial instruments	633	71
Provision for impairment on receivables written back	3,342	7,103

7 FINANCE COSTS

	Group	
	2011 HK$'000	2010 HK$'000
Interest on bank borrowings and finance lease obligations wholly repayable within 5 years	45,067	19,728
Interest on trade credit facilities	14,409	14,119
	59,476	33,847
Less: amount capitalised in property, plant and equipment and construction in progress	(12,476)	(3,863)
	47,000	29,984

The weighted average interest rate on the above capitalised borrowings is approximately 2.9% per annum (2010: 1.5% per annum).

8 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2011 HK$'000	2010 HK$'000
Hong Kong profits tax	7,518	9,361
Overseas taxation	5,702	14,742
Over provision in previous years	(3,287)	(375)
Deferred taxation relating to origination and reversal of temporary differences (note 31)	5,982	10,115
	15,915	33,843

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

	Group	
	2011 HK$'000	2010 HK$'000 (restate)
Profit before taxation	88,126	96,398
Less: Share of results of an associated company	—	(405)
	88,126	95,993
Calculated at a taxation rate of 16.5% (2010: 16.5%)	14,541	15,839
Effect of different taxation rates in other countries	3,675	8,256
Income not subject to taxation	(3,221)	(2,217)
Expenses not deductible for taxation purposes	2,705	11,481
Tax losses not recognised	1,567	935
Over provision in previous years	(3,287)	(375)
Others	(65)	(76)
	15,915	33,843

According to the New Corporate Income Tax Law, the profit of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at rate of 10% for other foreign investors. The Group determined that no deferred withholding tax liabilities shall be recognised in respect of the profits of the PRC subsidiaries for the year ended 31 March 2011 since the Group plans to utilise such profits in the PRC and has no plan to distribute such profits in the foreseeable future.

8 TAXATION (continued)

The tax charge relating to components of other comprehensive income is as follows:

	2011			2010		
	Before tax HK$'000	Deferred tax charge HK$'000	After tax HK$'000	Before tax HK$'000	Deferred tax charge HK$'000	After tax HK$'000
Revaluation of available-for-sale financial assets	(167)	—	(167)	—	—	—
Revaluation valuation of land and buildings	39,342	(6,490)	32,852	16,289	(2,688)	13,601
Other comprehensive income	39,175	(6,490)	32,685	16,289	(2,688)	13,601

9 PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent is dealt with in the accounts of the Company to the extent of HK$19,585,000 (2010: HK$19,268,000) (note 30).

10 DIVIDENDS

	Group and Company	
	2011 HK$'000	2010 HK$'000
Interim — HK$0.01 (2010: HK$0.01) per ordinary share	5,045	5,038
Interim — HK$0.01 (2010: HK$0.01) per preference share	1,321	1,320
Proposed final — HK$0.01 (2010: HK$0.02) per ordinary share	11,410	10,090
Proposed final — HK$0.01 (2010: HK$0.02) per preference share	1,321	2,641
	19,097	19,089

At a meeting held on 27 June 2011, the directors proposed a final dividend of HK$0.01 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 2012.

11 EARNINGS PER SHARE

On 20 January 2011, the Company issued 636,570,381 new ordinary shares through a bonus issue (note 29). The number of shares used for prior year calculations of earnings per share shown below have been adjusted for bonus issue in order to provide a comparable basis for the current year.

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent less preference dividends of HK$69,488,000 (restated 2010: HK$60,679,000) by the weighted average number of 1,034,524,000 (adjusted 2010: 1,006,550,000) ordinary shares in issue during the year.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: preference shares and warrants. The preference shares are assumed to be converted into ordinary shares. For warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. The Company has a share option scheme but no share option (2010: Nil) has been granted under the scheme.

	Group	
	2011	2010 (restated)
Profit attributable to the owner of parent (HK'000)	73,450	61,999
Weighted average number of ordinary shares in issue ('000)	1,034,524	1,006,550
Adjustment for:		
— Warrants ('000)	996	—
— Preference shares ('000)	238,440	264,130
Weighted average number of shares for diluted earnings per share ('000)	1,273,960	1,270,680
Diluted earnings per share	HK 5.8 cents	HK 4.9 cents

12 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Group	
	2011 HK$'000	2010 HK$'000
Wages, salaries and bonus	99,305	100,363
Contributions to pension schemes	3,393	3,775
	102,698	104,138

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director for the year ended 31 March 2011 is set out below:

	2011					2010
	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000	Total HK$'000
Executive Directors						
Sham Kit Ying	—	6,879	—	—	6,879	5,879
Lee Seng Jin	—	4,600	—	125	4,725	6,997
Sham Yee Lan, Peggy	—	1,905	—	51	1,956	1,711
Chow Wing Yuen	—	1,495	—	50	1,545	1,375
Lee Yue Kong, Albert	—	2,085	—	44	2,129	1,184
Non-executive Directors						
Pang Wing Kin, Patrick	80	—	—	—	80	80
Lau Wang Yip, Eric	80	—	—	—	80	80
Tong Yat Chong	100	—	—	—	100	100
Ng Hung Sui, Kenneth	80	—	—	—	80	80

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2010: five) directors whose emoluments are reflected in the analysis presented above.

14 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2009								
Cost or valuation, as previously reported	52,111	6,959	315,727	40,791	12,672	20,253	335,765	784,278
Effect of changes in accounting standards	62,617	–	–	–	–	–	–	62,617
Cost or valuation, as restated	114,728	6,959	315,727	40,791	12,672	20,253	335,765	846,895
Accumulated depreciation as previously reported	(5,824)	(6,015)	(47,152)	(24,038)	(11,093)	(16,401)	–	(110,523)
Effect of changes in accounting standards	(2,217)	–	–	–	–	–	–	(2,217)
Accumulated depreciation, as restated	(8,041)	(6,015)	(47,152)	(24,038)	(11,093)	(16,401)	–	(112,740)
Net book amount, as restated	106,687	944	268,575	16,753	1,579	3,852	335,765	734,155
Year ended 31 March 2010								
Opening net book amount, as previously reported	46,287	944	268,575	16,753	1,579	3,852	335,765	673,755
Effect of changes in accounting standards	60,400	–	–	–	–	–	–	60,400
Opening net book amount, as restated	106,687	944	268,575	16,753	1,579	3,852	335,765	734,155
Exchange differences	629	19	3,928	339	9	33	2,241	7,198
Additions	–	61	94,144	4,793	2,094	1,490	6,822	109,404
Revaluation surplus	16,289	–	–	–	–	–	–	16,289
Disposals	–	–	(401)	(8,243)	–	–	–	(8,644)
Depreciation	(3,587)	(324)	(20,356)	(3,406)	(416)	(1,524)	–	(29,613)
Closing net book amount, as restated	120,018	700	345,890	10,236	3,266	3,851	344,828	828,789
At 1 April 2010								
Cost or valuation, as previously reported	52,818	7,067	415,126	31,348	14,781	21,840	344,828	887,808
Effect of changes in accounting standards	78,906	–	–	–	–	–	–	78,906
Cost or valuation, as restated	131,724	7,067	415,126	31,348	14,781	21,840	344,828	966,714
Accumulated depreciation, as previously reported	(7,900)	(6,367)	(69,236)	(21,112)	(11,515)	(17,989)	–	(134,119)
Effect of changes in accounting standards	(3,806)	–	–	–	–	–	–	(3,806)
Accumulated depreciation, as restated	(11,706)	(6,367)	(69,236)	(21,112)	(11,515)	(17,989)	–	(137,925)
Net book amount, as restated	120,018	700	345,890	10,236	3,266	3,851	344,828	828,789
Opening net book amount, as previously reported	44,918	700	345,890	10,236	3,266	3,851	344,828	753,689
Effect of changes in accounting standards	75,100	–	–	–	–	–	–	75,100
Opening net book amount, as restated	120,018	700	345,890	10,236	3,266	3,851	344,828	828,789
Exchange differences	1,142	24	11,416	474	(68)	262	11,226	24,476
Additions	–	220	39,166	6,331	5,328	2,246	428,947	482,238
Transfer	–	–	545,145	–	92	–	(545,237)	–
Revaluation surplus	39,342	–	–	–	–	–	–	39,342
Disposals	–	–	(8,858)	(555)	–	(5)	–	(9,418)
Depreciation	(3,988)	(286)	(25,009)	(3,603)	(695)	(1,698)	–	(35,279)
Closing net book amount	156,514	658	907,750	12,883	7,923	4,656	239,764	1,330,148
At 31 March 2011								
Cost or valuation	172,493	7,330	991,239	36,208	20,118	24,382	239,764	1,491,534
Accumulated depreciation	(15,979)	(6,672)	(83,489)	(23,325)	(12,195)	(19,726)	–	(161,386)
Net book amount	156,514	658	907,750	12,883	7,923	4,656	239,764	1,330,148

Land and buildings situated in Hong Kong and major buildings outside Hong Kong were revalued at 31 March 2011 on the basis of open market value carried out by FPD Savills (Hong Kong) Limited, an independent firm of chartered surveyors.

14 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

	Group	
	31 March 2011 HK$'000	31 March 2010 HK$'000 (restated)
Land and buildings in Hong Kong, held on leases of between 10 to 50 years		
Cost or valuation	144,219	104,877
Accumulated depreciation	(9,218)	(6,585)
Net book amount	135,001	98,292
Buildings outside Hong Kong		
Cost or valuation	28,274	26,847
Accumulated depreciation	(6,761)	(5,121)
Net book amount	21,513	21,726

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

	Group	
	31 March 2011 HK$'000	31 March 2010 HK$'000 (restated)
Land and buildings		
Cost	56,852	56,852
Accumulated depreciation	(14,393)	(12,842)
Net book amount	42,459	44,010

All land in Hong Kong and buildings are held on leases of between 10 and 50 years.

14 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

The analysis of the cost or valuation at 31 March 2011 and 2010 of the above assets is as follows:

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At cost	–	7,330	991,239	36,208	20,118	24,382	239,764	1,319,041
At valuation	172,493	–	–	–	–	–	–	172,493
As at 31 March 2011	172,493	7,330	991,239	36,208	20,118	24,382	239,764	1,491,534
At cost	–	7,067	415,126	31,348	14,781	21,840	344,828	834,990
At valuation	131,724	–	–	–	–	–	–	131,724
As at 31 March 2010	131,724	7,067	415,126	31,348	14,781	21,840	344,828	966,714

At 31 March 2011 and 2010, construction in progress represented costs incurred for buildings, machinery and equipment in Shandong and Nantong, the PRC, for the construction of paper mills.

At 31 March 2011, land and buildings with carrying value amounted to approximately HK$141,443,000 (restated 2010: HK$104,478,000) were pledged as securities for bank borrowings made available to the Group (note 35).

As at 31 March 2011, the aggregate net book amount of machinery and equipment held by the Group under finance leases was nil (2010: HK$9,445,000). The net book amount of motor vehicles held by the Group under finance leases was HK$1,736,000 (2010: HK$2,145,000).

Depreciation expenses of HK$33,537,000 (restated 2010: HK$28,702,000) has been charged in selling and administrative expenses and cost of sales and HK$1,742,000 (restated 2010: HK$911,000) has been included in inventories.

On 20 February 2008, the Group entered into an asset transfer agreement (the "Asset Transfer Agreement") with receivers of two companies under liquidation in the PRC to acquire all the remaining assets of the two companies included land and factories which consisted of machineries currently in use, the production equipment, the power plant, the water treatment plant, and certain fixtures at a total consideration of RMB389 million (HK$440 million). As of 31 March 2011, the transfer of all machinery and production equipment at an approximate relative value of HK$270 million has been completed and payment of HK$283 million has been made. Up to the date of this report, the directors have been working with the receivers and the relevant government authorities to complete the transfer of the title of the land use rights certificates and the building certificates. According to the Asset Transfer Agreement and with reference to a legal opinion, the consideration in relation to such assets would become payable upon the satisfactory transfer of all titles of land and buildings to the Group. The Group has not recognised such assets and the corresponding consideration payable as at 31 March 2011. The directors did not anticipate that the delay in obtaining the titles of land and buildings would have any significant financial and operation impact to the Group.

15 PREPAID PREMIUM FOR LAND LEASES

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

	Group	
	31 March 2011 HK$'000	31 March 2010 HK$'000 (restated)
At 1 April as previously reported	62,113	63,260
Effect of changes in accounting standards	(20,230)	(20,777)
At 1 April as restated	41,883	42,483
Exchange differences	1,339	252
Amortisation	(879)	(852)
At 31 March	42,343	41,883

16 INVESTMENT PROPERTIES

	Group	
	2011 HK$'000	2010 HK$'000
At 1 April	115,000	115,000
Fair value gain	35,000	—
At 31 March	150,000	115,000

The investment properties were revalued at 31 March 2011 by independent, professionally qualified valuers, FPD Savills (Hong Kong) Limited. Valuations were based on current prices in an active market for the properties.

The Group's interest in investment properties, held on leases of between 10 to 50 years and stated at their book values, are located in Hong Kong.

At 31 March 2011, the investment properties situated in Hong Kong with carrying value of HK$150,000,000 (2010: HK$115,000,000) were pledged as a security for bank borrowings made available to the Group (note 35).

17 INTANGIBLE ASSETS

	Group		
	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2009			
Cost	5,354	33,363	38,717
Accumulated amortisation	(86)	—	(86)
Net book amount	5,268	33,363	38,631
Year ended 31 March 2010			
Opening net book amount	5,268	33,363	38,631
Exchange differences	(47)	2,967	2,920
Addition	272	—	272
Amortisation	(543)	—	(543)
Closing net book amount	4,950	36,330	41,280
Year ended 31 March 2010			
Cost	5,588	36,330	41,918
Accumulated amortisation	(638)	—	(638)
Net book amount	4,950	36,330	41,280
Year ended 31 March 2011			
Opening net book amount	4,950	36,330	41,280
Exchange differences	(4)	4,080	4,076
Addition	364	—	364
Amortisation	(552)	—	(552)
Closing net book amount	4,758	40,410	45,168
Year ended 31 March 2011			
Cost	5,950	40,410	46,360
Accumulated amortisation	(1,192)	—	(1,192)
Net book amount	4,758	40,410	45,168

The Group completed its annual impairment test for goodwill allocated to the Group's cash generating unit ("CGU") by comparing their recoverable amount to their carrying amount as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

17 INTANGIBLE ASSETS (continued)

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

	Group	
	2011	2010
Gross margin	36%	37%
Growth rate	0%	0%
Discount rate	10%	10%

The goodwill is associated with the marine services in Singapore.

The directors are of the opinion that there was no impairment of goodwill as at 31 March 2011 and 2010.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011 HK$'000	2010 HK$'000
At 1 April	—	—
Additions	4,494	—
Net change in fair value transferred to equity (note 30)	(167)	—
	4,327	—

Available-for-sale financial assets include the following:

	Group	
	2011 HK$'000	2010 HK$'000
Unlisted securities:		
— Insurance policy	3,977	—
— Other investment	350	—
	4,327	—

19 NON-CURRENT DEPOSIT

The balance represents prepayment for the purchase of machinery.

20 INTERESTS IN SUBSIDIARIES

	Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost (note (a))	249,897	249,897
Amounts due from subsidiaries (note (b))	306,011	304,212

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 March 2011 are set out in note 38 to the accounts.

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

21 NON-CURRENT ASSET HELD FOR SALE

On 5 March 2010, the Group entered into a sale and purchase agreement with a third party to dispose of 13.5% interest in United Pulp & Paper Company Limited at a cash consideration of approximately HK$65 million (the "Agreement"). Pursuant to the Agreement, the consideration will be settled in 6 installments with the last installment to be made on or before 15 April 2011 and the completion will take place upon settlement of the last installment. As at 31 March 2010, the directors have classified the Group's interest in United Pulp & Paper Company as a non-current asset held for sale and ceased the equity accounting for the associated company. The consideration was received in full before year end and a gain on disposal of HK$4,520,000 was recognised in the consolidated profit and loss account.

	Group	
	2011 HK$'000	2010 HK$'000
Opening balance as at 1 April	60,745	—
Transfer from interest in an associated company	—	60,745
Disposal	(60,745)	—
Closing balance as at 31 March	—	60,745

22 INVENTORIES

	Group	
	2011 HK$'000	2010 HK$'000
Merchandise and finished goods	687,303	613,961
Raw materials	149,670	82,494
	836,973	696,455

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$4,202,447,000 (2010: HK$3,363,925,000).

As at 31 March 2011, the inventories of the Group are stated after a provision for impairment on inventories of approximately HK$27,994,000 (2010: HK$20,707,000).

23 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2011 HK$'000	2010 HK$'000
Trade receivables — net of provision	1,080,041	1,032,742
Other receivables, deposits and prepayments	351,209	352,957
Amount due from a non-controlling interest	—	3,031
	1,431,250	1,388,730

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

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

The aging analysis of trade receivables is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Current to 60 days	835,826	824,317
61 to 90 days	156,488	121,262
Over 90 days	87,727	87,163
	1,080,041	1,032,742

Trade receivables that are less than 90 days past due relate to a large number of diversified customers who have had no recent history of default. Based on past experience, the directors were of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at 31 March 2011, trade receivables of HK$47,506,000 (2010: HK$53,533,000) were past due but not impaired. These related to a number of independent customers who have had no recent history of default. The aging analysis of these trade receivables is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Past due by:		
91–120 days	12,458	6,220
Over 120 days	35,048	47,313
	47,506	53,533

As at 31 March 2011, trade receivables of HK$102,043,000 (2010: HK$108,293,000) were considered impaired. The individual impaired receivables mainly related to customers which are in unexpected difficult economic situations.

23 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (continued)

The movement of the provision for impairment of trade receivables is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
At 1 April	108,293	96,916
Exchange differences	(1,566)	1,779
Bad debt written off against provision	(7,940)	—
Provision for impairment written back	(3,342)	(7,103)
Provision for the year (note 6)	6,598	16,701
At 31 March	102,043	108,293

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011 HK$'000	2010 HK$'000
Listed equities outside Hong Kong, at fair value	2,615	619
Mutual funds outside Hong Kong, at fair value	3,667	14,578
	6,282	15,197

The fair value of listed equity securities and mutual funds are based on their current bid prices in an active market.

25 RESTRICTED BANK DEPOSITS

	Group	
	2011 HK$'000	2010 HK$'000
Pledged as securities for banking facilities	152,258	129,792

Restricted bank deposits earn interest at a fixed rate of 2.50% per annum (2010: 1.67% per annum).

The restricted bank deposits are denominated in Renminbi.

26 BANK BALANCES AND CASH

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Cash at bank and in hand	348,030	374,559	113	893
Short-term bank deposits	334,694	89,055	—	—
	682,724	463,614	113	893

The effective interest rate on short-term bank deposits was 0.65% per annum (2010: 0.20% per annum). These deposits had an average maturity of 59 days (2010: 14 days).

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

	Group	
	2011 HK$'000	2010 HK$'000
Bank balances and cash	682,724	463,614
Bank overdrafts (note 28)	(2,641)	(2,570)
	680,083	461,044

27 ACCOUNTS PAYABLE AND ACCRUALS

	Group	
	2011 HK$'000	2010 HK$'000
Trade and bills payables	1,208,880	1,114,062
Accruals and other payables	153,381	185,114
	1,362,261	1,299,176

The carrying value of the gross accounts payable and accruals approximates the fair values.

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

	Group	
	2011 HK$'000	2010 HK$'000
Current to 60 days	812,794	904,833
61 to 90 days	208,759	104,888
Over 90 days	187,327	104,341
	1,208,880	1,114,062

28 BORROWINGS

	Group		
	31 March 2011 HK$'000	31 March 2010 HK$'000 (restated)	1 April 2009 HK$'000 (restated)
Non-current			
Bank loans — unsecured	631,700	265,357	341,640
Bank loans — secured (note 33)	89,034	3,466	3,597
Finance lease liabilities	252	1,695	5,901
Total non-current borrowings	720,986	270,518	351,138
Current			
Trust receipt loans — unsecured	600,803	557,588	362,255
Trust receipt loans — secured (note 33)	215,038	238,092	160,805
	815,841	795,680	523,060
Bank loans — unsecured	478,086	235,230	123,698
Bank loans — secured (note 33)	39,171	43,057	66,584
Bank overdrafts (note 26)	2,641	2,570	—
Finance lease liabilities	674	2,939	5,305
	520,572	283,796	195,587
Total current borrowings	1,336,413	1,079,476	718,647
Total borrowings	2,057,399	1,349,994	1,069,785

At 31 March 2011, the Group's bank loans, overdrafts and trust receipt loans were repayable as follows:

	Group					
	Bank overdrafts		Bank loans		Trust receipt loans	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000 (restated)	2011 HK$'000	2010 HK$'000
Within one year	2,641	2,570	517,256	278,287	815,841	795,680
In the second year	—	—	366,191	131,323	—	—
In the third to fifth years inclusive	—	—	354,544	137,500	—	—
	2,641	2,570	1,237,991	547,110	815,841	795,680

28 BORROWINGS (continued)

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

	Group	
	2011 HK$'000	2010 HK$'000
Hong Kong dollars	1,627,021	1,243,755
Renminbi	410,639	84,041
Singapore dollars	18,813	17,564
	2,056,473	1,345,360

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans range from 1.8% to 9.5% per annum (2010: 1.4% to 5.7% per annum).

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

The Group has undrawn borrowing facilities of HK$1,002,712,000 (2010: HK$413,867,000). All of the Group's facilities are at floating rates and subject to periodic renewal.

Finance lease liabilities

	Group	
	2011 HK$'000	2010 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	717	3,097
Later than 1 year but not later than 5 years	264	1,786
	981	4,883
Future finance charges on finance leases	(55)	(249)
Present value of finance lease liabilities	926	4,634

	Group	
	2011 HK$'000	2010 HK$'000
The present value of finance lease liabilities was as follows:		
Not later than 1 year	674	2,939
Later than 1 year and no later than 5 years	252	1,695
	926	4,634

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

The effective interest rates at the balance sheet date ranged from 4.2% to 7.2% per annum (2010: 5.1% to 7.2% per annum).

29 SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	2011	2010	2011 HK$'000	2010 HK$'000
Authorised:				
Ordinary shares				
At the beginning and end of year	1,456,913,987	1,456,913,987	145,691	145,691
Convertible non-voting preference shares				
At the beginning and end of year	143,086,013	143,086,013	14,309	14,309
Total	1,600,000,000	1,600,000,000	160,000	160,000
Issued and fully paid:				
Ordinary shares				
At the beginning of year	503,779,117	491,758,039	50,378	49,176
Conversion from preference shares (note(a))	—	11,021,078	—	1,102
Exercise of bonus warrants (note(b))	726,329	1,000,000	73	100
Issuance of bonus shares (note(c))	636,570,381	—	63,657	—
At the end of year	1,141,075,827	503,779,117	114,108	50,378
Convertible non-voting preference shares				
At the beginning of year	132,064,935	143,086,013	13,207	14,309
Conversion to ordinary shares (note(a))	—	(11,021,078)	—	(1,102)
At the end of year	132,064,935	132,064,935	13,207	13,207
Total	1,273,140,762	635,844,052	127,315	63,585

Notes:

(a) On 27 October 2008, 143,086,013 convertible non-voting preference shares ("CP shares") of HK$0.10 each were issued at HK$0.70 each and a total consideration of HK$100,160,000 was received. The rights, privileges and restrictions of the CP shares are set out below:

Dividend
The holders of CP shares shall have the same right to dividend payment as to the holders of ordinary shares.

Conversion
Each holder of CP share shall be entitled to convert its shares into fully paid ordinary shares of HK$0.10 each in the capital of the Company on the basis of one ordinary share for every CP share. Unless previously redeemed, cancelled or converted, each holder of CP shares will be entitled to convert in respect of the whole or any part of its CP shares into fully paid ordinary shares on the basis of one ordinary share for every CP share at any time after the date of issue of the CP Shares upon the giving of a Conversion Notice. If the Continuing Notice is served before 31 March 2009, the relevant CP shares will not be subject to mandatory conversion.

At the end of business on 31 March 2009, unless previously redeemed, purchased and cancelled, converted or that a Continuing Notice has been served and delivered to the Company, all CP shares will be mandatorily converted into ordinary shares by the Company. The dividend entitlement attaching to any CP shares will cease to apply with effect from the date of conversion. Ordinary shares arising on conversion shall rank pari passu in all respects with ordinary shares, including the rights to receive any dividends and other distributions declared. So long as the Company remains listed in Hong Kong, those holders of the CP shares will not exercise their right to convert the CP shares into ordinary shares of the Company unless at least 25% of the Company's total issued share capital that are listed on the Hong Kong Stock Exchange will at all times be held by the public.

29 SHARE CAPITAL (continued)

Notes: (continued)

(a) (continued)

Voting rights
The holders of CP shares will be entitled to receive notice of every general meeting of the Company but will not be entitled (i) to vote upon any resolution unless it is a resolution for winding-up the Company or reducing its share capital in any manner or a resolution modifying, varying or abrogating any of the special rights attached to the CP shares or (ii) to attend or speak at any general meeting of the Company unless the business of the meeting includes the consideration of a resolution upon which the holders of CP shares are entitled to vote.

Transferability
None of the CP shares will be assignable or transferable without the prior written approval of the Board of Directors of the Company. The Company will not apply for a listing of any of the CP shares on any stock exchange anywhere in the world.

Redemption
Subject to the provisions of the Companies Act, the Company shall be entitled, at any time after the fifth anniversary of the date of issue of the CP shares by resolution of the directors of the Company to redeem all or any of the CP shares. These shall be paid on each CP share redeemed a sum equal to (i) the subscription price thereof and (ii) all arrears (if any) of the Dividend thereon. As from the Redemption Date such Dividend shall cease to apply.

During the year ended 31 March 2011, no convertible non-voting preference shares were converted. During the year 31 March 2010, 11,021,078 convertible non-voting preference shares were converted into ordinary shares of HK$0.1 each.

(b) On 5 December 2008, the Company issued 95,390,675 warrants on the basis of one warrant for every six ordinary shares ("bonus warrants") and CP shares of the Company held by the shareholders. The holders of bonus warrants are entitled to subscribe any time during 5 December 2008 to 4 June 2010 for ordinary shares at a subscription price of HK$0.80 per share. During the year, 726,329 ordinary shares (2010: 1,000,000 ordinary shares) of HK$0.10 each were issued upon the exercise of 726,329 (2010: 1,000,000) units of bonus warrants. All the bonus warrants expired on 4 June 2010 and as at 31 March 2011, no (2010: 31,890,675 units) bonus warrants were outstanding.

(c) At the Special General Meeting of the Company held on 7 January 2011, the shareholders of the Company approved the issue of 636,570,381 bonus shares on the basis of one bonus share for every ordinary share and CP share. The bonus shares are credited as fully paid by way of capitalisation of an amount equal to the total par value of the bonus shares standing to the credit of the share premium account of the Company. Upon issuance, the bonus shares rank pari passu in all respects with the then existing ordinary shares in issue except that they do not rank for the interim dividend for the six months ended 30 September 2010.

(d) At the Special General Meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. At 31 March 2011, no option has been granted under the Option Scheme.

Terms and conditions of the Option Scheme are set out below.

(1) Purpose
The purpose of the Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

(2) Participants
All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

29 SHARE CAPITAL (continued)

Notes: (continued)

(d) (continued)

(3) *Maximum number of shares*
The number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum number of shares available for issue under the Option Scheme is 42,925,803 as at the date of this report.

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

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

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

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

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

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

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

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

30 RESERVES

Group

	Share premium HK$'000	Asset revaluation reserve HK$'000	Capital reserve (note a) HK$'000	Exchange reserve HK$'000 (restated)	Retained earnings HK$'000	Total HK$'000
At 1 April 2009, as previously reported	223,711	48,097	33,311	63,945	526,590	895,654
Effect of changes in accounting standards	—	33,085	—	—	—	33,085
At 1 April 2009, as restated	223,711	81,182	33,311	63,945	526,590	928,739
Profit for the year, as restated	—	—	—	—	61,999	61,999
Issuance of ordinary shares on exercise of bonus warrants	700	—	—	—	—	700
Revaluation of land and buildings	—	13,601	—	—	—	13,601
Currency translation differences	—	—	—	10,524	—	10,524
Share of reserves of an associated company	—	—	—	200	—	200
2009–2010 interim dividend paid	—	—	—	—	(6,358)	(6,358)
Reserves	224,411	94,783	33,311	74,669	569,500	996,674
Proposed 2009–2010 final dividend	—	—	—	—	12,731	12,731
At 31 March 2010	224,411	94,783	33,311	74,669	582,231	1,009,405
At 1 April 2010, as previously reported	224,411	48,097	33,311	74,669	583,273	963,761
Effect of changes in accounting standards	—	46,686	—	—	(1,042)	45,644
At 1 April 2010, as restated	224,411	94,783	33,311	74,669	582,231	1,009,405
Profit for the year	—	—	—	—	73,450	73,450
Revaluation of land and buildings	—	32,852	—	—	—	32,852
Revaluation of available-for-sale financial assets (note 18)	—	(167)	—	—	—	(167)
Bonus issue of shares (note 29(c))	(63,657)	—	—	—	—	(63,657)
Issuance of ordinary shares on exercise of bonus warrants (note 29(b))	508	—	—	—	—	508
Currency translation differences	—	—	—	51,532	—	51,532
2009–2010 final dividend paid	—	—	—	—	(12,731)	(12,731)
2010–2011 interim dividend paid	—	—	—	—	(6,366)	(6,366)
Reserves	161,262	127,468	33,311	126,201	623,853	1,072,095
Proposed 2010–2011 final dividend	—	—	—	—	12,731	12,731
At 31 March 2011	161,262	127,468	33,311	126,201	636,584	1,084,826

30 RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus (note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2009	223,711	249,697	3,718	477,126
Issuance of ordinary shares on exercise of bonus warrants (note 29(b))	700	—	—	700
Profit for the year (note 9)	—	—	19,268	19,268
2009-2010 interim dividend paid	—	—	(6,358)	(6,358)
Reserves	224,411	249,697	3,897	478,005
Proposed 2009-2010 final dividend	—	—	12,731	12,731
At 31 March 2010	224,411	249,697	16,628	490,736
At 1 April 2010 as per above	224,411	249,697	16,628	490,736
2009-10 final dividend paid	—	—	(12,731)	(12,731)
Issuance of bonus shares (note 29(c))	(63,657)	—	—	(63,657)
Issuance of ordinary shares on exercise of bonus warrants (note 29(b))	508	—	—	508
Profit for the year (note 9)	—	—	19,585	19,585
2010-2011 interim dividend paid	—	—	(6,366)	(6,366)
Reserves	161,262	249,697	4,385	415,344
Proposed 2010-2011 final dividend	—	—	12,731	12,731
At 31 March 2011	161,262	249,697	17,116	428,075

(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 value of net assets of the subsidiaries acquired. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its component of reserves of the underlying subsidiaries.

31 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2010: 16.5%).

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

	Group	
	2011 HK$'000	2010 HK$'000 (restated)
At 1 April	32,684	19,881
Charged to profit and loss account (note 8)	5,982	10,115
Charged directly to equity (note 8)	6,490	2,688
At 31 March	45,156	32,684

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

Deferred tax assets

	Group	
	Tax losses	
	2011 HK$'000	2010 HK$'000 (restated)
At 1 April	31,394	33,149
Charged to profit and loss account	(4,933)	(1,755)
At 31 March	26,461	31,394

Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Fair value gains		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000 (restated)	2011 HK$'000	2010 HK$'000 (restated)
At 1 April	44,444	36,084	19,634	16,946	64,078	53,030
Charged directly to equity (note 8)	—	—	6,490	2,688	6,490	2,688
(Credited)/charged to profit and loss accounts	(4,727)	8,360	5,776	—	1,049	8,360
At 31 March	39,717	44,444	31,900	19,634	71,617	64,078

31 DEFERRED TAXATION (continued)

Deferred tax liabilities (continued)
The net amounts shown in the balance sheet include the following:

	Group	
	2011 HK$'000	2010 HK$'000 (restated)
Deferred tax assets to be recovered after more than 12 months	7,195	4,956
Deferred tax liabilities to be settled after more than 12 months	(52,351)	(37,640)
	(45,156)	(32,684)

32 CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Group	
	2011 HK$'000	2010 HK$'000 (restated)
Operating profit	135,126	125,977
Depreciation of property, plant and equipment	33,537	28,702
Amortisation of prepaid premium for land leases	879	852
Amortisation of intangible assets	552	543
Fair value gains on investment properties	(35,000)	—
Losses/(gains) on disposal of property, plant and equipment	4,701	(252)
Net gain on disposal of an associated company	(4,520)	—
Net losses/(gains) on investments in financial assets	33	(4,048)
Realised and unrealised gains on derivative financial instruments	(633)	(71)
Dividend income	(633)	(914)
Interest income	(5,429)	(3,812)
Operating profit before working capital changes	128,613	146,977
Increase in inventories	(140,518)	(260,705)
Increase in accounts receivable, deposits and prepayments	(36,020)	(411,876)
Increase in accounts payable and accruals	63,085	311,909
Effect of change in exchange rates	13,730	(964)
Net cash generated from/(used in) operations	28,890	(214,659)

32 CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Analysis of changes in financing during the year

	Group	
	Bank loans	
	2011	2010
	HK$'000	HK$'000
At 1 April	547,110	535,519
Exchange differences	3,026	640
Bank loans raised	1,051,297	84,767
Repayment of bank loans	(363,442)	(73,816)
At 31 March	1,237,991	547,110

33 BANK GUARANTEES

At 31 March 2011, the Company continues 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 2011 amount to HK$2,056,000,000 (2010: HK$1,345,000,000).

34 COMMITMENTS

(a) Capital commitments

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

	Group	
	2011	2010
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	351,935	379,418
Authorised but not contracted for	—	91,320

(b) As at 31 March 2011, the Company had commitment in respect of the injection of capital into certain subsidiaries in the PRC amounted to approximately HK$93,920,000 (2010: HK$148,506,000).

(c) Operating lease commitments

The Group leases various warehouses under non-cancellable operating lease agreements. The lease terms are between one and four years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

At 31 March 2011, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Not later than one year	17,779	16,608
Later than one year and not later than five years	9,754	8,334
	27,533	24,942

34 COMMITMENTS (continued)

(d) Operating lease receivable

The Group leases out various warehouses under non-cancellable operating lease agreements. The lease terms are between one and four years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Not later than one year	7,214	3,689
Later than one year and not later than five years	12,074	—
	19,288	3,689

35 CHARGE OF ASSETS

At 31 March 2011, trust receipt loans of HK$215,038,000 (2010: HK$238,092,000) and bank loans of HK$128,205,000 (2010: HK$46,523,000) are secured by legal charges on the Group's land and buildings and investment properties with aggregate net book amount of approximately HK$291,443,000 (restated 2010: approximately HK$219,478,000) (notes 14 and 16).

36 RELATED PARTY TRANSACTIONS

Related parties refer to entities in which the Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. A summary of significant related party transactions, which are carried out in the normal course of the Group's business, are as follows: 81

	Group	
	2011 HK$'000	2010 HK$'000
(a) Sale to and purchase from related parties		
(i) Purchase of finished goods from an associated company	—	2,970
(ii) Purchase of merchandise from a related company	70,866	—
(iii) Sales of property, plant and equipment to a non-controlling interest	—	5,893

All the above transactions were conducted at negotiated prices between transacting parties.

	Group	
	2011 HK$'000	2010 HK$'000
(b) Year-end balances arising from sales/purchases of goods		
Payables to a related company	68,089	—
Receivables from a non-controlling interest	—	3,031

All the above transactions were conducted at negotiated prices between transacting parties.

(c) Key management compensation

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

37 ULTIMATE HOLDING COMPANY

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

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES

	Name of subsidiary	Place of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding	Nature of business
				2011 & 2010	
	Shares held directly:				
1	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
1	Foshan NanHai JiaLing Paper Company Limited[2]	The PRC	Registered capital HK$81,380,000	100	Processing and trading of paper products in the PRC
	Foundation Paper Company Limited	Hong Kong	10,000 ordinary shares of HK$100 each	100	Export trading of paper products to the PRC
	Global Century Investments Limited	British Virgin Islands	1 ordinary share of US$1	100	Property holding
1	Shenzhen High Flyer International Transportation Co. Ltd.[2]	The PRC	Registered capital RMB10,000,000	80.4	Container transport services in the PRC
1	Hypex Holdings Limited[2]	Singapore	2 ordinary shares of US$1 each	100	Marine services to shipyards in Singapore

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding	Nature of business
			2011 & 2010	
Shares held directly: (continued)				
Samson Paper Company Limited	Hong Kong	10 ordinary shares of HK$100 each	100	Trading of paper products
		285,000 non-voting shares of HK$100 each	100	
[1] Samson Paper (Beijing) Company Limited[2]	The PRC	Registered capital HK$16,380,000	100	Trading of paper products in the PRC
Samson Paper (China) Company Limited[2]	Hong Kong	1,000 ordinary shares of HK$10 each	100	Investment holding
[1] Samson Paper (M) Sdn. Bhd.[2]	Malaysia	2,250,000 ordinary shares of RM1 each	70 (2010: 74.40)	Manufacturing & trading of paper products in Malaysia
[1] Samson Paper (Shanghai) Company Limited[2]	The PRC	Registered capital RMB61,650,000	100	Trading of paper products in the PRC
[1] Samson Paper (Shenzhen) Company Limited[2]	The PRC	Registered capital HK$17,000,000	100	Trading of paper products in the PRC
Shun Hing Paper Company Limited	Hong Kong	7,600 ordinary shares of HK$100 each	100	Trading of paper products
		2,400 non-voting shares of HK$100 each	100	
United Aviation (Singapore) Pte. Ltd.[2]	Singapore	2 ordinary shares of US$1 each	100	Trading of aeronautical parts in Singapore
[1] Universal Pulp and Paper (Shandong) Co. Ltd.[2]	The PRC	Registered capital US$30,000,000	100	Manufacturing & trading of paper products in the PRC

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

2. Foreign investment enterprises.

All subsidiaries operate in Hong Kong unless otherwise stated.

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

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Samson Paper Company Limited

3/F, Seapower Industrial Centre
177 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong
Customer Service Hotline:
(852) 2342 7181
Fax Hotline: (852) 2343 9195
Web-site: www.samsonpaper.com

Shun Hing Paper Company Limited

4/F, Seapower Industrial Centre
177 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong
Customer Service Hotline:
(852) 2346 2898
Fax Hotline: (852) 2346 7275

Burotech Limited

4/F, Seapower Industrial Centre
177 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong
Customer Service Hotline:
(852) 2763 1383
Fax Hotline: (852) 2342 8852
Web-site: www.burotech.com

United Aviation (Singapore) Pte. Ltd.

Block 26, Ayer Rajah Crescent, #03-02
Ayer Rajah Industrial Estate
Singapore 139944
Customer Service Hotline:
(65) 6776 2356
Fax Hotline: (65) 6776 2357
Web-site: www.uaviation.com

Hypex Engineering Limited

132 Gul Circle, Singapore 629597
General Line: (65) 6897 7090
Fax Hotline: (65) 6897 7089

Universal Pulp and Paper (Shandong) Co. Ltd.

Jinhe, Changzhuang Town,
Xuecheng District, Zaozhuang City,
Shandong Province, China
Customer Service Hotline:
(86) 632-440 1820
Fax Hotline: (86) 632-440 1830