森信集團 Samson group

Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

ANNUAL REPORT

2008

2009

2010

2011

2012

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	
	2012	2011
	HK$'000	HK$'000
Revenue	5,025,024	4,676,899
Operating profit	153,596	135,126
Finance costs	82,311	47,000
Profit before taxation	71,285	88,126
Profit attributable to owners of the Company	54,201	73,450

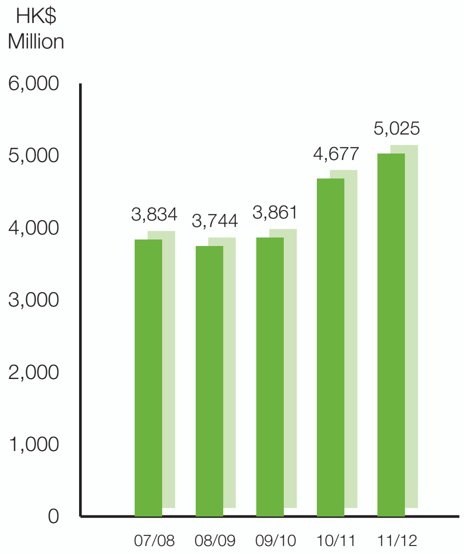
CONSOLIDATED BALANCE SHEET

	As at 31 March	
	2012	2011
	HK$'000	HK$'000
Non-current assets	1,917,336	1,594,044
Current assets	3,358,811	3,115,491
Current liabilities	2,931,203	2,713,913
Shareholders' funds	1,511,877	1,212,141
Non-current liabilities	728,266	773,337

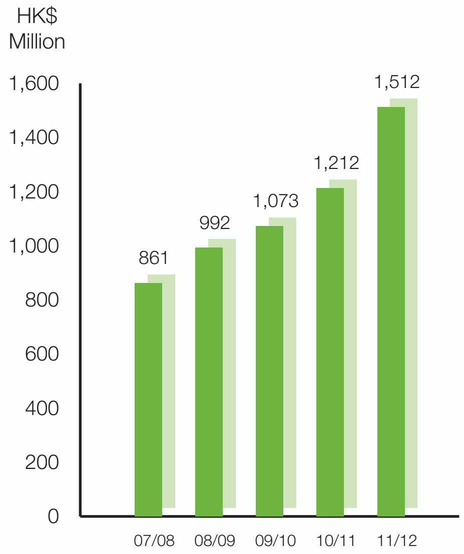
SHARE STATISTICS

Earnings per share — basic	HK4.60 CENTS	HK6.70 CENTS
Earnings per share — diluted	HK4.30 CENTS	HK5.80 CENTS
Dividends per share	HK1.48 CENTS	HK2.00 CENTS
Net asset value per ordinary share	HK132 CENTS	HK117 CENTS

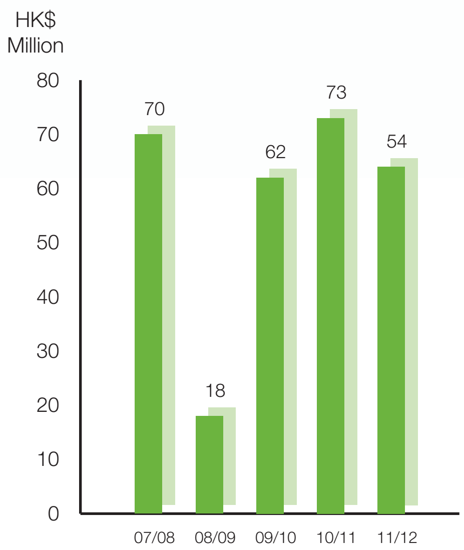
REVENUE



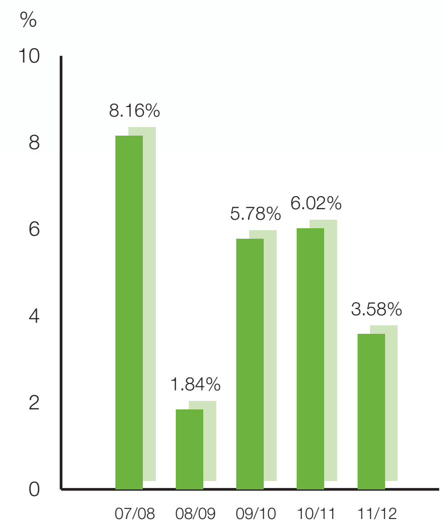
SHAREHOLDERS' FUNDS



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



RETURN ON SHAREHOLDERS' FUNDS



Chairman's Statement

The Economy

During the year under review, challenges arising from the sovereign debt crises within the European Union and slow recovery of the US economy created uncertainties over the global economy. Coupled with the implementation of credit controls by the Central Government of the People's Republic of China (the "PRC"), both the Hong Kong and PRC economies experienced a gradual slowdown in growth. This created a challenging business environment on both sides of the border for all industries in general.

The GDP of the PRC rose by 9.2% during the 2011 calendar year, representing a decline of 0.9% over 2010. Amid worsening global economic conditions, dampening export and domestic consumption, GDP growth in the first quarter of 2012 contracted to 8.1% — the slowest growth rate since the first quarter of 2009. Despite lackluster economic activity, the PRC still performed considerably better than many of its closest rivals.

In respect of Hong Kong, with uncertainty hovering over the global economy, this subsequently dragged down local exports, causing GDP to achieve a modest rise of just 0.4% in the first quarter of 2011, the worst growth rate since the financial crisis in 2008.

Operations Review

Driven by increasing sales in paper trading business in the PRC, which was complemented by the operation of our third production line (PM5) since February 2011, a new performance benchmark was subsequently set. The overall turnover of Samson Group (the "Group") grew by 7.4% year-on-year from HK$4,677,000,000 to HK$5,025,000,000. In addition, sales volume increased by 8.6%. However, in order to capture greater market share amid severe competition, and faced with an imbalance in supply and demand of paper products in the PRC market, the Group's gross margin was slightly reduced from 9.24% to 9.06%. In view of challenging environment, the Group adopted a flexible sales strategy with its extensive sales network and steady growth in the paper manufacturing business which successfully boosted operating profit margin from 2.89% to 3.06%. On the other hand, impacted by stringent credit control policies implemented by the PRC Government that pushed the interest rate on borrowing significantly higher, the Group's interest expense rose by 75.1% to HK$82,000,000. Accordingly, profit for the year was down by 25.8% to HK$53,555,000. Net profit margin stood at 1.1% (2011: 1.5%). Earnings per share were HK4.6 cents, compared to HK6.7 cents for the preceding year.

The Board has recommended the payment of a final dividend of HK0.98 cent per share. Together with an interim dividend of HK0.5 cent per share already paid, total dividend for the year will amount to HK1.48 cents per share, translating to a dividend payout ratio of 34.8%.

In February 2012, the Group formed a strategic alliance with Kokusai Pulp and Paper Co., Ltd.. The Japanese trading conglomerate engages in the trading and marketing of paper and boards and possesses a strong distribution network both within Japan and internationally. The alliance will enhance Samson Paper's competitiveness by sharing resources and benefit from operational synergies.

While we have made every effort to maintain a healthy financial position, the Group intends to build up higher cash reserve to enhance the working capital position amid the volatile market environment. As at 31 March 2012, the Group had cash and bank balance (including restricted bank deposits) of HK$939,000,000 with a gearing ratio at a healthy level of approximately 43% versus 50% in last year. During the year, we continued to exercise a stringent credit policy. Despite the worsening operating environment, the collection period was shortened by 6 days. Inventory turnover days was reduced by 5 days and inventory level declined to HK$707,000,000, a further indication that our financial policy is able to fend off unstable market sentiment.

By business segment, paper trading, paper manufacturing and other businesses accounted for 80.7%, 16.9% and 2.4% of the Group's total turnover respectively.

Paper Business

To weather the unstable operating environment and enhance the effectiveness of the existing sales offices, we continued to actively strengthen our distribution network during the year. From such effort, coupled with increased contribution from our paper manufacturing business, turnover from the paper business grew by 7.2% from HK$4,573,000,000 last year to HK$4,905,000,000 this year. Operating profit amounted to HK$163,000,000, representing an increase of 10.6% when compared to HK$148,000,000 last year. Sales volume rose by 8.6% to 820,000 tonnes over the preceding year.

By capitalizing on the enhanced capacity of our paper mill in Zaozhuang City, Shandong Province, the PRC, the PRC market remained the Group's principal market, accounting for 62.9% of total turnover. Hong Kong and other markets accounted for approximately 29.1% and 8.0% of the Group's total turnover respectively.

Paper Trading Business

Owing to our efforts towards nurturing ties with high-quality customers to mitigate credit risk exposure, and despite fluctuating market conditions, turnover of the paper trading business still reported growth of 1.9%, rising from HK$3,977,000,000 to HK$4,053,000,000. Sales tonnage also grew by 1.8% to 618,000 tonnes. Benefiting from efforts made over the past few years, we now possess an extensive sales network that stretches across more than 20 cities in the PRC. The Group devoted greater energy on fostering the development of regional sales offices during the year, thereby further improving operational efficiency. We expect our extensive sales network will be conducive to enhancing the Group's paper trading business and boosting the sale of paper products for the paper manufacturing business.

With our extensive presence in the PRC market, China accounted for 55.2% of total turnover of paper products. Hong Kong remained the Group's second largest market, contributing 35.1% of total sales, while other Asian markets took up the remaining 9.7%.

The two key products of the paper trading business, specifically, book printing papers and packaging boards, accounted for 49.9% and 36.6% of total turnover respectively. Sales contributions from these two products remained stable.

Paper Manufacturing Business

The paper manufacturing business continued to be the main growth driver of the Group. With contributions from all the production lines of the paper mill during the year under review, including the third production line (PM5) that commenced operation in February 2011, annual production capacity of this segment has more than doubled to 370,000 tonnes. Invigorated by this additional capacity, turnover from the paper manufacturing business increased by 48.9% to HK$1,042,000,000, after taking into account inter-company sales. Sales volume also increased by 41.3%. Operating profit grew by 44.1% to HK$71,000,000 and operating profit margin was 8.3% which was a level similar to last year. To enhance profitability and expand the Group's product range to address weakening demand for paper products, upgrading of machinery to produce higher-margin products has been commenced during the year.

Other Businesses

The aeronautic parts and services business and marine services business recorded turnover of HK$47,000,000 and HK$66,000,000 respectively, during the year under review. The former reported an operating profit of HK$2,658,000 while the latter realized an operating profit of HK$2,722,000.

Prospects

Looking ahead, the volatile operating environment is expected to persist, compounded by an imbalanced situation in supply and demand of paper industry and anticipated credit controls on the horizon. We will therefore implement a series of measures aimed at enhancing our relationship with existing customers while also prudently selecting more high-quality customers. Upgrading equipment at the Shandong paper mill will be in place as well, thus enhancing the efficiency while specializing on higher-margin products. All of these endeavors are expected to allow the Group to achieve sustained growth once the market rebounds. We will certainly strive to deliver favorable returns to our shareholders, which remains the Group's top priority.

Aside from the aforementioned measures, the Group will continue to practise prudent financial management. Efforts will be continued to further shorten the working capital cycle in building up cash reserve. As a result, we expect to lower our borrowing level. In addition, the PRC government recently announces to lower the interest rate in the country, which will help reduce a portion of interest costs. Going forward, the Group will further tighten the credit risk exposure of customers to cope with the uncertain market situation, and will use cash on hand even more efficiently. Management believes that through these measures, the Group will be well prepared to meet the different challenges ahead.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners and customers for their continuous support. Appreciation must also be extended to the management team and entire Samson Paper workforce.

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 21 June 2012

Sales by Geographical Area

Amid the volatile business environment, with significant growth in paper manufacturing business, the Group's revenue increased 7.4% to HK$5,025 million.

With the adoption of flexible sales strategy, extensive sales network and the operation of the third production line, turnover of paper business reported a 7.2% increase to HK$4,905 million. Sales in the PRC grew 19.1% to HK$3,087 million, making up 62.9% of the Group's total revenue from paper products. Sales of paper products in Hong Kong contributed 29.1% while those in Malaysia and other countries contributed the remaining 8.0% 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 820,000 metric tonnes.

Apart from the paper business, the Group has involved in the distribution business of consumable aeronautic parts and provision of related services and marine services business. These business segments together contributed HK$112.8 million, 2.2 % (2011:HK$ 104 million, 2.2%) of the Group's total revenue.

	2012 HK$ million	2011 HK$ million	% change
Hong Kong			
Paper trading	1,423.8	1,626.7	–12.5%
Logistics services	—	1.0	–100%
The PRC			
Paper trading	2,236.1	1,996.2	12.0%
Paper manufacturing	851.3	596.4	42.7%
Logistics services	7.5	6.5	14.7%
Singapore			
Marine services	65.6	58.7	11.7%
Aeronautic parts and services	47.2	37.4	26.0%
Other regions			
Paper trading	393.5	353.9	11.2%
Total revenue	5,025.0	4,676.8	7.4%

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

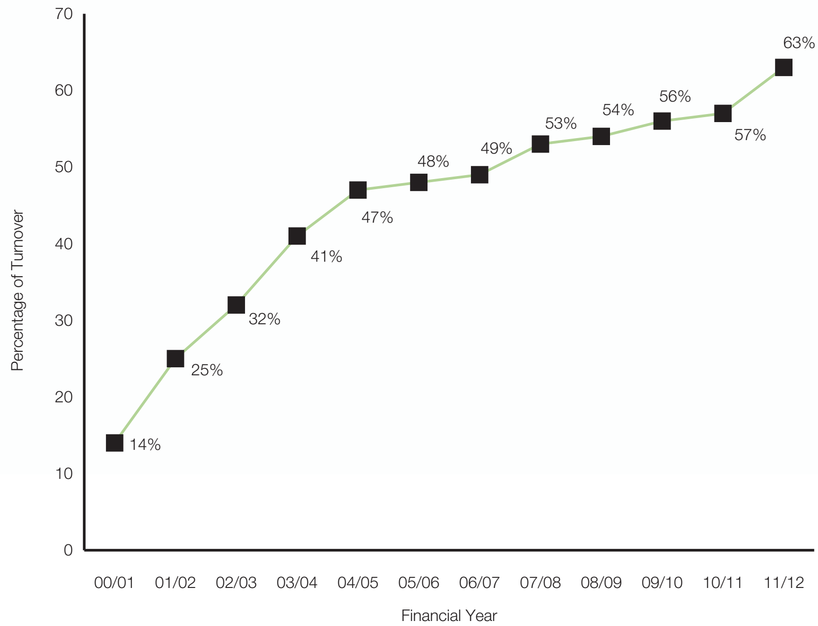
(in '000 Metric Tonnes)	2011	2010	+/–
Import	873	939	–7.1%
Re-export	262	325	–19.3%
Local consumption	611	614	–0.5%

Sales by Geographical Area (continued)

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

(in'000 Metric Tonnes)	2011	2010	+/–
Newsprint	10	40	–75%
Woodfree	400	410	–2.4%
Coated paper	370	450	–17.8%
Corrugated board	1,110	970	14.4%
Duplex board	790	770	2.6%
Corrugating medium	170	240	–29.2%
Others	460	480	–4.2%
	3,310	3,360	–1.5%

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



Major Product Analysis

As a national paper distributor in the 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 41.2% and 30.2% of the Group's revenue of paper products respectively. Against the challenge business condition, sales of book printing papers and packaging boards increased by 2.2% and 1.7% respectively.

Working Capital and Inventory Management

In view of the competitive market condition and the tightening of monetary policy adopted by the PRC government authority, management continued to tighten its credit policy on customers and was cautious on customers' selection. Despite the growth in revenue, the collection period in average has been shorten by 6 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 of HK$6.5 million was still made in the accounts for the year ended 31 March 2012, which is at 0.13% of the Group's total revenue.

The level of inventory is reduced by 15.6% to HK$706.7 million as at 31 March 2012 with an aim of keeping the turnover days at the region of 45 days to minimize the risk exposure of the value of stocks under the unstable market sentiment.

Employees and Remuneration Policies

As at 31 March 2012, the Group employed 1,958 staff members, 132 of whom are based in Hong Kong and 1,511 are based in the PRC and 315 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 the 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 2012, short term deposits plus bank balances amounted to HK$939 million (2011: HK$835 million) (including restricted bank deposits of HK$174 million (2011: HK$152 million)) and borrowings amounted to HK$2,148 million (2011: HK$2,057 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2012, the Group's gearing ratio was 42.8% (2011: 50.0%), calculated as net debt divided by total capital. Net debt of HK$1,209 million (2011: HK$1,222 million) is calculated as total borrowings of HK$2,148 million (2011: HK$2,057 million) (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash, bank balances and restricted deposits of HK$939 million (2011: HK$835 million). Total capital is calculated as total equity of HK$1,617 million (2011: HK$1,222 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.15 times (2011: 1.15 times).

With bank balances and other current assets amounted to HK$3,359 million (2011: HK$3,115 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 2012, bank borrowings in Renminbi amounted to HK$439 million (2011: HK$411 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 2012, the Group has entered an interest rate swap contract. The notional principal amount of the outstanding interest rate swap contract as at 31 March 2012 was HK$20 million (2011: Nil).

Contingent Liabilities and Charge of Assets

As at 31 March 2012, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2012 amounted to HK$2,148 million (2011: HK$2,057 million).

Certain land and buildings, investment properties and non-current asset held for sale of the Company's subsidiaries, with a total carrying value of HK$308 million as at 31 March 2012 (2011: HK$291 million) were pledged to banks as securities for bank loans of HK$96 million (2011: HK$128 million) and trust receipt loans of HK$280 million (2011: HK$215 million) granted to the Group.

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 2012, 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 20). 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, the Remuneration Committee and the Nomination Committee are set out below:

	Attendance/Number of Meetings			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. SHAM Kit Ying (Chairman)	4/4			
Mr. LEE Seng Jin (Deputy Chairman and Chief Executive Officer) (note 3)	3/4		1/1	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	1/2		1/1
Mr. TONG Yat Chong (note 1)	4/4	2/2	1/1	
Mr. NG Hung Sui, Kenneth	3/4		1/1	1/1
Non-executive Director				
Mr. LAU Wang Yip, Eric	3/4	2/2		

Note 1: Chairman of Remuneration Committee
Note 2: Chairman of Audit Committee
Note 3: Chairman of Nomination 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
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 Committee

The Board established a Nomination Committee on 28 March 2012. The Nomination Committee comprises one executive Director, Mr. Lee Seng Jin and two independent non-executive Directors, Mr. Pang Wing Kin, Patrick and Mr. Ng Hung Sui, Kenneth. The full terms of reference are available on the Stock Exchange's website. Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of board composition, assessment of the independence of Independent Non-executive Directors and the management of board succession.

Audit Committee

The Audit Committee of the Company comprises two independent non-executive Directors of the Company, namely Mr. Pang Wing Kin, Patrick and Mr. Tong Yat Chong and one non-executive Director of the Company, namely Mr. Lau Wang Yip, Eric. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has met with the senior management of the Company and the Company's external auditor to review the annual financial statements as at 31 March 2012 before recommending them to the Board for approval.

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 2011/2012, 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 2011, 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 2012/2013 was held in February 2012. 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.

On the other hand, the half-yearly performance review for the year 2011/2012 (i.e. April to September 2011) was conducted in October 2011. 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	2,250
(b) Tax compliance services	137

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all the Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual results.

Financial Reporting

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 24.

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.

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31 March 2012.

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 40 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 HK0.5 cent per share, totalling HK$6,366,000, which was paid on 16 January 2012.

The Directors recommend the payment of a final dividend of HK0.98 cent per share, totalling HK$12,477,000.

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$267,000.

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 2012, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$267,321,000 (2011: HK$266,813,000).

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:

	2008 HK$'000 (restated)	2009 HK$'000 (restated)	2010 HK$'000 (restated)	2011 HK$'000	2012 HK$'000
Revenue	3,834,380	3,744,184	3,861,245	4,676,899	5,025,024
Profit attributable to owners of the Company	70,317	18,391	61,999	73,450	54,201
Total assets	2,939,027	3,087,004	3,787,882	4,709,535	5,276,147
Total liabilities	2,068,609	2,086,634	2,704,095	3,487,250	3,659,469
Total equity	870,418	1,000,370	1,083,787	1,222,285	1,616,678

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 2012, 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) (note)
Mr. LEE Seng Jin (Deputy Chairman)
Mr. CHOW Wing Yuen
Ms. SHAM Yee Lan, Peggy (note)
Mr. LEE Yue Kong, Albert

Non-executive Director
Mr. LAU Wang Yip, Eric (note)

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

Note: Mr. SHAM Kit Ying, Ms. SHAM Yee Lan, Peggy and Mr. LAU Wang Yip, Eric 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 86, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 53 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 55, 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 53, 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 34 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 46, 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 56, 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 29 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 56, is a qualified accountant and has over 29 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 45, 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.

Biographical Details of Directors and Senior Management (continued)

Non-executive Directors (continued)
Mr. TONG Yat Chong, aged 55, is a qualified accountant and has over 27 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 45, is a solicitor practising 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. He was appointed as a Notary Public of Hong Kong on 3 April 2008.

Mr. Ng was appointed as an independent non-executive director of Mexan Limited (stock code: 22) on 19 April 2007. He has been a member of the Criminal Law and Procedure Committee of the Law Society of Hong Kong since January 2007. He has also been a member of the Standing Committee on External Affairs since 2009 and appointed member of Standing Committee on Practitioners' Affairs of the Law Society of Hong Kong in February, 2012.

Senior Management
Mr. CHU Wai Kwong, aged 55, is a Sales Director of Samson Paper (China) Company Limited. He joined the Group in 1976. He has over 26 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. CHAN Kwok Keung, aged 52, is a Sales Director (Northern China) of Samson Paper (China) Company Limited. He joined the Group in 1990 and has over 25 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 2012, 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%

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)

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 2012, none of the Directors and Chief Executives had any interests or short positions in the shares, underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

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

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

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

At 31 March 2012, 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.

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

Long position in CP shares of HK$0.10 each in the Company (continued)
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 2012.

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.

A subsidiary of 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 (the "Existing Facility") and in June 2012, a three and a half-year revolving credit and term loan facility amounting to HK$620,000,000 has granted to the subsidiary to refinance the Existing Facility. Both loan facilities require 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, 21 June 2012

羅兵咸永道

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 the Company balance sheets as at 31 March 2012, 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 Accounts

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 judgement, 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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羅兵咸永道

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 2012, 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, 21 June 2012

Consolidated Profit and Loss Account

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	5	5,025,024	4,676,899
Cost of sales		(4,569,795)	(4,244,695)
Gross profit		455,229	432,204
Other gains and income, net	5	54,734	58,893
Selling expenses		(174,023)	(178,399)
Administrative expenses		(179,688)	(167,567)
Other operating expenses		(2,656)	(10,005)
Operating profit	6	153,596	135,126
Finance costs	7	(82,311)	(47,000)
Profit before taxation		71,285	88,126
Taxation	8	(17,730)	(15,915)
Profit for the year		53,555	72,211
Attributable to:			
Owners of the Company		54,201	73,450
Non-controlling interests		(646)	(1,239)
		53,555	72,211
Earnings per share			
Basic	11	HK 4.6 cents	HK 6.7 cents
Diluted	11	HK 4.3 cents	HK 5.8 cents
Dividends	10	18,843	19,097

The notes on pages 33 to 83 are an integral part of these consolidated accounts.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	53,555	72,211
Other comprehensive income		
Currency translation differences	44,841	52,118
Revaluation of land and buildings, net of deferred tax	48,405	32,852
Revaluation of available-for-sale financial assets	112	(167)
Other comprehensive income for the year, net of tax	93,358	84,803
Total comprehensive income for the year	146,913	157,014
Attributable to:		
— Owners of the Company	147,433	157,667
— Non-controlling interests	(520)	(653)
Total comprehensive income for the year	146,913	157,014

The notes on pages 33 to 83 are an integral part of these consolidated accounts.

Consolidated Balance Sheet

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	1,521,326	1,330,148
Prepaid premium for land leases	15	159,762	42,343
Investment properties	16	165,997	150,000
Intangible assets	17	44,653	45,168
Available-for-sale financial assets	18	5,258	4,327
Non-current deposit	19	15,400	14,863
Deferred tax assets	31	4,940	7,195
		1,917,336	1,594,044
Current assets			
Inventories	22	706,662	836,973
Accounts receivable, deposits and prepayments	23	1,630,971	1,431,250
Financial assets at fair value through profit or loss	24	2,673	6,282
Taxation recoverable		3,014	6,004
Restricted bank deposits	25	174,446	152,258
Bank balances and cash	26	765,045	682,724
		3,282,811	3,115,491
Non-current asset held for sale	21	76,000	—
		3,358,811	3,115,491
Current liabilities			
Accounts payable and other payables	27	1,326,672	1,362,261
Trust receipt loans	28	839,292	815,841
Taxation payable		15,158	15,239
Derivative financial instruments	32	795	—
Borrowings	28	749,286	520,572
		2,931,203	2,713,913
Net current assets		427,608	401,578
Total assets less current liabilities		2,344,944	1,995,622

	Note	2012 HK$'000	2011 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital	29	127,315	127,315
Reserves	30	1,372,085	1,072,095
Proposed final dividend	30	12,477	12,731
		1,384,562	1,084,826
		1,511,877	1,212,141
Non-controlling interests		104,801	10,144
Total equity		1,616,678	1,222,285
Non-current liabilities			
Accounts payable	27	73,869	—
Borrowings	28	559,375	720,986
Deferred tax liabilities	31	95,022	52,351
		728,266	773,337
		2,344,944	1,995,622

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

The notes on pages 33 to 83 are an integral part of these consolidated accounts.

Balance Sheet

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	20	249,897	249,897
Current assets			
Amounts due from subsidiaries	20	306,534	306,011
Taxation recoverable		—	35
Bank balances and cash	26	60	113
		306,594	306,159
Current liabilities			
Accruals		593	666
		593	666
Net current assets		306,001	305,493
Total assets less current liabilities		555,898	555,390
Equity			
Equity attributable to owners of the Company			
Share capital	29	127,315	127,315
Reserves	30	416,106	415,344
Proposed final dividend	30	12,477	12,731
		428,583	428,075
Total equity		555,898	555,390

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

The notes on pages 33 to 83 are an integral part of these consolidated accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 2010	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, net of tax	—	84,217	—	84,217	586	84,803
Total comprehensive income/(loss)	—	84,217	73,450	157,667	(653)	157,014
Transactions with owners						
Issuance of ordinary shares	73	508	—	581	—	581
Issuance of bonus 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
Balance at 31 March 2011	127,315	448,242	636,584	1,212,141	10,144	1,222,285
Balance at 1 April 2011	127,315	448,242	636,584	1,212,141	10,144	1,222,285
Comprehensive income						
Profit/(loss) for the year	—	—	54,201	54,201	(646)	53,555
Other comprehensive income						
Currency translation differences	—	44,715	—	44,715	126	44,841
Revaluation of land and buildings, net of deferred tax	—	48,405	—	48,405	—	48,405
Revaluation of available-for-sale financial assets	—	112	—	112	—	112
Total other comprehensive income, net of tax	—	93,232	—	93,232	126	93,358
Total comprehensive income/(loss)	—	93,232	54,201	147,433	(520)	146,913
Transactions with owners						
Acquisition of additional interest from a non-controlling interest (note 34)	—	740	—	740	(3,163)	(2,423)
Partial disposal of a subsidiary (note 34)	—	170,660	—	170,660	98,340	269,000
2010–2011 final dividend paid	—	—	(12,731)	(12,731)	—	(12,731)
2011–2012 interim dividend paid	—	—	(6,366)	(6,366)	—	(6,366)
Reserves	127,315	712,874	659,211	1,499,400	104,801	1,604,201
Proposed 2011–2012 final dividend	—	—	12,477	12,477	—	12,477
Balance at 31 March 2012	127,315	712,874	671,688	1,511,877	104,801	1,616,678

The notes on pages 33 to 83 are an integral part of these consolidated accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Cash generated from operations	33(a)	157,511	28,890
Interest paid		(85,861)	(59,476)
Hong Kong profits tax paid		(5,603)	(13,789)
Overseas taxation paid		(3,829)	(2,754)
Net cash generated from/(used in) operating activities		62,218	(47,129)
Investing activities			
Purchase of property, plant and equipment		(232,123)	(469,762)
Purchase of prepaid premium for land leases		(117,742)	—
Purchase of intangible assets		(25)	(364)
Purchase of available-for-sale financial assets		(819)	(4,494)
Proceeds from disposal of property, plant and equipment		19,784	4,717
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		4,773	11,707
Proceeds from partial disposal of interests in a subsidiary, net of transaction costs		294,595	—
Deposit paid for purchase of machinery		—	(14,863)
Interest received		11,668	5,429
Dividends received from investments in financial assets		241	633
Acquisition of additional interest from non-controlling interest		(1,883)	—
Net cash used in investing activities		(21,531)	(410,424)
Financing activities			
Bank loans raised	33(b)	504,576	1,051,297
Finance lease liabilities raised		1,536	—
Repayment of bank loans	33(b)	(452,662)	(363,442)
Repayment of finance lease liabilities		(2,005)	(3,708)
Increase in restricted bank deposits		(22,188)	(22,466)
Increase in trust receipt loans		23,451	20,161
Dividends paid to shareholders		(19,097)	(19,097)
Issuance of ordinary shares on exercise of bonus warrants		—	581
Net cash generated from financing activities		33,611	663,326
Net increase in cash and cash equivalents		74,298	205,773
Cash and cash equivalents at beginning of the year		680,083	461,044
Effect of changes in exchange rates on cash and cash equivalents		9,294	13,266
Cash and cash equivalents at end of the year	26	763,675	680,083

The notes on pages 33 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 provision of 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 21 June 2012.

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 (including derivative financial instruments) 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.

(a) *New and amended standards adopted by the Group*

The Group has adopted the following new standards, amendments and interpretations on 1 April 2011:

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Financial Instruments: Presentation in Classification of Rights Issues
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments
Annual Improvements Project	HKICPA's Improvements to HKFRS published in May 2010

The adoption of the above new standards, amendments and interpretations to standards has no significant impact to the Group's financial position for all periods presented in this report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted by the Group*

The following new and amended standards have been issued but are not effective for the financial year beginning 1 April 2011 and the Group has not early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (Revised 2011)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and Joint Ventures	1 January 2013
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

The directors are currently assessing the impact on their adoption and the impact of adoption of these new standards, revised standards and amendments and interpretations to existing standards in future periods is not currently known or cannot be reasonably estimated.

2.2 Subsidiaries

2.2.1 Consolidation

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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combinations*
The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) *Changes in ownership interests in subsidiaries without change of control*
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

2.2.2 Separate accounts

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. 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.

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.

2.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 equity instruments 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 rates on the dates of the transactions); and

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

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. Exchange differences arising are recognised in equity.

(d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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 2.10).

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.

2.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets 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 financial assets 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 also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

2.8.1 Classification (continued)

(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 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables are classified as "accounts receivable, deposits and prepayments", "restricted bank deposits" and "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 profit and loss account. 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 within 'other gains and income — net' 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.

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 profit and loss account as part of other income. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Assets and liabilities are classified as current if expected to be settled within 12 months; otherwise, they are classified as non-current.

Gains or losses arising from changes in the fair value of the derivatives are presented in the profit and loss account within "other gains and income, net" in the period in which they arise.

2.10 Impairment of non-financial assets

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

2.11 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 account. 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 profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Non-current asset held for sale

A non-current asset is classified as an asset 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.

2.13 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.

2.14 Accounts and other receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts 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.

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 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.

2.16 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.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Accounts payable

Accounts payable 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.

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

2.19 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.

2.20 Revenue recognition

Revenue is measured at 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 and scrap materials 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.

2.21 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 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.

(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.

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

2.23 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 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.

2.24 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 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 in other comprehensive income or directly in equity. 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.

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 financial statements. However, the 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 for deferred income tax liability 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.

2.26 Dividend distribution

Dividend distribution to the Company's owners 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 owners.

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.

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. The Group is presently not using any forward exchange contracts to hedge against foreign exchange risk as management considers its exposure minimal.

At 31 March 2012, 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$8,996,000 (2011: HK$8,231,000) higher/lower, mainly as a result of the foreign exchange gains/losses on translation of Renminbi-denominated bank balances and cash, accounts and other receivables, and the foreign exchange losses/gains on translation of Renminbi-denominated borrowings.

Hong Kong dollars is pegged to United States dollars, 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$134,000 (2011: HK$314,000).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 2012, borrowings are primarily at floating interest rates. In order to manage the cash flow interest-rate risk, the Group sometimes enters into interest rate swap.

At 31 March 2012, 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$6,068,000 (2011: HK$3,098,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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 accounts and other receivables falls within the recorded allowances. There was no individual customer with balance representing more than 10% of the Group's total accounts receivable from third parties, thus there was no concentration of credit risk with respect to accounts receivable as there were a large number of customers. In addition, majority of the Group's open credit sales are covered by credit insurance.

The carrying amount of cash and bank deposits, accounts receivable and other receivables and other financial assets at fair value through profit or loss and available-for-sale financial assets 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 2012, management does not expect any major impairment on receivables from group companies.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(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. 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 bank balances and cash (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.

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	Over 5 years HK$'000
Group					
At 31 March 2012					
Term loans subject to a repayment on demand clause	18,344	—	—	—	—
Other bank borrowings	—	741,707	359,244	231,312	—
Trust receipt loans	—	844,202	—	—	—
Accounts payable and other payables	—	1,326,672	73,869	—	—
Derivative financial instruments	—	795	—	—	—
Finance lease liabilities	—	693	254	1,393	373
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 other payables	—	1,362,261	—	—	—
Finance lease liabilities	—	717	264	—	—
Company					
At 31 March 2012					
Accruals	—	593	—	—	—
At 31 March 2011					
Accruals	—	666	—	—	—

The Company provides corporate guarantees as disclosed in note 35.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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 2012	11,518	3,512	4,153
31 March 2011	23,167	11,611	7,636

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	
	2012 HK'000	2011 HK'000
Total borrowings (note 28)	2,147,953	2,057,399
Less: Cash, bank balances and restricted deposits	(939,491)	(834,982)
Net debt	1,208,462	1,222,417
Total equity	1,616,678	1,222,285
Total capital	2,825,140	2,444,702
Gearing ratio	42.8%	50.0%

3 FINANCIAL RISK MANAGEMENT (continued)

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).

The following table presents the Group's assets that are measured at fair value at 31 March 2012.

	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	2,673	—	—	2,673
— Mutual funds	—	—	—	—
	2,673	—	—	2,673
Available-for-sale financial assets				
— Insurance policy	—	—	4,089	4,089
— Other investment	—	—	1,169	1,169
	—	—	5,258	5,258
Derivative financial instruments				
— Interest rate swap	—	(795)	—	(795)
	2,673	(795)	5,258	7,136

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets that were 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

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 following table presents the changes in level 3 instruments:

	2012 HK$'000	2011 HK$'000
At 1 April	4,327	—
Additions	819	4,494
Net changes in fair value transferred to equity (note 30)	112	(167)
At 31 March	5,258	4,327

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 accounts receivable and other receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of accounts receivable and other receivables. Provisions are applied to accounts 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 accounts 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) 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.

(e) Estimated impairment of goodwill

The Group tests annually whether goodwill has suggested any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts 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.

5 REVENUE, OTHER GAINS AND INCOME, NET AND SEGMENT INFORMATION

Revenue recognised is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Revenue		
Sale of goods	4,951,882	4,610,658
Provision of services	73,142	66,241
	5,025,024	4,676,899
Other gains and income, net		
Interest income	11,668	5,429
Dividend income — listed investments	241	633
Fair value gains on investment properties (note 16)	15,208	35,000
Rental income	8,992	6,819
Sales of scrap materials	7,875	2,952
Net gains/(losses) on investments in financial assets	1,563	(33)
Net gains on disposal of an associated company	—	4,520
Others	9,187	3,573
	54,734	58,893

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.

As at 31 March 2012, 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 consist 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 and other payables, financial instruments, borrowings and trust receipt loans. They exclude deferred tax liabilities and taxation payable.

Capital expenditure comprise additions to property, plant and equipment (note 14), prepaid premium for land leases (note 15) and intangible assets (note 17).

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

The segment information for the year ended and as at 31 March 2012 is as follows:

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Total segment revenue	4,199,128	1,041,901	134,713	5,375,742
Inter-segment revenue	(145,683)	(190,627)	(14,408)	(350,718)
Revenue from external customers	4,053,445	851,274	120,305	5,025,024
Reportable segment results	92,049	71,078	5,506	168,633
Corporate expenses				(15,037)
Operating profit				153,596
Finance costs				(82,311)
Profit before taxation				71,285
Taxation				(17,730)
Profit for the year				53,555
Other items for the year ended 31 March 2012:				
Interest income	9,425	2,226	17	11,668
Depreciation of property, plant and equipment	11,776	34,082	7,673	53,531
Amortisation of prepaid premium for land leases	837	550	72	1,459
Amortisation of intangible assets	541	30	—	571
Fair value gains on investment properties	15,208	—	—	15,208
Capital expenditure	43,421	313,318	5,719	362,458

	Paper trading HK$'000	Paper manufacturing HK$'000	Others HK$'000	Total HK$'000
Reportable segment assets	3,198,780	1,901,982	167,350	5,268,112
Taxation recoverable				3,014
Deferred tax assets				4,940
Corporate assets				81
Total assets				5,276,147
Reportable segment liabilities	1,798,387	410,165	31,483	2,240,035
Taxation payable				15,158
Deferred tax liabilities				95,022
Corporate liabilities				1,309,254
Total liabilities				3,659,469

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

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:				
Interest 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 gains on investment properties	35,000	—	—	35,000
Capital expenditure	55,877	424,803	1,922	482,602

	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

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

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]	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Hong Kong	1,423,808	1,627,745	266,307	325,332
The PRC[2]	3,094,932	2,599,135	1,558,148	1,171,272
Singapore	112,768	96,159	87,054	88,900
Korea	323,472	297,847	638	1,246
Malaysia	63,084	56,013	239	99
USA	6,960	—	10	—
	5,025,024	4,676,899	1,912,396	1,586,849

1 Non-current assets excluded 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	
	2012 HK$'000	2011 HK$'000
Charging		
Raw materials and consumables	735,782	476,022
Changes in finished goods	3,802,381	3,726,425
Depreciation of property, plant and equipment (note 14)	53,531	33,537
Amortisation of prepaid premium for land leases (note 15)	1,459	879
Amortisation of intangible assets (note 17)	571	552
Losses on disposal of property, plant and equipment	—	4,701
Operating lease rentals in respect of:		
— land and buildings	15,432	10,561
Transportation costs	121,765	118,787
Unrealised losses on derivative financial instrument	795	—
Provision for impairment on inventories	—	7,287
Provision for impairment on receivables (note 23)	6,461	6,598
Employee benefits expenses (note 12)	110,089	102,698
Auditor's remuneration	2,522	2,455
Crediting		
Gains on disposal of property, plant and equipment	96	—
Net exchange gains	953	623
Realised and unrealised gains on derivative financial instruments	396	633
Provision for impairment on inventories written back	42	—
Provision for impairment on receivables written back (note 23)	2,143	3,342

7 FINANCE COSTS

	Group	
	2012 HK$'000	2011 HK$'000
Interest on bank borrowings and finance lease obligations wholly repayable within 5 years	73,012	45,067
Interest on trade credit facilities	13,562	14,409
Interest on other payables (note 27)	4	—
	86,578	59,476
Less: amounts capitalised in property, plant and equipment and construction in progress	(4,267)	(12,476)
	82,311	47,000

The weighted average interest rate on the above capitalised borrowings is approximately 7.0% per annum (2011: 2.9% per annum).

8 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012 HK$'000	2011 HK$'000
Hong Kong profits tax	6,535	7,518
Overseas taxation	5,806	5,702
Over provision in previous years	—	(3,287)
Deferred taxation relating to origination and reversal of temporary differences (note 31)	5,389	5,982
	17,730	15,915

8 TAXATION (continued)

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 2012 HK$'000	Group 2011 HK$'000
Profit before taxation	71,285	88,126
Calculated at a taxation rate of 16.5% (2011: 16.5%)	11,762	14,541
Effect of different taxation rates in other countries	2,792	3,675
Income not subject to taxation	(2,079)	(3,221)
Expenses not deductible for taxation purposes	3,379	2,705
Tax losses not recognised	1,873	1,567
Over provision in previous years	—	(3,287)
Others	3	(65)
	17,730	15,915

According to the New Corporate Income Tax Law, the profits 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 2012 since the Group plans to utilise such profits in the PRC and has no plan to distribute such profits in the foreseeable future.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2012			2011		
	Before tax HK$'000	Deferred tax (charge)/ credit HK$'000	After tax HK$'000	Before tax HK$'000	Deferred tax (charge)/ credit HK$'000	After tax HK$'000
Revaluation of available-for-sale financial assets	112	—	112	(167)	—	(167)
Revaluation of land and buildings	64,125	(15,720)	48,405	39,342	(6,490)	32,852
Other comprehensive income	64,237	(15,720)	48,517	39,175	(6,490)	32,685

9 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the accounts of the Company to the extent of HK$19,605,000 (2011: HK$19,585,000) (note 30).

10 DIVIDENDS

	Group and Company	
	2012 HK$'000	2011 HK$'000
Interim — HK$0.0050 (2011: HK$0.01) per ordinary share	5,706	5,045
Interim — HK$0.0050 (2011: HK$0.01) per preference share	660	1,321
Proposed final — HK$0.0098 (2011: HK$0.01) per ordinary share	11,183	11,410
Proposed final — HK$0.0098 (2011: HK$0.01) per preference share	1,294	1,321
	18,843	19,097

At a meeting held on 21 June 2012, the directors proposed a final dividend of HK$0.0098 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 2013.

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company less preference dividends of HK$52,220,000 (2011: HK$69,488,000) by the weighted average number of 1,141,076,000 (2011: 1,034,524,000) 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. All warrants have been expired on 4 June 2010. The Company has a share option scheme but no share option (2011: Nil) has been granted under the scheme.

	Group	
	2012	2011
Profit attributable to the owner of the Company (HK$'000)	54,201	73,450
Weighted average number of ordinary shares in issue ('000)	1,141,076	1,034,524
Adjustment for:		
— Warrants ('000)	—	996
— Preference shares ('000)	132,065	238,440
Weighted average number of shares for diluted earnings per share ('000)	1,273,141	1,273,960
Diluted earnings per share	HK 4.3 cents	HK 5.8 cents

12 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Group	
	2012 HK$'000	2011 HK$'000
Wages, salaries and bonus	106,776	99,305
Contributions to pension schemes	3,313	3,393
	110,089	102,698

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director for the year ended 31 March 2012 is set out below:

	2012					2011
	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	—	5,879	—	—	5,879	6,879
Lee Seng Jin	—	3,600	—	125	3,725	4,725
Sham Yee Lan, Peggy	—	960	—	51	1,011	1,956
Chow Wing Yuen	—	1,325	—	50	1,375	1,545
Lee Yue Kong, Albert	—	1,140	—	44	1,184	2,129
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 (2011: 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 2010								
Cost or valuation	131,724	7,067	415,126	31,348	14,781	21,840	344,828	966,714
Accumulated depreciation	(11,706)	(6,367)	(69,236)	(21,112)	(11,515)	(17,989)	—	(137,925)
Net book amount	120,018	700	345,890	10,236	3,266	3,851	344,828	828,789
Year ended 31 March 2011								
Opening net book amount	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
Year ended 31 March 2012								
Opening net book amount	156,514	658	907,750	12,883	7,923	4,656	239,764	1,330,148
Exchange differences	387	62	32,001	24	193	105	1,901	34,673
Additions (note (a))	67,786	232	40,699	8,313	4,537	1,674	121,450	244,691
Transfer	—	—	36,211	—	244	—	(36,455)	—
Transfer to investment properties (note 16)	(76,789)	—	—	—	—	—	—	(76,789)
Revaluation surplus	64,125	—	—	—	—	—	—	64,125
Disposals	—	(3)	(19,062)	(623)	—	—	—	(19,688)
Depreciation	(4,214)	(306)	(42,971)	(5,374)	(1,101)	(1,868)	—	(55,834)
Closing net book amount	207,809	643	954,628	15,223	11,796	4,567	326,660	1,521,326
At 31 March 2012								
Cost or valuation	227,389	7,594	1,082,807	43,132	25,138	26,097	326,660	1,738,817
Accumulated depreciation	(19,580)	(6,951)	(128,179)	(27,909)	(13,342)	(21,530)	—	(217,491)
Net book amount	207,809	643	954,628	15,223	11,796	4,567	326,660	1,521,326

Note:

(a) 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 at 31 March 2011, since the transfer of the title of the land use rights certificates and the building certificates had yet to complete, as a result, the Group did not recognise such assets and the corresponding consideration payable as at 31 March 2011 according to the Asset Transfer Agreement and with reference to a legal opinion. As of 31 March 2012, the transfer of the land and building has been completed and accordingly, land and building amounted to HK$117,742,000 and HK$67,786,000 were recognised in prepaid premium for land leases (note 15) and property, plant and equipment, respectively.

14 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

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. Buildings recognised during the year as mentioned above were revalued at 31 March 2012 on the basis of open market value carried out by FPD Savills (Hong Kong) Limited, an independent firm of chartered surveyors and the directors.

	Group	
	2012 HK$'000	2011 HK$'000
Land and buildings in Hong Kong, held on leases of between 10 to 50 years		
Cost or valuation	71,088	144,219
Accumulated depreciation	(11,879)	(9,218)
Net book amount	59,209	135,001
Buildings outside Hong Kong		
Cost or valuation	156,301	28,274
Accumulated depreciation	(7,701)	(6,761)
Net book amount	148,600	21,513

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

	Group	
	2012 HK$'000	2011 HK$'000
Land and buildings		
Cost	110,477	56,852
Accumulated depreciation	(16,681)	(14,393)
Net book amount	93,796	42,459

The analysis of the cost or valuation at 31 March 2012 and 2011 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	—	7,594	1,082,807	43,132	25,138	26,097	326,660	1,511,428
At valuation	227,389	—	—	—	—	—	—	227,389
As at 31 March 2012	227,389	7,594	1,082,807	43,132	25,138	26,097	326,660	1,738,817
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

14 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

At 31 March 2012 and 2011, 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 2012, land and buildings with carrying value amounted to approximately HK$65,573,000 (2011: HK$141,443,000) were pledged as securities for bank borrowings made available to the Group (note 37).

At 31 March 2012, the net book amount of motor vehicles held by the Group under finance leases was HK$3,350,000 (2011: HK$1,736,000).

Depreciation expenses of HK$53,531,000 (2011: HK$33,537,000) has been charged in selling and administrative expenses and cost of sales and HK$2,303,000 (2011: HK$1,742,000) has been included in inventories.

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	
	2012 HK$'000	2011 HK$'000
At 1 April	42,343	41,883
Additions (note 14(a))	117,742	—
Exchange differences	1,136	1,339
Amortisation (note 6)	(1,459)	(879)
At 31 March	159,762	42,343

16 INVESTMENT PROPERTIES

	Group	
	2012 HK$'000	2011 HK$'000
At 1 April	150,000	115,000
Transfer from property, plant and equipment (note 14)	76,789	—
Transfer to non-current asset as held for sale (note 21)	(76,000)	—
Fair value gains (note 5)	15,208	35,000
At 31 March	165,997	150,000

The investment properties were revalued at 31 March 2012 and 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 interests in investment properties, held on leases of between 10 to 50 years, are located in Hong Kong.

At 31 March 2012, the investment properties situated in Hong Kong with carrying value of HK$165,997,000 (2011: HK$150,000,000) were pledged as a security for bank borrowings made available to the Group (note 37).

17 INTANGIBLE ASSETS

	Group		
	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 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
Additions	364	—	364
Amortisation (note 6)	(552)	—	(552)
Closing net book amount	4,758	40,410	45,168
At 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
Year ended 31 March 2012			
Opening net book amount	4,758	40,410	45,168
Exchange differences	17	14	31
Additions	25	—	25
Amortisation (note 6)	(571)	—	(571)
Closing net book amount	4,229	40,424	44,653
At 31 March 2012			
Cost	5,995	40,424	46,419
Accumulated amortisation	(1,766)	—	(1,766)
Net book amount	4,229	40,424	44,653

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	
	2012	2011
Gross margin	34%	36%
Growth rate	0%	0%
Discount rate	10%	10%

The goodwill is associated with marine services business in Singapore.

The directors are of the opinion that there was no impairment of goodwill as at 31 March 2012 and 2011.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2012 HK$'000	2011 HK$'000
At 1 April	4,327	—
Additions	819	4,494
Net change in fair value transferred to equity (note 30)	112	(167)
At 31 March	5,258	4,327

Available-for-sale financial assets include the following:

	Group	
	2012 HK$'000	2011 HK$'000
Unlisted securities:		
— Insurance policy	4,089	3,977
— Other investment	1,169	350
	5,258	4,327

19 NON-CURRENT DEPOSIT

The balance represents prepayment for the purchase of machineries.

20 INTERESTS IN SUBSIDIARIES

	Company	
	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost (note (a))	249,897	249,897
Amounts due from subsidiaries (note (b))	306,534	306,011

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 March 2012 are set out in note 40 to the accounts.

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

21 NON-CURRENT ASSET HELD FOR SALE

On 6 March 2012, the Group entered into a provisional sale and purchase agreement with a third party to dispose of an investment property located in Hong Kong at a cash consideration of HK$76,000,000. The disposal is expected to be completed during the year ending 31 March 2013. As a result, it is classified as non-current asset held for sale as at 31 March 2012.

	Group	
	2012 HK$'000	2011 HK$'000
At 1 April	—	60,745
Transfer from investment properties (note 16)	76,000	—
Disposal of interest in an associated company	—	(60,745)
At 31 March	76,000	—

At 31 March 2012, the non-current asset held for sale was pledged as a security for bank borrowings made available to the Group (note 37).

22 INVENTORIES

	Group	
	2012 HK$'000	2011 HK$'000
Merchandise and finished goods	583,372	687,303
Raw materials	123,290	149,670
	706,662	836,973

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$4,538,163,000 (2011: HK$4,202,447,000).

As at 31 March 2012, the inventories of the Group are stated after a provision for impairment on inventories of approximately HK$27,952,000 (2011: HK$27,994,000).

23 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group	
	2012 HK$'000	2011 HK$'000
Accounts receivable — net of provision	1,088,457	1,080,041
Other receivables, deposits and prepayments	542,514	351,209
	1,630,971	1,431,250

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

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

The aging analysis of accounts receivable is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Current to 60 days	771,218	835,826
61 to 90 days	132,868	156,488
Over 90 days	184,371	87,727
	1,088,457	1,080,041

Accounts receivable 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 2012, accounts receivable of HK$76,110,000 (2011: HK$47,506,000) 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 accounts receivable is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Past due by:		
91–120 days	18,721	12,458
Over 120 days	57,389	35,048
	76,110	47,506

As at 31 March 2012, accounts receivable of HK$83,855,000 (2011: HK$102,043,000) 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 accounts receivable is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
At 1 April	102,043	108,293
Exchange differences	(3,229)	(1,566)
Bad debt written off against provision	(19,277)	(7,940)
Provision for impairment written back (note 6)	(2,143)	(3,342)
Provision for the year (note 6)	6,461	6,598
At 31 March	83,855	102,043

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	
	2012 HK$'000	2011 HK$'000
Financial assets at fair value through profit or loss		
Listed equities outside Hong Kong, at fair value	2,673	2,616
Mutual funds outside Hong Kong, at fair value	—	3,666
	2,673	6,282

The fair values of listed equity securities are based on their current bid prices in an active market.

25 RESTRICTED BANK DEPOSITS

	Group	
	2012 HK$'000	2011 HK$'000
Pledged as securities for bills payables (note 37)	174,446	152,258

Restricted bank deposits earn interest at a fixed rate of 3.17% per annum (2011: 2.50% per annum).

The restricted bank deposits are denominated in Renminbi.

26 BANK BALANCES AND CASH

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Cash at bank and in hand	219,707	348,030	60	113
Short-term bank deposits	545,338	334,694	—	—
	765,045	682,724	60	113

The effective interest rate on short-term bank deposits was 0.89% per annum (2011: 0.65% per annum). These deposits had an average maturity of 63 days (2011: 59 days).

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

	Group	
	2012 HK$'000	2011 HK$'000
Bank balances and cash	765,045	682,724
Bank overdrafts (note 28)	(1,370)	(2,641)
	763,675	680,083

27 ACCOUNTS PAYABLE AND OTHER PAYABLES

	Group	
	2012 HK$'000	2011 HK$'000
Accounts and bills payables	1,167,892	1,208,880
Accruals and other payables	232,649	153,381
	1,400,541	1,362,261
Less: non-current portions:		
Accounts payable (note (a))	(73,869)	—
	1,326,672	1,362,261

Note:

(a) As at 31 March 2012, accounts payable of HK$24,670,000 (2011: Nil) are unsecured, interest-bearing at 4.8% per annum and are repayable twelve months after the balance sheet date. The remaining balances of HK$49,199,000 (2011: Nil) are unsecured, interest-free and are repayable twelve months after the balance sheet date.

The carrying values of the accounts payable and other payables approximate their fair value.

27 ACCOUNTS PAYABLE AND OTHER PAYABLES (continued)

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

	Group	
	2012 HK$'000	2011 HK$'000
Current to 60 days	900,106	812,794
61 to 90 days	170,658	208,759
Over 90 days	97,128	187,327
	1,167,892	1,208,880

28 BORROWINGS

	Group	
	2012 HK$'000	2011 HK$'000
Non-current		
Bank loans — unsecured	497,500	631,700
Bank loans — secured (note 37)	59,916	89,034
Finance lease liabilities	1,959	252
Total non-current borrowings	559,375	720,986
Current		
Trust receipt loans — unsecured	559,732	600,803
Trust receipt loans — secured (note 37)	279,560	215,038
	839,292	815,841
Bank loans — unsecured	711,312	478,086
Bank loans — secured (note 37)	35,946	39,171
Bank overdrafts (note 26)	1,370	2,641
Finance lease liabilities	658	674
	749,286	520,572
Total current borrowings	1,588,578	1,336,413
Total borrowings	2,147,953	2,057,399

The Group's bank loans, overdrafts and trust receipt loans were repayable as follows:

	Group					
	Bank overdrafts		Bank loans		Trust receipt loans	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Within one year	1,370	2,641	747,258	517,257	839,292	815,841
In the second year	—	—	341,277	366,190	—	—
In the third to fifth years inclusive	—	—	216,139	354,544	—	—
	1,370	2,641	1,304,674	1,237,991	839,292	815,841

28 BORROWINGS (continued)

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

	Group	
	2012 HK$'000	2011 HK$'000
Hong Kong dollars	1,664,051	1,627,021
Renminbi	439,040	410,639
United State dollars	25,231	—
Singapore dollars	17,014	18,813
	2,145,336	2,056,473

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans range from 2.0% to 8.0% per annum (2011: 1.8% to 9.5% 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$1,220,205,000 (2011: HK$1,002,712,000). All of the Group's facilities are at floating rates and subject to periodic renewal.

Finance lease liabilities

	Group	
	2012 HK$'000	2011 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	693	717
Later than 1 year but not later than 5 years	1,648	264
Later than 5 years	373	—
	2,714	981
Future finance charges on finance leases	(97)	(55)
Present value of finance lease liabilities	2,617	926

	Group	
	2012 HK$'000	2011 HK$'000
The present value of finance lease liabilities was as follows:		
Not later than 1 year	658	674
Later than 1 year and no later than 5 years	1,593	252
Later than 5 years	366	—
	2,617	926

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

The effective interest rates at the balance sheet date ranged from 3.8% to 6.5% per annum (2011: 4.2% to 7.2% per annum).

29 SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	2012	2011	2012 HK$'000	2011 HK$'000
Authorised:				
Ordinary shares				
At beginning and end of the year	1,456,913,987	1,456,913,987	145,691	145,691
Convertible non-voting preference shares				
At beginning and end of the 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 beginning of the year	1,141,075,827	503,779,117	114,108	50,378
Exercise of bonus warrants (note (b))	—	726,329	—	73
Issuance of bonus shares (note (c))	—	636,570,381	—	63,657
At end of the year	1,141,075,827	1,141,075,827	114,108	114,108
Convertible non-voting preference shares				
At beginning and end of the year	132,064,935	132,064,935	13,207	13,207
Total	1,273,140,762	1,273,140,762	127,315	127,315

29 SHARE CAPITAL (continued)

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.

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

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

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

During the years ended 31 March 2012 and 2011, no convertible non-voting preference shares were converted.

(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 ended 31 March 2011, 726,329 ordinary shares of HK$0.10 each were issued upon the exercise of 726,329 units of bonus warrants. All the bonus warrants expired on 4 June 2010 and as at 31 March 2011, no bonus warrants were outstanding. According, no ordinary shares were issued during the year ended 31 March 2012 in relation to the bonus warrants.

(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.

29 SHARE CAPITAL (continued)

Notes: (continued)

(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 2012, no option has been granted under the Option Scheme (2011: same).

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.

(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	Retained earnings HK'000	Total HK'000
At 1 April 2010	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)
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
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
At 1 April 2011	161,262	127,468	33,311	126,201	636,584	1,084,826
Profit for the year	—	—	—	—	54,201	54,201
Revaluation of land and building	—	48,405	—	—	—	48,405
Revaluation of available-for-sale financial assets (note 18)	—	112	—	—	—	112
Currency translation differences	—	—	—	44,715	—	44,715
2010–2011 final dividend paid	—	—	—	—	(12,731)	(12,731)
2011–2012 interim dividend paid	—	—	—	—	(6,366)	(6,366)
Acquisition of addition interest from a non-controlling interest (note 34(a))	—	—	740	—	—	740
Partial disposal of a subsidiary (note 34(b))	—	—	170,660	—	—	170,660
Reserves	161,262	175,985	204,711	170,916	659,211	1,372,085
Proposed 2011–2012 final dividend	—	—	—	—	12,477	12,477
At 31 March 2012	161,262	175,985	204,711	170,916	671,688	1,384,562

30 RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus (note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2010	224,411	249,697	16,628	490,736
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
2009–2010 final dividend paid	—	—	(12,731)	(12,731)
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
At 1 April 2011	161,262	249,697	17,116	428,075
Profit for the year (note 9)	—	—	19,605	19,605
2010–2011 final dividend paid	—	—	(12,731)	(12,731)
2011–2012 interim dividend paid	—	—	(6,366)	(6,366)
Reserves	161,262	249,697	5,147	416,106
Proposed 2011–2012 final dividend	—	—	12,477	12,477
At 31 March 2012	161,262	249,697	17,624	428,583

(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 amounted to HK$33,311,000. In addition, it represents the gain from the acquisition of 9% additional interest in a subsidiary during the year amounted to HK$740,000 as set out in note 34(a) and the gain on disposal of 22.3% equity interests in a subsidiary during the year amounted to HK$170,660,000 as set out in note 34(b).

(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% (2011: 16.5%).

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

	Group	
	2012 HK$'000	2011 HK$'000
At 1 April	45,156	32,684
Charged to profit and loss account (note 8)	5,389	5,982
Charged directly to equity	38,815	6,490
Exchange difference	722	—
At 31 March	90,082	45,156

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	
	2012 HK$'000	2011 HK$'000
At 1 April	26,461	31,394
Charged to profit and loss account	(14,266)	(4,933)
Exchange difference	444	—
At 31 March	12,639	26,461

Deferred tax liabilities

	Group							
	Accelerated tax depreciation		Fair value gains		Other		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
At 1 April	39,717	44,444	31,900	19,634	—	—	71,617	64,078
Charged directly to equity (notes 8 and 34)	—	—	15,720	6,490	23,095	—	38,815	6,490
(Credited)/charged to profit and loss account	(11,386)	(4,727)	2,509	5,776	—	—	(8,877)	1,049
Exchange difference	1,166	—	—	—	—	—	1,166	—
At 31 March	29,497	39,717	50,129	31,900	23,095	—	102,721	71,617

31 DEFERRED TAXATION (continued)

The net amounts shown in the balance sheet include the following:

	Group	
	2012 HK$'000	2011 HK$'000
Deferred tax assets to be recovered after more than 12 months	4,940	7,195
Deferred tax liabilities to be settled after more than 12 months	(95,022)	(52,351)
	(90,082)	(45,156)

32 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent an interest rate swap entered into by the Group during the year ended 31 March 2012. The notional principal amount of the outstanding interest rate swap contract as at 31 March 2012 was HK$20,000,000 (2011: Nil). As at 31 March 2012, the interest rate under the interest rate swap was 1.73% per annum.

33 CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Group	
	2012 HK$'000	2011 HK$'000
Operating profit	153,596	135,126
Depreciation of property, plant and equipment	53,531	33,537
Amortisation of prepaid premium for land leases	1,459	879
Amortisation of intangible assets	571	552
Fair value gains on investment properties	(15,208)	(35,000)
(Gains)/losses on disposal of property, plant and equipment	(96)	4,701
Net gain on disposal of an associated company	—	(4,520)
Realised and unrealised losses on derivative financial instruments	399	—
Net (gains)/losses on investments in financial assets	(1,563)	33
Realised and unrealised gains on derivative financial instruments	—	(633)
Dividend income	(241)	(633)
Interest income	(11,668)	(5,429)
Operating profit before working capital changes	180,780	128,613
Decrease/(increase) in inventories	132,614	(140,518)
Increase in accounts receivable, deposits and prepayments	(199,721)	(36,020)
Increase in accounts payable and accruals	28,922	63,085
Effect of change in exchange rates	14,916	13,730
Net cash generated from operations	157,511	28,890

33 CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Analysis of changes in financing during the year

	Group	
	Bank loans	
	2012	2011
	HK$'000	HK$'000
At 1 April	1,237,991	547,110
Exchange differences	14,769	3,026
Bank loans raised	504,576	1,051,297
Repayment of bank loans	(452,662)	(363,442)
At 31 March	1,304,674	1,237,991

34 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Allotment of ordinary shares and acquisition of 9% additional interest in a subsidiary

On 9 September 2011, the shareholders of Samson Paper (M) Sdn. Bhd. ("Samson Paper Malaysia") resolved to increase the share capital from RM2,250,000 divided into 2,250,000 ordinary shares of RM1.00 each to RM7,500,000 divided into 7,500,000 ordinary shares of RM1.00 each. The Group allotted 5,250,000 ordinary shares of RM1.00 on 28 October 2011 and increased its shareholdings in Samson Paper Malaysia from 70% to 91%.

On 1 November 2011, the Group acquired the remaining 9% equity interests in Samson Paper Malaysia at the consideration of RM743,000 (equivalents to HK$1,883,000) from the non-controlling shareholder. The effect of changes in the ownership interest of Samson Paper Malaysia on the equity attributable to owners of the Company during the year is summarised as follows:

	2012
	HK$'000
Carrying amount of interests acquired	12,776
Acquisition of additional interest from a non-controlling shareholder	3,163
	15,939
Consideration paid	15,199
Gain from acquisition recognised within equity	740

(b) Disposal of 22.3% equity interests in a subsidiary

On 15 March 2012, the Group disposed of 22.3% equity interest in a wholly owned subsidiary, Mission Sky Group Limited ("Mission Sky"), at a consideration of US$38,051,000 (approximately HK$294,895,000). The principal activity of Mission Sky and its subsidiaries are engaged in investment holding, trading of various paper products and manufacturing of paper products in the PRC.

34 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

(b) Disposal of 22.3% equity interests in a subsidiary (continued)

The effect of changes on the equity attributable to owners of the Company during the year is summarised as follows:

	2012 HK$'000
Consideration received	294,895
Carrying amount of equity interest disposed of	(98,340)
Acquisition-related costs directly attributable to the transaction	(2,800)
Deferred taxation (note 31)	(23,095)
Gain on disposal recorded in equity, net deferred taxation	170,660

There was no transactions with non-controlling interests in 2011.

35 BANK GUARANTEES

At 31 March 2012, the Company continues to provide corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2012 amount to HK$2,148,000,000 (2011: HK$2,057,000,000).

36 COMMITMENTS

(a) Capital commitments

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

	Group	
	2012 HK$'000	2011 HK$'000
Property, plant and equipment		
Contracted but not provided for	217,333	351,935

(b) As at 31 March 2012, the Company had commitment in respect of the injection of capital into certain subsidiaries in the PRC amounted to approximately HK$93,920,000 (2011: HK$93,920,000).

36 COMMITMENTS (continued)

(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.

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

	Group	
	2012 HK$'000	2011 HK$'000
Not later than one year	15,747	17,779
Later than one year and not later than five years	7,223	9,754
Later than five years	2,259	—
	25,229	27,533

(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	
	2012 HK$'000	2011 HK$'000
Not later than one year	4,152	7,214
Later than one year and not later than five years	7,921	12,074
	12,073	19,288

37 CHARGE OF ASSETS

At 31 March 2012, trust receipt loans of HK$279,560,000 (2011: HK$215,038,000) and bank loans of HK$95,862,000 (2011: HK$128,205,000) are secured by legal charges on the Group's land and buildings, investment properties and non-current asset held for sale with aggregate net book amount of HK$307,570,000 (2011: HK$291,443,000) (notes 14, 16 and 21).

At 31 March 2012, bills payables of HK$494,113,000 (2011: HK$536,249,000) are secured by restricted bank deposits of HK$174,446,000 (2011: HK$152,258,000) (note 25).

38 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:

	Group	
	2012 HK$'000	2011 HK$'000
(a) Purchase from related party		
Purchase of merchandise from an investee company	310,371	70,866

The above transactions was conducted at negotiated prices between transacting parties.

	Group	
	2012 HK$'000	2011 HK$'000
(b) Year-end balances arising from purchases of goods		
Payables to an investee company	69,224	68,089

Amounts due are unsecured, interest-free and repayable with credit period of 90 days.

(c) Key management compensation

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

39 ULTIMATE HOLDING COMPANY

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

40 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
			2012 & 2011	
Shares held directly:				
[1] Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK$1 each	100	Investment holding in Hong Kong
Shares held indirectly:				
Boardton Consultants Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	Property investment in Hong Kong
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 in Hong Kong
[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 in Hong Kong
High Flyer Logistics (Hong Kong) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100	Logistics services in Hong Kong
[1] Hypex Holdings Limited[2]	British Virgin Islands	2 ordinary shares of US$1 each	100	Investment holding in Singapore
[1] Shenzhen High Flyer International Transportation Co. Ltd.[2]	The PRC	Registered capital RMB10,000,000	80.4	Container transport services in the PRC
Samson Paper Company Limited	Hong Kong	10 ordinary shares of HK$100 each	100	Trading of paper products in Hong Kong
		28,500 non-voting shares of HK$100 each	100	

40 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
				2012 & 2011	
	Shares held indirectly: (continued)				
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 in Hong Kong
1	Samson Paper (M) Sdn. Bhd.[2]	Malaysia	7,500,000 ordinary shares of RM1 each (2011: 2,250,000)	100 (2011: 70)	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 in Hong Kong
			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$41,111,000	79.93 (2011: 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. All of the subsidiaries established in the PRC are limited liability companies.

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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