2018

Annual Report

森信 Samson group 集團

Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

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

Independent Auditor

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

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

Consolidated Statement of Profit or Loss

	For the year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Revenue	5,759,596	5,173,620
Operating profit	320,128	201,943
Finance costs	80,524	73,205
Profit before taxation	239,604	128,738
Profit attributable to owners of the Company	196,755	84,714

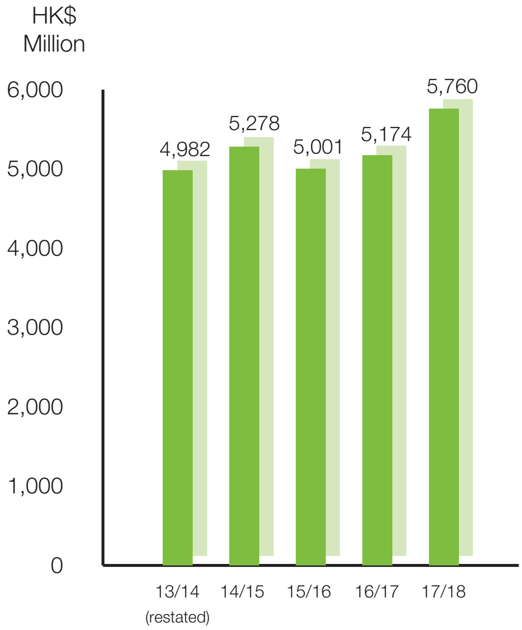
Consolidated Balance Sheet

	As at 31 March	
	2018	2017
	HK$'000	HK$'000
Non-current assets	2,802,006	2,461,518
Current assets	3,864,964	3,180,996
Current liabilities	3,115,913	2,734,566
Shareholders' funds	2,104,910	1,671,539
Non-current liabilities	1,205,200	1,031,830

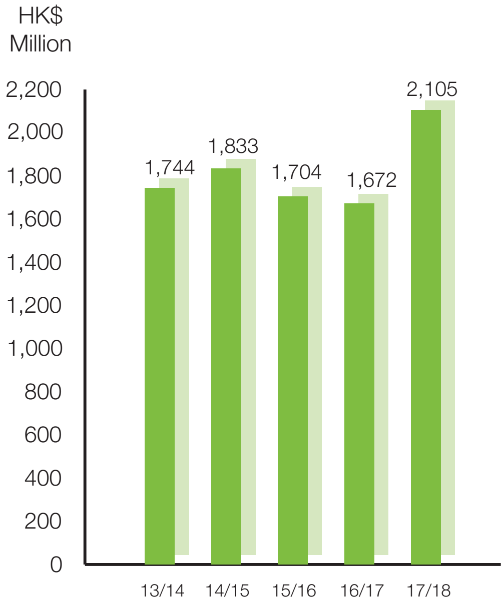
Share Statistics

Earnings per share — basic	HK16.98 CENTS	HK7.16 CENTS
Earnings per share — diluted	HK15.45 CENTS	HK6.65 CENTS
Dividends per share	HK3.15 CENTS	HK2.30 CENTS
Net asset value per ordinary share	HK184 CENTS	HK146 CENTS

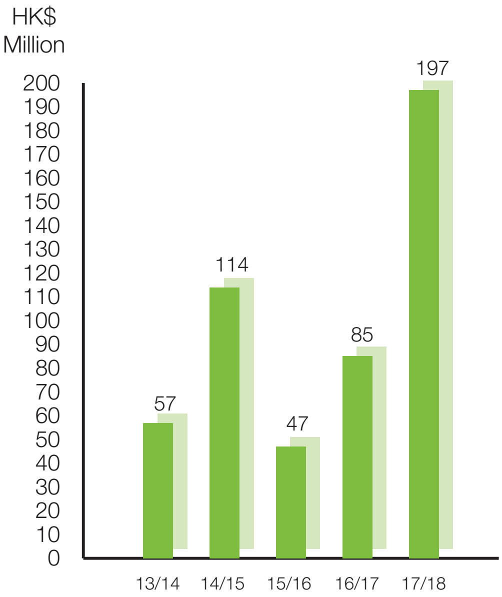
Revenue



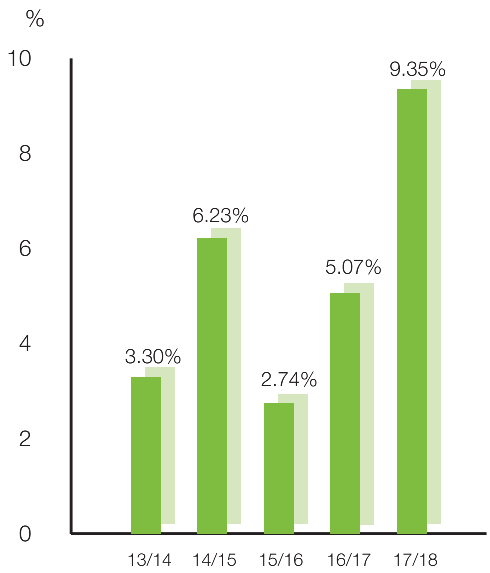
Shareholders' Funds



Profit Attributable to Owners of the Company



Return on Shareholders' Funds



The Economy

For the financial year under review, China's economy grew a forecast-beating 6.8% in the first quarter of 2018 from a year earlier, overcoming the Chinese government's battle on financial risk and pollution. The national economy maintained the momentum of steady and sound development. The main contributors to the growth lie in the expansion of the service sector and strong consumption. The official purchasing managers' index rose to 51.5 in March 2018 which showed manufacturing growth picked up in response to stronger domestic and overseas demand.

The Hong Kong's gross domestic product in the first quarter of 2018 grew 4.7% from a year earlier, driven by rising asset prices, especially the booming property market and stock market. Data on retail sales, trade and employment for the first quarter of 2018 suggest that Hong Kong's fundamental remains strong.

The Paper Industry

For the first half of the financial year, price for printing paper grades kept climbing, driven by rising pulp costs. As the pulp costs continued to sustain at a high position, price for the grades stayed steady at a high level for the second half of the year. For packaging boards with recycled grades, paper prices faced drastic volatility for the year. In the third quarter of 2017, price for the packaging boards with recycled grades has been shot up to a record high levels amid the soaring furnish costs and supply cuts. When demands for the grades soften and fall in recovered paper price in the fourth quarter of 2017, there were several rounds of price downward adjustments faced by the market. After the pick up in the demand in the first quarter of 2018, price for the grades was gradually recovered and stabilized at an upward trend. At the same time, as the authorities underwent the deleveraging and de-risk campaign, banks tended not to ease liquidity for customers for their working capital uses. There were concerns whether customers were able to withstand the soaring paper prices in their businesses while they were facing the environmental scrutiny from the authorities.

Overview of Operations

Financial Performance
Against the backdrop of increasing paper prices and additional operating costs burden on customers' business, to fend off these uncertainties, the Samson Group (the "Group") took measures to mitigate the effect of the price volatility of paper products and credit exposure on customers by keeping less stocks and carrying out more indent sales while monitoring closely the working situation of customers. The implemented measures have taken effect and have been reflected in the Group's performance for the year. Amid the rising paper prices, the Group recorded a 11.3% growth in overall turnover to HK$5,759,596,000 while there was a 12.2% decrease in sales volume to 997,000 metric tonnes. The gross profit slightly decreased by 1.4% to HK$536,322,000 mainly resulting from the effect of more indent sales orders with margin relatively lower than that of stock sales orders made for the year and change of business strategies of fast-moving consumer goods ("FMCG") segment. With significant gain on fair value of investment properties, including those presented as assets classified as held for sale, of HK$143,700,000 (2017: HK$34,800,000), the profit for the year rose significantly by 117.6% to HK$204,324,000 (2017: HK$93,888,000). Profit attributable to the owners of the Company rose by 132.3% from HK$84,714,000 to HK$196,755,000. Basic earnings per share were HK17.0 cents.

The Board has recommended the payment of a final dividend of HK2.75 cents per share. Together with an interim dividend of HK0.4 cent per share already paid, total dividend for the year will amount to HK3.15 cents per share, translating to a dividend payment ratio of approximately 20.4%.

Strong strategies implementation which is a key priority of the Group has led to achievement of the target set for the year. The Group intends to keep an appropriate level of cash reserve to enhance the working capital position as well as to cater for further investment opportunities ahead. As at 31 March 2018, the Group had cash and bank balance (including restricted bank deposit) of HK$528,779,000 with a gearing ratio at a healthy level of 45.9%. The finance costs are HK$80,524,000, which is 1.4% (2017: 1.4%) of the Group's total revenue. As consequence of exercising a stringent credit policy as well as closely monitoring the liquidity and business situation of customers, the Group's debtor turnover days is further shortened by 4 days. The provision for impairment loss of receivables is at HK$7,629,000, representing 0.1% of the Group's total revenue while the write back of the provision is HK$7,779,000.

Paper Business

Supported by the prolonged upturn in pulp costs, paper producers for printing paper grades kept on pushing higher prices for their paper products. These high prices have exhausted customers' purchasing power. For packaging boards with recycled grades, paper prices were volatile following the movements of recovered paper price and the demand situation in the domestic market. Amid these market conditions, the Group has taken more cautious manner on various sales and procurement strategies in line with the various situation among different regions in China with an aim to achieve higher profitability and low risk in credit as well as not pursuing for the increase in market share. At the backdrop of rising selling price, the Group achieved a significant growth of 12.2% in turnover from HK$5,000,698,000 to HK$5,609,824,000. In volume term, the sales tonnage decreased by 12.2%. Operating profit was HK$175,385,000, a slightly 2.9% decrease compared with last year.

For paper trading business, the Group reported a strong rise of 12.7% in turnover of HK$4,339,264,000 but a 10.3% decrease in sales tonnage ascribing to the success of price hikes of paper products and focusing on sales strategies with an aim on higher profitability. Turnover from paper trading business in the People's Republic of China (the "PRC") market rose strongly by 12.4% to HK$3,168,213,000 with a decrease of 15.4% in volume. At the same time, Hong Kong market achieved a turnover of HK$746,077,000, grew significantly by 13.1% compared to the corresponding last year. As for other Asian countries, the Group has spent more efforts and resources on expansion of the business in the region and attained support from suppliers for more tonnage allocation to the Group. The business' turnover as a result rose 14.2% in sales to HK$424,973,000 as compared to the corresponding last year with a 7.1% growth in sales tonnage.

For paper manufacturing business, the segment's turnover rose by 10.4%, including inter-segment revenue, to HK$1,288,979,000 with a decrease of 16.0% in the sales tonnage, attributable to rising selling price of paper products. Amid the increasing operating costs faced by the business segment, operating profit decreased by 31.7% to HK$54,766,000 with its operating profit margin at 4.3%.

Property Development and Investment

Property Development

For the Nantong business park project, the project entity has been approved to develop the subject land. After the relevant construction permits have been obtained, construction work on properties with total gross floor area ("GFA") of 16,306 sq.m. on the site of phase one has been commenced. Deposits of RMB10,700,000 has been received from three potential purchasers with an estimated sale value of RMB35,400,000 in total on the phase one site covering an estimated total GFA of 8,551 sq.m.. Among these three potential purchasers, one purchaser intended to acquire property with GFA of 3,265 sq.m. to be built in the third quarter of 2018. As at 31 March 2018, costs under property under development amounted to HK$139,502,000.

During the year under review, construction work for the Xiamen project was in progress. An office/warehouse hybrid with total GFA of 16,296 sq.m. was under construction and, subject to management's decision, certain portion of the property may be leased to third party.

Property Investment

For the year, the rental income made from the investment properties and including those presented as assets classified as held for sale, with a value of HK$694,000,000 as at 31 March 2018 rose by 6.2% to HK$19,831,000 from HK$18,675,000 in last year. A gain on fair value change on the investment properties and including those presented as assets classified as held for sale of HK$143,700,000 was recorded as compared to a gain on fair value change of HK$34,800,000 in last year. Tapping on the development of the Nantong business park project, the Group expanded its property management division from Hong Kong to the regions in Mainland China, covering, in addition to properties developed in Nantong and Xiamen, those properties occupied by other intergroup segments as well as those properties in overseas since October 2017. Additional rental revenue for the property segment arising from these intergroup segments amounted to HK$19,175,000 for the six month ended 31 March 2018. Together with the rental earned from third parties of HK$19,831,000, the gross rental revenue of property segment is HK$39,006,000 for the year.

A PRC property management entity, called Nantong Property Management Co. Limited has been formed in June 2018 to cater for the management service provided for the property owners of properties developed in the site of Nantong business park. Additional property management service income will be generated from this new operation.

Other Businesses

These business segments include the aeronautic parts and service business, marine services business, consumable product business and logistic services.

The aeronautic parts and services business and marine services business recorded turnover of HK$15,966,000 and HK$44,175,000 respectively during the year under review.

During the year, the consumable product market has gone through a challenging year with intensifying and changing competition among supplies, gradually rising cost in operations including human resource and logistics and rapidly changing consumer behaviors. The Group's procurement team has strictly implemented the innovatively procurement strategy and successfully increased the direct import product portfolio, which led to further margin improvements and product variety diversification. With enhancement accomplished on supply chain this year, higher service standard on delivery and product quality control has been fulfilled. The segment's revenue decreased 6.3% from HK$72,751,000 to HK$68,164,000. With the change of business strategy, operating loss reduced from HK$18,511,000 to HK$1,573,000.

Prospects

The mainland's manufacturing sector grew at the fastest pace in eight months in May of 2018 easing concerns about an economic slowdown even facing risks from trade tensions with the United States and a crackdown on debts.

Price for printing paper grades becomes soften as demand weaken during the summer season but expects to stay steady at a high level when demand recovers as pulp price continues to hover at high level. For packaging board with recycled grades, paper price is expected to keep climbing in long run resulting from the growing furnish costs amid the China's tightened regulation on recovered paper imports and the environmental related closure of production lines. Higher paper costs might exert a heavy burden on customers' operating costs and thus affects the sustainability of their business. Under such market conditions, the Group continues to closely monitor and assess the customers' operation to lower down the credit risks. The Group continues to adopt sales strategies with an intention keeping less stocks and obtaining more indent orders to mitigate the volatility of paper prices. For manufacturing segment, the Group put in resource in upgrading the production facilities and power plant to attain cost savings in the production processes. Leverage on the Group's strong relationship with paper mills in China and our existing oversea sales offices, the Group is planning to expand oversea sales to countries other than Hong Kong and Mainland China. At the same time, the Group continues to uphold those measures taken since previous year in streamlining and centralizing internal processes to achieve effectiveness and efficiency.

For the property development and investment segment, in respect of the Nantong business park, a construction work planning permit on properties with total GFA of 17,450 sq.m. on the site for the second stage of phase one will be applied with the municipal planning authority. Once this permit and a construction work commencement permit is awarded, the project team will discuss with potential customers for the final design of the said properties and construction work can be started. In addition, segregation of property right for sales permit for the business park project has been obtained in April 2018. Once the acceptance and examination on completion of construction properties with total GFA of 16,306 sq.m. on the said site for phase one is obtained which is expected to be carried out in the third quarter of 2018, the ownership of the properties with an estimated total GFA of 5,286 sq.m. is allowed to be transferred and the sales revenue will be recorded. It is expected that the Nantong project will generate a steady stream of revenue and cash inflow arising from the sales properties and service income in the coming year. The success of the project will further establish the Group's status in property development business. For the Xiamen project, the acceptance and examination on completion of construction property is expected to be carried out in the third quarter of 2018. Subject to management's decision, certain properties may be leased to third parties in the near future.

We will continue to assess our property portfolio in view of the market conditions from time to time and explore opportunities to broaden and rejuvenate the same to generate the best possible returns for our shareholders.

For consumable product business segment, which has achieved substantial progress in overseas procurement and improvements in operation results, the Group will concentrate in expanding the sales distribution network while continue improving on overseas procurement to secure more high quality and stable supplies, aiming to achieve greater performance of this business segment and drive sustainable growth in the long term.

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 the entire Group's workforce.

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 27 June 2018

Turnover by Geographical Area

For the financial year under review, the Group reported a strong 11.3% growth in overall turnover from HK$5,173.6 million to HK$5,759.6 million.

Against the rising selling price supported by the prolonged upturn in pulp costs and the adoption of the cautious sales and procurement strategies in paper trading segment, turnover of paper business achieved a significant growth of 12.2% from HK$5,000.7 million to approximately HK$5,609.8 million. In volume terms, the total sales tonnage of paper business in all geographical regions decreased by 12.2% to 997,000 metric tonnes. Sales in the PRC saw a rise of 11.8% from HK$3,969.0 million to HK$4,438.8 million, making up approximately 79.1% of the Group's total revenue from paper products. Sales of paper products in Hong Kong contributed 13.3% while those in Malaysia and other countries contributed the remaining 7.6% of the Group's revenue from paper business.

In addition to the paper business, the Group engaged in the property development and investment, the FMCG business, the distribution business of consumable aeronautic parts and provision of related services and marine services business. These business segments together contributed approximately HK$149.8 million, 2.6% (2017: HK$172.9 million, 3.3%) of the Group's total revenue.

	2018 HK$ million	2017 HK$ million	% change
Hong Kong			
Paper trading	746.1	659.6	13.1%
Rental services	19.8	18.7	5.9%
FMCG business	68.2	72.7	−6.2%
The PRC			
Paper trading	3,168.2	2,819.2	12.4%
Paper manufacturing	1,270.6	1,149.8	10.5%
Logistics services	1.6	1.7	−5.9%
Singapore			
Marine services	44.2	51.5	−14.2%
Aeronautic parts and services	16.0	28.3	−43.5%
Other regions			
Paper trading	424.9	372.1	14.2%
Total revenue	5,759.6	5,173.6	11.3%

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

(in '000 Metric Tonnes)	2017	2016	+/−
Import	539	550	−2.0%
Re-export	150	109	37.6%
Local consumption	389	441	−11.8%

Turnover by Geographical Area (continued)

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

(in '000 Metric Tonnes)	2017	2016	+/−
Newsprint	330	60	450.0%
Woodfree	630	410	53.7%
Coated paper	450	350	28.6%
Corrugated board	1,600	1,150	39.1%
Duplex board	620	580	6.9%
Corrugating medium	650	80	712.5%
Others	380	340	11.8%
	4,660	2,970	56.9%

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 carries a stock of over 100 paper brands. The Group's two main product categories, book printing papers and packaging boards, accounted for approximately 39.4% and 49.9% of the Group's turnover of paper products respectively. For the year under review, sales of book printing papers and packaging boards rose by 13.5% and 10.2% respectively as paper prices were hovering at high level with support by high pulp costs for printing grades and high furnish costs for packaging recycled grades during the year.

Working Capital and Inventory Management

As high paper prices have exhausted customers' purchasing ability and added serious cost burden on their operations, the management cautiously assessed the creditability of customers rather to pursue on the growth in revenue. During the year, as banks in Mainland underwent a deleveraging exercise and more cautious to offer liquidity to customers, the management has made additional effort on monitoring closely the performance of customers. The Group's effort has achieved fruitful results, which enables the Group to shorten the collection period by further four days as compared with previous year and has a write back of impaired receivable provision of HK$7.8 million for the year under review. This further indicates that the Group's operation control and policy is able to fend off the financial risks faced in the market. As a part of risk management, the Group continued to have credit insurance coverage on the accounts receivable of paper business in Hong Kong and the PRC while for prudent purpose, the Group continued to take conservative approach to make provision for doubtful debts to cover the credit exposure. Impaired receivable provision of HK$7.6 million was made, which is at 0.1% of the Group's total revenue.

To maintain a strong working capital position and minimize the risk exposure of the value of stocks against paper price, the Group has kept a low level of stocks at HK$840.0 million as at 31 March 2018 amid the rising price trend of paper products while by tonnage the closing stocks as at 31 March 2018 is 3% less than that of 2017.

Employees and Remuneration Policies

As at 31 March 2018, the Group employed 1,659 staff members, 125 of whom are based in Hong Kong, 1,275 are based in the PRC and 259 are based in other countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund and medical insurance. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

Liquidity and Financial Resources

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flows generated from operations, long term borrowings and shareholders' equity for the financing of long term assets and investments. As at 31 March 2018, short term deposits plus cash and bank balances amounted to HK$529 million (2017: HK$597 million) (including restricted bank deposits of HK$169 million (2017: HK$139 million)) and bank borrowings amounted to HK$2,517 million (2017: HK$2,076 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2018, the Group's gearing ratio was 45.9% (2017: 44.1%), calculated as net debt divided by total capital. Net debt of HK$1,988 million (2017: HK$1,479 million) is calculated as total borrowings of HK$2,517 million (2017: HK$2,076 million) (including trust receipt loans, short term and long term borrowings, finance lease obligations and bank overdraft) less cash, bank balances and restricted deposits of HK$529 million (2017: HK$597 million). Total capital is calculated as total equity of HK$2,346 million (2017: HK$1,876 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.24 times (2017: 1.16 times).

With cash and bank balances and other current assets amounted to HK$3,865 million (2017: HK$3,181 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 2018, bank borrowings in Renminbi amounted to HK$119 million (2017: HK$86 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.

Contingent Liabilities and Charge of Assets

As at 31 March 2018, 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 2018 amounted to HK$2,513 million (2017: HK$2,070 million).

Certain land and buildings, and investment properties, including those presented as assets classified as held for sale, of the Company's subsidiaries, with a total carrying value of HK$323 million as at 31 March 2018 (2017: HK$637 million) were pledged to banks as securities for bank loans of HK$49 million (2017: HK$35 million) and trust receipt loans of HK$143 million (2017: HK$122 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 2018, 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 25.) 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 years. One-third of the Directors, who have served the longest on the Board, must retire from office at each Annual General Meeting and their re-election is subject to 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.

Directors' Training and Professional Development

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Continuing briefings and professional development for Directors are arranged whenever necessary. In addition, reading materials on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and references. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 March 2018, the Company has organized training sessions provided by external professional firm to the Board.

Board of Directors (continued)

Directors' Training and Professional Development (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)	3/4			
Mr. LEE Seng Jin (Deputy Chairman and Chief Executive Officer) (note 3)	4/4		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	3/3		1/1
Mr. TONG Yat Chong (note 1)	4/4	3/3	1/1	
Mr. NG Hung Sui, Kenneth	3/4		1/1	1/1
Non-executive Director				
Mr. LAU Wang Yip, Eric	4/4	2/3		

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 39 to the accounts of this Annual Report.

Pursuant to B.1.5 of the Corporate Governance Code, the remuneration of the members of the Senior Management (including executive directors) by band for the year ended 31 March 2018 is set out below:

Remuneration band (HK$)	Number of persons
Nil to 2,000,000	5
above 2,000,000	2

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.

The Nomination Committee has considered a number of aspects, including but not limited to genders, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services. The Nomination Committee will also consider factors based on the Company's business model and specific needs from time to time in determining the optimum composition of the Board.

Audit Committee

The audit committee of the Company (the "Committee") 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 Committee include the review and supervision of the Group's financial reporting process and internal controls. The Committee has met with the senior management of the Company and the Company's external auditor to review the annual results for the year ended 31 March 2018 before recommending them to the Board for approval.

Company Secretary

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the board chairman and the chief executive. During the year 2017/2018, the company secretary has taken no less than 15 hours of relevant professional training.

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 2017/2018, 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 2017, 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.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

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 2018/2019 was held in February 2018. 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 2017/2018 (i.e. April to September 2017) was conducted in October 2017. 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	2,713
(b)	Non-audit services (note)	88

Note: Non-audit services include certain agreed-upon procedures, limited assurance engagement and taxation related services.

Model Code for 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 judgements 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 31.

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.

Shareholders' Rights

Under the Company's Bye-laws, two or more shareholders holding not less than one-tenth of the paid-up capital of the Company can, by deposit a written requisition signed by the shareholders concerned to the Board or the Company Secretary to the principal place of business of the Company at 3/F, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

Changes in Constitutional Documents

There is no significant change in the Company's constitutional documents during the year ended 31 March 2018. These documents are published on the website of the Company and the Stock Exchange.

Introduction

The Group deeply believes that the sustainable development of an enterprise not only involves striving to create maximal interests for various stakeholders, but also involves the crucial elements of maintaining sound corporate governance, undertaking corporate social responsibility, complying with environmental legislation, and making ongoing commitments to environmental protection principles. For this reason, the Group's paper manufacturing business in Shandong Province, China (the "paper manufacturing business"), paper trading business and other business have been strictly observing the relevant laws, employment ordinances and environmental protection policies of various local governments.

Environmental

Emissions

A sound sewage treatment system and a power supply system are already in place for the Group's paper manufacturing business, equipped with an automatic 24-hour environmental monitoring system to monitor major emitted pollutants on a real time basis. The emission indexes for the current major emitted pollutants have all reached or outperformed China's environmental emission standards.

To further reduce the unpleasant smell that arise from the sewage treatment process, the paper manufacturing business has added extra equipment to the original unpleasant smell reduction process. The sources of smell are contained and sealed, and stench is transmitted to and treated at cleansing systems such as chemical washing and ion deodorization facilities. Through these measures, the Group further improved its performance in gas emission. The new power supply units under construction in the power plant were under commissioning in the first half of 2018 and are expected to commence operation in the middle year of 2018. These units are designed not only to meet the requirements of ultra-low emissions, but also to reduce the production costs of the Group. Upon smooth operation of these units, the emission indicators will be further enhanced from the existing levels while the ancillary facilities required for power generation will be optimized. The Group believes that the smooth commissioning of these new power supply units will allow environmental work to advance further.

The Environmental Protection, Natural Resources and Use of Resources

The Group actively advocates resource recycling, and the paper manufacturing business is equipped with a sewage treatment plant furnished with advanced Fenton technology and a well-established anaerobic system. CH_4 (methane) generated in the course of sewage treatment is sent to the thermal power plant's incinerator for incineration after being pressurized by blowers. The heat value generated is supplied to the thermal power plant for power generation. If the power plant is in normal operation, about 7 tons of standard coal can be saved each day.

The paper manufacturing business is also equipped with a wastewater reuse system to collect the recyclable water discharged from the production line. After a filtration treatment, the water is then supplied to the production line through a reclaimed water pump house. In this way, some of the water resources can be recycled.

The Group has green office practices in place at present, such as promoting the use of recycled paper and recycling of waste paper, turning off idle lighting equipment and electrical appliances. In addition, the Group is implementing the national unified computer document processing system by stages, which is expected to substantially reduce the amount of paper for office use. In addition, the paper manufacturing business is gradually installing energy-efficient lights and replacing the old lights with energy-efficient ones in its plant, in a bid to further reduce power consumption.

System Certifications and Awards
The paper manufacturing business has obtained the "ISO14001 Environmental Management System Certification", "FSC/COC Certification for Manufacturing and Marketing", "ISO50001 Energy Management System Certification", "ISO9001 Quality Management System Certification" and "OHSAS18001 Occupational Health and Safety Management System Certification". The Group's paper trading business has obtained the "FSC/COC Certification for Manufacturing and Marketing".

In addition, Samson Paper Company Limited under the Group, which has received accolades consecutively over the past years from Carbon Care Asia, was awarded the "CarbonCare Label" for 2017.

Social
Since its inception in 1965, the Group has grown into a corporation with more than 1,000 serving employees. It has been applying a human resources management policy which is people-oriented as talents are the most important assets, and places emphasis on the career development and health and work safety of each employee.

As at 31 March, 2018, the Group has hired 1,659 full-time employees, among whom 125 are based in Hong Kong, 1,275 are based in mainland China and 259 are based in other countries. Male and female employees account for 70% and 30% of all employees, respectively. 78% of employees are general workers, while 14% of employees are director-level and 8% are managerial-level. Employees aged under 30, aged between 31 and 50, and aged above 51 account for 30%, 64% and 6% of total employees, respectively.

Remuneration Mechanism
To cherish the existing competent employees, retain the competent employees, attract competent potential employees and train competent employees, the Group has set up a comprehensive staff salary assessment system, a sound salary increase system and a sales commission mechanism. There is also a system for offering additional subsidies and benefits to employees, as well as bonuses linked to the employees' performance and the Group's profitability, so that the value of employees' contributions to the Group can be recognized in a more direct manner. The Group also has a long service award scheme in place to commend and express appreciation to employees for their long-time contributions.

Health and Work Safety
Employees' health and work safety has always been our core concern, with an aim to carry out safety management effectively and protect the safety of our employees. The paper manufacturing business makes arrangements with medical institutions to carry out on a regular basis physical checkups for its employees; publishes the test results of noise, dust concentration and production temperature on the production line; ensures the environmental safety of the production workshop and takes appropriate protective measures for the employees.

A safety department has been specifically established for the paper manufacturing business. Meanwhile, a safety committee comprising management members of all departments has been set up as well. The committee has established a safety risk control system and a potential safety risk investigation and control system as well as convenes a safety reporting meeting on a monthly basis. Moreover, the committee holds regular prize-giving contests on safety, fire, environmental protection, energy conservation and knowledge to raise the work safety concept and awareness of all the employees, trying its best to educate employees on work safety and production safety at source.

As a result of the Group's emphasis on building a safety corporate culture and aggressive efforts to carry out safety cultural exchanges, the paper manufacturing business was named in 2018 as "A Production Safety Advanced Work Unit in Xuecheng District for 2017" (2017年度薛城區安全生產先進單位) by Xuecheng District Government, and was awarded the title of "Worker Pioneer" (工人先鋒) by Xuecheng District General Union.

Employee Development and Training

As employees are part of the Group's valuable assets, the Group offers skill operation training for new recruits. Through an annual assessment of functions, the Group can understand employees' performance and evaluate individual employee's annual performance on the basis of each department's key performance indicators. The Group also has trainers with professional management capability to provide employees with professional management training to enrich their management knowledge and facilitate their development. To encourage and assist employees to actively pursue further studies, the Group has an employee subsidy scheme for further studies to assist needy employees.

Care for Employee and Team-building Initiatives

To fully reflect the Group's care for its employees, further enhance employees' cohesion and sense of belonging, the Group carries out group-wise or regional cultural and sport entertainment competitions on a regular basis and organizes team-building trips for employees. Entertainment evening parties, sports events and gatherings for enhancing the communication and team spirit among employees are organized during holidays and festivals as well.

The paper manufacturing business offers free accommodation for employees living in remote rural areas, free shuttle bus service for employees living in the surrounding urban areas, and free work meals for employees with a view to providing employees with a comfortable working and living environment. Employees have free access to basketball courts and table tennis boards in the plant.

Employment Ordinance and Enforcement Standards

The Group incorporates equal opportunities principles into its employment policies, and strictly complies with labour legislation of various places in the following ways: there will be no discrimination because of ethnicity, race, gender, nationality or religious beliefs; except for trades or positions that are unsuitable for women under national provisions, no women are rejected or employment standards raised for women because of their gender. Employment of minors under the age of 16 is strictly prohibited by the Group to safeguard the rights and interests of children.

As to working hours and holidays, the Group schedules working hours and make arrangements for employees to take leave on statutory holidays and festivals in accordance with the laws of various places. Production departments in the paper manufacturing business implement a multi-shift system to allow employees to have adequate time for rest.

Supply Chain Management

The Group has established a good relationship with major suppliers to safeguard product quality and ensure compliance with the policies and environmental protection requirements of local governments during the suppliers' production process.

For the paper manufacturing business, professional procurement teams carry out reasonable and effective management of the procurement of raw materials to ensure the normal operation of production and business activities. At present, the paper manufacturing business of the Group has in place a system for controlling qualified suppliers for selecting, evaluating and controlling suppliers. The procurement staff will collect information on the supplier's production capacity and quality system when selecting a supplier. The procurement staff will, based on the needs, conduct an on-site assessment and inspection of the supplier's capacity to safeguard the stability and reliability of the raw materials procured and ensure compliance with relevant national requirements on safe production and environmental protection. There are currently over 100 suppliers on the list of qualified suppliers.

The Group conducts annual assessment on the delivery schedules, delivery quality and services as well as the safe production and environmental protection standards of the suppliers.

Product Quality Control and Responsibility

The paper manufacturing business has allocated professional quality inspectors to each production line to test the quality of products and to test whether products contain harmful substances. No sales of products will be allowed once these products fail to comply with the regulations of the plant.

For post-sales services, the Group has a professional customer service team to follow up all matters in the course of the sale of goods. For the questions about products raised by customers, the Group is able to solve them for the customers immediately.

Anti-corruption, Anti-bribery and Anti-fraud

The Group has strictly complied with the laws and regulations of various places since its establishment and makes every effort to maintain a healthy internal control environment.

For the prevention of misconduct jeopardizing internal controls and violating relevant laws and regulations governing the corporate behavior, the Group has a professional audit department at the headquarters, which regularly conducts day-to-day management and auditing of subsidiaries, as well as auditing of special projects. In addition, an anti-corruption policy has been set out in the employee manual and comprehensive whistleblowing channels have been established for the employees to report relevant misconduct. The Group adopts a multi-control approach to ensure that the internal control system can effectively identify non-compliance incidents and take preventative and prohibiting measures in a timely manner. The audit department also regularly reviews relevant policies on combating corrupt practices.

Community Investment

The Group is enthusiastic in contributing to social causes, attaches importance to the relationship between the local community and our business operation, and actively participates in community care events. Over the years, we have helped the needy in society through different means, including making donations in cash and in kind to various charitable agencies and children welfare institutions.

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2018.

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, property development as well as leasing of investment properties as set out in note 37 to the consolidated financial statements. The Group also engages in trading of consumable aeronautic parts and provision of related services, provision of logistic services and marine services and FMCG business. 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 consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 36.

The Directors have declared an interim dividend of HK0.4 cent per share, totalling HK$5,092,000, which was paid on 10 January 2018.

The Directors recommend the payment of a final dividend of HK2.75 cents per share, totalling HK$35,012,000.

Donations

Charitable and other donations made by the Group during the year amounted to HK$268,000.

Principal Properties

Details of the principal properties held for development and for investment purpose and assets classified as held for sale are set out in notes 18, 14 and 24 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 27 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 March 2018, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$291,427,000 (2017: HK$280,390,000).

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:

	2014 HK$'000 (restated)	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000
Revenue (note)	4,982,417	5,277,933	5,000,852	5,173,620	5,759,596
Profit attributable to owners of the Company	57,196	114,225	46,675	84,714	196,755
Total assets	5,599,964	5,883,903	5,698,294	5,642,514	6,666,970
Total liabilities	3,686,361	3,871,670	3,810,173	3,766,396	4,321,113
Total equity	1,913,603	2,012,233	1,888,121	1,876,118	2,345,857

Note: To conform to the current year's presentation, rental income HK$13,300,000 for the financial year 2014, has been reclassified from "Other gains and income, net" to "Revenue".

Purchase, Sale or Redemption of Shares

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

Share option scheme

At the Special General Meeting of the Company held on 18 September 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 March 2018, no option was granted under the Option Scheme. A summary of the terms and conditions of the Option Scheme are set out below.

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

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

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

Share option scheme (continued)

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

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

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

(7) *Exercise price*
The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and iii) the nominal value of a share on the date of grant.

(8) *Remaining life of the Option Scheme*
The Option Scheme will remain in force until 17 September 2025.

Directors

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

Executive Directors
Mr. 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.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has maintained liability insurance to provide appropriate cover for the directors of the Company and its subsidiaries.

Directors' Service Contracts

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

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

Directors' Material Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year save as disclosed under the "Connected Transactions and Continuing Connected Transactions" section stated below and note 35 "Related Party Transactions" to the financial statements.

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 92, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 59 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 61, 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 59, 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 40 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 52, 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 62, 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 35 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 a member of Chartered Accountants Australia and New Zealand and the Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors and Senior Management (continued)

Non-executive Directors
Mr. PANG Wing Kin, Patrick, aged 62, is a qualified accountant and has over 35 years of working experience in the auditing, finance and general management areas. Mr. Pang is currently a financial consultant to an Australian company which has investment in China. He is also consulting a property and jewellery investment company in Hong Kong. Mr. Pang was appointed independent non-executive Director of the Company in 1995. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Mr. LAU Wang Yip, Eric, aged 51, is a solicitor practising in Hong Kong. He was appointed non-executive Director of the Company in 1997 and is currently a consultant of a local law firm. Mr. Lau holds a Bachelor's degree in Laws and has been admitted as a solicitor in England and Wales. He has also been admitted as a legal practitioner in Tasmania, Australia.

Mr. TONG Yat Chong, aged 61, is a qualified accountant and has over 33 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 51, is a solicitor practising in Hong Kong. He was appointed independent non-executive Director of the Company in 2005 and is currently the managing 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 in 2008. He was an accredited General Mediator of the Hong Kong International Arbitration Centre since 2009. He was appointed as a China-Appointed Attesting Officer in 2012.

Mr. Ng was appointed as an independent non-executive Director of Mexan Limited (stock code: 22) on 19 April 2007. He is the Chairman of the Criminal Law and Procedure Committee of the Law Society of Hong Kong. He is a member of the Criminal Court Users' Committee (appointed by the Chief Justice). He is the Vice Chairman of the Council of the Duty Lawyer Service.

Senior Management
Mr. CHAN Kwok Keung, aged 58, is a Sales Director of Samson Paper (China) Company Limited. He joined the Group in 1990 and has over 31 years of working experience in the paper distribution industry and is responsible for the procurement of paper products and overseeing the general operations in China.

Mr. CHU Wai Kwong, aged 61, is a Sales Director of Samson Paper (China) Company Limited. He joined the Group in 1976. He has over 31 years of sales experience in the paper distribution industry and is responsible for the development of specialty paper and products and its operation in 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 2018, the interests and short positions of each Director and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

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

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

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

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

Save as disclosed above, as at 31 March 2018, none of the Directors and Chief Executives had any interests or short positions in the shares, underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

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

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

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

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

At 31 March 2018, the interests and short positions of the shareholders other than a Director or Chief Executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO are as follows:

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

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

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

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

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

Save as disclosed above, the register which is required to be kept under Section 336 of the SFO shows that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 March 2018.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this Report, there is sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

Management Contracts

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

Major Customers and Suppliers

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

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

Related Party Transactions and Continuing Connected Transactions

Details on related party transactions for the year are set out in note 35 to the consolidated accounts. Details of any related party transaction which constitute continuing connected transaction not exempted under Rule 14A.31 or Rule 14A.33 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are disclosed below.

Continuing connected transactions

On 1 April 2016, Samson Paper Company Limited (a subsidiary of the Company) and DaiEi Papers (H.K.) Limited (a subsidiary of Kokusai-Pulp and Paper Company Limited ("KPP")) entered into the master agreement (the "KPP Master Agreement") pursuant to which the Group and KPP and its subsidiaries ("KPP Group") may sell and purchase the paper products to and from each other. As KPP and its subsidiaries (being associates of KPP) are connected persons of the Group by virtue of KPP's 22.30% interest as a substantial shareholder in Mission Sky Group Limited (a subsidiary of the Company), the supply and purchase transactions with KPP Group under the KPP Master Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the financial year ended 31 March 2018, the actual amount of sale and purchase transactions were approximately HK$2,685.4 million in respect of the total purchases by the Group from KPP Group and HK$48.9 million in respect of the total sales to KPP Group by the Group. Of such purchase transactions, HK$1,035.4 million was purchased from Keishin Papers Trade (Shanghai) Company Limited, a subsidiary of KPP, which is a related party of the Group under the relevant Hong Kong Accounting Standards and a connected person of the Group under the Listing Rules. Such related party transactions, which also constituted continuing connected transactions, were also disclosed on page 94 of this Annual Report under note 35 to the consolidated financial statement.

Annual review of continuing connected transactions

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions for the year ended 31 March 2018 (the "Transactions") and confirmed that the Transactions were entered into:

(i) In the ordinary and usual course of business of the Group;

(ii) On normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) In accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.

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$780,000,000 in September 2017. The loan facility requires that (i) Mr. Sham Kit Ying, Mr. Lee Seng Jin, Ms. Sham Yee Lan, Peggy and members of their respective immediate family shall in aggregate maintain not less than 100% of the direct or indirect legal and beneficial interest in Quinselle Holdings Limited; and maintain management control over Quinselle Holdings Limited; and (ii) Quinselle Holdings Limited shall maintain at least 51% of the direct or indirect legal and beneficial interest in the Company and remain the single largest shareholder of the Company.

Independent Auditor

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

On behalf of the Board

SHAM Kit Ying
Chairman

Hong Kong, 27 June 2018

羅兵咸永道

Independent Auditor's Report
To The Shareholders of Samson Paper Holdings Limited
(Incorporated in Bermuda with limited liability)

Opinion

What we have audited
The consolidated financial statements of Samson Paper Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 100, which comprise:

- the consolidated balance sheet as at 31 March 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence
We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Impairment assessment of accounts receivable

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties *Refer to note 2.7, 2.11, 4(i), 14 and 24 in the consolidated financial statements* Management has estimated the fair value of the Group's investment properties, including those presented as assets classified as held for sale, to be HK$694,000,000 at 31 March 2018, with a revaluation gain for the year ended 31 March 2018 recorded in the consolidated statement of profit or loss of HK$143,700,000. Valuations by an independent external valuer were obtained in order to support management's estimates. These valuations are dependent on certain key assumptions that require significant judgement, such as market prices and term yields. We focused on this area due to the significant amount of revaluation gain recorded for the year and the significant management judgment used to evaluate the fair value of the Group's investment properties.	Our procedures in relation to management's valuations of investment properties included: • Evaluating of the independent external valuer's competence, capabilities and objectivity; • Using our in-house valuation experts to assess the appropriateness of the valuation methodologies used by the valuer and the reasonableness of the key assumptions adopted for the valuations based on our knowledge of the property industry; and • Checking on a sample basis the market prices and term yields applied by making reference to available comparable market data. We found the key assumptions applied in the valuations of investment properties as at year end to be supported by available evidence.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of accounts receivable *Refer to notes 2.8, 2.10(a), 4(ii) and 20 to the consolidated financial statements* The Group had gross accounts receivable of approximately HK$1,200,601,000 as at 31 March 2018. Accounts receivable of HK$94,892,000 were impaired and provided for as at year end. Management performed impairment assessment of the accounts receivable based on information including aging of the accounts receivable, past repayment history, subsequent settlement status, credit profile of the customers and on-going trading relationship with the customers. The Group made provision for impairment of accounts receivables based on an estimate of the recoverability of these receivables. We focused on this area due to the size of the accounts receivable as at 31 March 2018 and the significant management judgement used to evaluate the recoverability of such balances.	Our procedures in relation to management's impairment assessment of the accounts receivable included: Understanding, evaluating and validating the key controls that the Group has implemented to manage, monitor and evaluate credit risk of its customers; Understanding the status of material long aged accounts receivable as at year end, the Group's on-going business relationship with the relevant customers, credit profile and past repayment history of these customers through discussion with management and review of supporting documents; Selecting debtors on a sample basis and circulated auditor's confirmations to them confirming the accounts receivable balances as at 31 March 2018, where confirmations were not received from these debtors, we examined alternative supporting documents such as good delivery notes to verify the outstanding balances; and Checking, on a sample basis, the aging profile of the accounts receivable as at 31 March 2018 to sales invoices and post year-end settlements to bank receipts. We found that the management's judgement used to assess the impairment of the accounts receivable in the year to be supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Pui Ling, Sandra.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2018

Consolidated Statement of Profit or Loss

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5	5,759,596	5,173,620
Cost of sales		(5,223,274)	(4,629,890)
Gross profit		536,322	543,730
Fair value gains on investment properties	5	143,700	34,800
Other gains and income, net	5	57,614	29,870
Selling expenses		(213,470)	(212,858)
Administrative expenses		(202,895)	(204,016)
Other operating (expenses)/income		(1,143)	10,417
Operating profit	6	320,128	201,943
Finance costs	7	(80,524)	(73,205)
Profit before taxation		239,604	128,738
Taxation	8	(35,280)	(34,850)
Profit for the year		204,324	93,888
Attributable to:			
— Owners of the Company		196,755	84,714
— Non-controlling interests		7,569	9,174
		204,324	93,888
Earnings per share			
Basic	10	HK17.0 cents	HK7.2 cents
Diluted	10	HK15.5 cents	HK6.7 cents
Dividends	9	40,104	29,282

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	204,324	93,888
Other comprehensive income/(loss), net of tax		
Items that will not be reclassified to profit or loss		
Revaluation of land and buildings, net of deferred tax	18,047	37,020
	18,047	37,020
Items that may be reclassified to profit or loss		
Currency translation differences	276,530	(149,751)
Revaluation of available-for-sale financial assets	120	134
	276,650	(149,617)
Other comprehensive income/(loss) for the year, net of tax	294,697	(112,597)
Total comprehensive income/(loss) for the year	499,021	(18,709)
Attributable to:		
— Owners of the Company	462,653	(19,381)
— Non-controlling interests	36,368	672
Total comprehensive income/(loss) for the year	499,021	(18,709)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	12	2,016,631	1,687,638
Land use rights	13	128,067	119,289
Investment properties	14	494,000	550,300
Intangible assets	15	42,387	39,361
Available-for-sale financial assets	16	5,986	5,866
Non-current deposits and prepayments	17	107,479	52,242
Deferred tax assets	29	7,456	6,822
		2,802,006	2,461,518
Current assets			
Properties under development	18	139,502	99,821
Inventories	19	840,028	773,544
Accounts and other receivables	20	2,152,495	1,705,844
Financial assets at fair value through profit or loss	21	—	913
Taxation recoverable		4,160	3,575
Restricted bank deposits	22	168,707	139,348
Bank balances and cash	23	360,072	457,951
		3,664,964	3,180,996
Assets classified as held for sale	24	200,000	—
		3,864,964	3,180,996
Total assets		6,666,970	5,642,514
Current liabilities			
Accounts and other payables	25	1,572,200	1,324,572
Trust receipt loans	26	954,848	809,689
Taxation payable		97,913	72,196
Borrowings	26	490,952	528,109
		3,115,913	2,734,566
Net current assets		749,051	446,430
Total assets less current liabilities		3,551,057	2,907,948

	Note	2018 HK$'000	2017 HK$'000
Financed by:			
Share capital	27	127,315	127,315
Reserves	28	1,977,595	1,544,224
		2,104,910	1,671,539
Non-controlling interests		240,947	204,579
Total equity		2,345,857	1,876,118
Non-current liabilities			
Accounts and other payables	25	31,872	198,348
Borrowings	26	1,071,256	738,656
Deferred tax liabilities	29	102,072	94,826
		1,205,200	1,031,830
		3,551,057	2,907,948

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 27 June 2018 and were signed on its behalf.

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	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 2016	127,315	695,899	881,073	1,704,287	183,834	1,888,121
Comprehensive income						
Profit for the year	—	—	84,714	84,714	9,174	93,888
Other comprehensive loss						
Currency translation differences	—	(140,822)	—	(140,822)	(8,929)	(149,751)
Revaluation of land and building, net of deferred tax	—	36,593	—	36,593	427	37,020
Revaluation of available-for-sale financial assets	—	134	—	134	—	134
Total other comprehensive loss, net of tax	—	(104,095)	—	(104,095)	(8,502)	(112,597)
Total comprehensive (loss)/income	—	(104,095)	84,714	(19,381)	672	(18,709)
Transactions with owners in their capacity as owners						
Capital injection	—	—	—	—	20,073	20,073
Transfer to statutory reserve	—	5,934	(5,934)	—	—	—
2015–2016 final dividend paid	—	—	(8,275)	(8,275)	—	(8,275)
2016–2017 interim dividend paid	—	—	(5,092)	(5,092)	—	(5,092)
Total transactions with owners in their capacity as owners	—	5,934	(19,301)	(13,367)	20,073	6,706
Balance at 31 March 2017	127,315	597,738	946,486	1,671,539	204,579	1,876,118

	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 2017	127,315	597,738	946,486	1,671,539	204,579	1,876,118
Comprehensive income						
Profit for the year	—	—	196,755	196,755	7,569	204,324
Other comprehensive income						
Currency translation differences	—	247,731	—	247,731	28,799	276,530
Revaluation of land and building, net of deferred tax	—	18,047	—	18,047	—	18,047
Revaluation of available-for-sale financial assets	—	120	—	120	—	120
Total other comprehensive income, net of tax	—	265,898	—	265,898	28,799	294,697
Total comprehensive income	—	265,898	196,755	462,653	36,368	499,021
Transactions with owners in their capacity as owners						
Transfer to statutory reserve	—	5,882	(5,882)	—	—	—
2016–2017 final dividend paid	—	—	(24,190)	(24,190)	—	(24,190)
2017–2018 interim dividend paid	—	—	(5,092)	(5,092)	—	(5,092)
Total transactions with owners in their capacity as owners	—	5,882	(35,164)	(29,282)	—	(29,282)
Balance at 31 March 2018	127,315	869,518	1,108,077	2,104,910	240,947	2,345,857

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Operating activities			
Cash (used in)/generated from operations	30(a)	(158,695)	420,964
Interest paid		(80,524)	(73,205)
Hong Kong profits tax paid		(2,514)	(7,130)
Overseas taxation paid		(16,022)	(17,445)
Net cash (used in)/generated from operating activities		(257,755)	323,184
Investing activities			
Purchase of property, plant and equipment		(181,111)	(86,440)
Purchase of land use rights		(325)	(4,299)
Purchase of intangible assets		(1,200)	(43)
Proceeds from disposal of land use rights	30(c)	—	4,378
Proceeds from disposal of property, plant and equipment	30(c)	1,410	1,958
Proceeds from disposal of investments in financial assets at fair value through profit or loss		1,137	—
Increase in non-current deposits and prepayment		(43,193)	(45,628)
Interest received		5,089	4,853
Net cash used in investing activities		(218,193)	(125,221)
Financing activities			
Net increase/(decrease) in bank borrowings	30(b)	255,835	(38,159)
Repayment of financial lease liabilities		(2,083)	(172)
Increase/(decrease) in trust receipt loans		145,159	(75,934)
(Increase)/decrease in restricted bank deposits		(13,182)	19,822
Capital contributed by the non-controlling interest of a subsidiary		—	20,073
Dividends paid to shareholders		(29,282)	(13,367)
Net cash generated from/(used in) financing activities		356,447	(87,737)
Net (decrease)/increase in cash and cash equivalents		(119,501)	110,226
Cash and cash equivalents at beginning of the year		455,270	356,814
Effect of changes in exchange rates on cash and cash equivalents		21,600	(11,770)
Cash and cash equivalents at end of the year	23	357,369	455,270

The accompanying notes are an integral part of these consolidated financial statements.

1 General Information

The principal activities of the Group are manufacturing, trading and marketing of paper products, property development as well as leasing of investment properties. The Group is also engaged in the trading of consumable aeronautic parts, provision of marine services and FMCG business. Detailed analysis of these business segments are set out in note 5 to the consolidated financial statements.

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 financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements 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 financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, land and building as well as investment properties, which are carried at fair value.

The preparation of financial statements 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 financial statements, are disclosed in note 4.

(a) Amendments to standards adopted by the Group

The following amendments to standards and annual improvements are mandatory for their first time for the financial year beginning 1 April 2017:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to annual improvements project HKFRS 12	Annual improvements 2014-2016 cycle

The Group has adopted these amendments to standards and annual improvements and the adoption of these standards did not have significant impact on the Group's results and financial position.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that have been issued but not yet effective and have not been early adopted by the Group

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1 April 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after	
Amendments to HKAS 40	Transfers of investment property	1 January 2018	
Amendments to HKFRS 2	Classification and measurement of share-based and payment transactions	1 January 2018	
Amendments to HKFRS 4	Insurance contracts	1 January 2018	
Amendments to annual improvement project HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	(i)
HKFRS 15	Revenue from contracts with customers	1 January 2018	(ii)
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018	(ii)
HK(IFRIC)-Int 22	Foreign currency transactions and advance considerations	1 January 2018	
HKFRS 16	Leases	1 January 2019	(iii)
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019	
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019	
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that have been issued but not yet effective and have not been early adopted by the Group (continued)

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out below:

(i) HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018:

The financial assets held by the Group include equity instruments currently classified as available-for-sale ("AFS") of HK$1,169,000 for which a fair value through other comprehensive income ("FVOCI") election is available. Accordingly, the Group does not expect the new guidance to materially affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the available-for-sale financial assets fair value reserve to retained earnings.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL") and the Group does not have any such liabilities. The derecognition rules have been transferred from Hong Kong Accounting Standards ("HKAS") 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The management is still assessing the impact of adopting the new impairment model based on ECL.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that have been issued but not yet effective and have not been early adopted by the Group (continued)

(i) HKFRS 9 Financial Instruments (continued)

Date of adoption by the Group

HKFRS 9 is mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparative figures for the year ended 31 March 2018 will not be restated.

(ii) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is currently assessing the effects of applying the new standard on the Group's financial statements and anticipates that the application of HKFRS 15 may result in the identification of separate performance obligations in relation to revenue contracts which could affect the timing of the recognition of revenue going forward. However, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amount of revenue recognised in the respective reporting periods. More detailed assessments will be carried out by the Group to estimate the impact of the new rules on the Group's financial statements.

Date of adoption by the Group

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards and interpretations that have been issued but not yet effective and have not been early adopted by the Group (continued)

(iii) HKFRS 16 Leases

Nature of change

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$80,449,000 (note 33(b)). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Date of adoption by the Group

HKFRS 16 is mandatory for financial years commencing on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(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 financial statements

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 financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of Significant Accounting Policies (continued)

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions 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 consolidated statement of profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other operating (expenses)/income".

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss are recognised in consolidated statement of 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. Currency translation differences arising are recognised in other comprehensive income.

(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 consolidated statement of 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 reattributed to non-controlling interests and are not recognised in consolidated statement of 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 consolidated statement of profit or loss.

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 consolidated statement of profit or loss during the financial period in which they are incurred.

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

2.5 Construction-in-progress

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

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group'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 properties are initially measured at cost, including the related transaction costs and where applicable borrowing costs. After initial recognition, 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 consolidated statement of profit or loss.

2 Summary of Significant Accounting Policies (continued)

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.

(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 and other receivables", "restricted bank deposits" and "bank balances and cash" in the consolidated 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 consolidated statement of profit or loss. 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 consolidated statement of profit or loss 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 consolidated statement of profit or loss 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.

2 Summary of Significant Accounting Policies (continued)

2.8 Financial assets (continued)

2.8.2 Recognition and measurement (continued)

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 consolidated statement of profit or loss as "other gains and income, net".

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

2.8.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.9 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.

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

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

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.

2 Summary of Significant Accounting Policies (continued)

2.10 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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 consolidated statement of profit or loss. 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 consolidated statement of profit or loss.

(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 consolidated statement of profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

2.11 Assets classified as held for sale

Assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transactions and sales are considered highly probable. It is stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the relevant policies set out elsewhere in note 2.

2.12 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs, borrowing costs capitalised and professional fees incurred during the construction period. Upon completion, the properties are transferred to properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2 Summary of Significant Accounting Policies (continued)

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 consolidated statement of profit or loss 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.

2.18 Accounts payables

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). Otherwise, 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 Summary of Significant Accounting Policies (continued)

2.19 Provisions

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

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

2.20 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.

2.21 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.

Franchise income in respect of the use of the Group's certain trademark is recognised on an accrual basis in accordance with the terms of the relevant agreement.

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 Summary of Significant Accounting Policies (continued)

2.22 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.

2.23 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.

2.24 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 consolidated statement of profit or loss on a straight-line basis over the period of the lease.

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

Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated statement of profit or loss 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 Summary of Significant Accounting Policies (continued)

2.25 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.

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

The method for allocating gross earnings to accounting periods is referred to as the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, 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.

(a) Current income tax

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.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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.

2 Summary of Significant Accounting Policies (continued)

2.26 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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.

2.27 Dividend distribution

Dividend distribution to the Company's owners is recognised as a liability in the Group's and the Company's financial statements 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 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 cooperation with the Group's operating units.

(a) Market risk

(i) Currency risk

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. During the year ended 31 March 2018, the Group recorded other comprehensive gain of exchange differences arising from translation of functional currency to presentation currency of HK$276,530,000 (2017: loss of HK$149,751,000), attributable to the depreciation of the RMB against HK$. The translation risk is not hedged.

At 31 March 2018, if HK$ had weakened/strengthened by 1% against RMB with all other variables held constant, other comprehensive income for the year would have been HK$35,189,000 higher/lower (2017: other comprehensive loss of HK$25,039,000 lower/higher), as a result of currency translation differences on translation of investment in foreign operations, whose functional currency are RMB.

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest-rate risk

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

The Group's interest-rate risk arises from bank borrowings. As at 31 March 2018 and 2017, 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 2018, if interest rates on 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$7,238,000 (2017: HK$6,583,000) 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 and accounts and other receivables.

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. For the accounts receivables proved to be impaired, management has provided sufficient provision on those balances. 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 trade 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 and accounts and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

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 26) and bank balances and cash (note 23)) on the basis of expected cash flow.

The table below analyses the Group'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
At 31 March 2018					
Term loans subject to a repayment on demand clause	205,000	—	—	—	—
Other bank borrowings[1]	—	307,090	515,702	649,352	15,301
Trust receipt loans[1]	—	960,275	—	—	—
Accounts and other payables	—	1,459,347	31,872	—	
Finance lease liabilities[1]	—	2,106	1,933	899	—
At 31 March 2017					
Term loans subject to a repayment on demand clause	80,000	—	—	—	—
Other bank borrowings[1]	—	452,917	501,614	270,448	6,144
Trust receipt loans[1]	—	813,859	—	—	—
Accounts and other payables	—	1,209,486	198,348	—	—
Finance lease liabilities[1]	—	2,206	1,875	2,327	—

[1] The amounts include interest payable.

The Company provides corporate guarantees as disclosed in note 31.

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 is 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
At 31 March 2018	208,495	—	—
At 31 March 2017	81,236	—	—

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 "total equity", as shown in the consolidated balance sheet, plus net debt.

	2018 HK$'000	2017 HK$'000
Total borrowings (note 26)	2,517,056	2,076,454
Less: Cash, bank balances and restricted deposits	(528,779)	(597,299)
Net debt	1,988,277	1,479,155
Total equity	2,345,857	1,876,118
Total capital	4,334,134	3,355,273
Gearing ratio	45.9%	44.1%

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/(liabilities) that are measured at fair value at 31 March 2018.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets				
— Insurance policy	—	—	4,817	4,817
— Other investment	—	—	1,169	1,169
	—	—	5,986	5,986

The following table presents the Group's assets/(liabilities) that were measured at fair value at 31 March 2017.

	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	913	—	—	913
Available-for-sale financial assets				
— Insurance policy	—	—	4,697	4,697
— Other investment	—	—	1,169	1,169
	—	—	5,866	5,866
	913	—	5,866	6,779

3 Financial Risk Management (continued)

3.3 Fair value estimation (continued)

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 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.

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.

(i) Estimated valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent and professionally qualified valuer.

In determining the fair value, the valuer has based on property valuation techniques which involve, inter alia, certain estimates including comparable sales in the relevant market, current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market condition.

(ii) Estimated provision for accounts and other receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of accounts 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.

(iii) 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.

5 Revenue, Other Gains and Income, Net and Segment Information

Revenue recognised is as follows:

	2018 HK$'000	2017 HK$'000
Revenue		
Sale of goods	5,693,954	5,101,745
Leasing of investment properties	19,831	18,675
Provision of services	45,811	53,200
	5,759,596	5,173,620
Fair value gains on investment properties (notes 14 and 24)	143,700	34,800
Other gains and income, net		
Interest income	5,089	4,853
Sales of scrap materials	8,342	6,974
Realised and unrealised gains on investments in financial assets at fair value through profit or loss	224	276
Gain on disposal of property, plant and equipment	36	336
Franchise income	43,509	14,301
Others	414	3,130
	57,614	29,870

The chief operating decision-maker (the "CODM") has been identified as the Executive Directors. The CODM reviews 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 CODM.

The CODM considers the performance of the Group from the perspective of the business activities. The CODM 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 financial statements.

The Group is organised on a worldwide basis into four main business segments:

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

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

(3) Property development and investment: developing properties for sale and leasing of investment properties; and

(4) 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 and FMCG business.

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, non-current deposits and prepayments, intangible assets, properties under development, inventories, accounts and other receivables, financial instruments, assets classified as held for sale and operating cash. They exclude deferred tax assets, taxation recoverable and corporate assets.

Segment liabilities comprise accounts and other payables, borrowings and trust receipt loans. They exclude deferred tax liabilities, taxation payable and corporate liabilities.

Capital expenditure comprise additions to property, plant and equipment (note 12), land use rights (note 13), intangible assets (note 15) and prepayments for property, plant and equipment.

5 Revenue, Other Gains and Income, Net and Segment Information (continued)

The segment information for the year ended and as at 31 March 2018 is as follows:

	Paper trading HK$'000	Paper manufacturing HK$'000	Property development and investment HK$'000	Others HK$'000	Total HK$'000
Total segment revenue	4,599,923	1,288,979	39,006	135,912	6,063,820
Inter-segment revenue	(260,659)	(18,419)	(19,175)	(5,971)	(304,224)
Revenue from external customers	4,339,264	1,270,560	19,831	129,941	5,759,596
Reportable segment results	120,619	54,766	160,239	(4,631)	330,993
Corporate expenses					(10,865)
Operating profit					320,128
Finance costs					(80,524)
Profit before taxation					239,604
Taxation					(35,280)
Profit for the year					204,324
Other items for the year ended 31 March 2018					
Interest income	4,460	398	72	159	5,089
Depreciation of property, plant and equipment	9,885	50,827	226	9,275	70,213
Amortisation of land use rights	171	4,074	70	—	4,315
Amortisation of intangible assets	863	81	—	64	1,008
Fair value gains on investment properties	—	—	143,700	—	143,700
Capital expenditure	35,372	181,660	15,766	978	233,776
Reportable segment assets	2,529,090	3,095,324	870,594	160,229	6,655,237
Taxation recoverable					4,160
Deferred tax assets					7,456
Corporate assets					117
Total assets					6,666,970
Reportable segment liabilities	2,281,424	223,461	19,463	34,238	2,558,586
Taxation payable					97,913
Deferred tax liabilities					102,072
Corporate liabilities					1,562,542
Total liabilities					4,321,113

5 Revenue, Other Gains and Income, Net and Segment Information (continued)

The segment information for the year ended and as at 31 March 2017 is as follows:

	Paper trading HK$'000	Paper manufacturing HK$'000	Property development and investment HK$'000	Others HK$'000	Total HK$'000
Total segment revenue	4,256,511	1,179,176	28,014	161,194	5,624,895
Inter-segment revenue	(405,645)	(29,344)	(9,339)	(6,947)	(451,275)
Revenue from external customers	3,850,866	1,149,832	18,675	154,247	5,173,620
Reportable segment results	100,308	80,233	47,837	(16,869)	211,509
Corporate expenses					(9,566)
Operating profit					201,943
Finance costs					(73,205)
Profit before taxation					128,738
Taxation					(34,850)
Profit for the year					93,888
Other items for the year ended 31 March 2017					
Interest income	4,168	569	3	113	4,853
Depreciation of property, plant and equipment	7,968	45,574	98	12,598	66,238
Amortisation of land use rights	167	3,979	—	77	4,223
Amortisation of intangible assets	844	56	—	65	965
Fair value gains on investment properties	—	—	34,800	—	34,800
Capital expenditure	4,762	76,532	4,341	5,147	90,782
Reportable segment assets	2,168,290	2,547,712	729,571	186,405	5,631,978
Taxation recoverable					3,575
Deferred tax assets					6,822
Corporate assets					139
Total assets					5,642,514
Reportable segment liabilities	2,138,965	155,275	1,145	36,900	2,332,285
Taxation payable					72,196
Deferred tax liabilities					94,826
Corporate liabilities					1,267,089
Total liabilities					3,766,396

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.

	Revenue		Non-current assets[1]	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Hong Kong	833,886	750,924	610,593	653,778
The PRC[2]	4,440,412	3,970,675	2,114,156	1,733,373
Singapore	60,326	79,880	53,994	53,657
Korea	379,880	340,682	2,374	2,154
Malaysia	45,017	31,431	13,431	11,698
Others	75	28	2	36
	5,759,596	5,173,620	2,794,550	2,454,696

1 Non-current assets excluded deferred tax assets.

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

6 Operating Profit

Operating profit is stated after charging and crediting the following:

	2018 HK$'000	2017 HK$'000
Charging		
Cost of inventories sold	5,149,015	4,531,533
Depreciation of property, plant and equipment	70,213	66,238
Amortisation of land use rights	4,315	4,223
Amortisation of intangible assets	1,008	965
Operating lease rentals in respect of land and buildings:		
— Minimum lease payment	57,653	54,374
— Contingent rent	72	52
Transportation costs	91,802	97,868
Provision for impairment on receivables (note 20)	7,629	7,280
Employee benefit expenses (note 11)	152,578	140,058
Auditor's remuneration		
— Audit services	2,713	3,103
— Non-audit services	88	122
Crediting		
Gains on disposal of property, plant and equipment	36	336
Write-back of provision for inventories	331	6,099
Write-back of provision for impairment on receivables (note 20)	7,779	12,850

7 Finance Costs

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings wholly repayable within 5 years	79,713	68,542
Interest on finance lease obligations wholly repayable within 5 years	246	278
Interest on trade credit facilities	17,745	16,547
	97,704	85,367
Less: amounts capitalised in property, plant and equipment and properties under development	(17,180)	(12,162)
	80,524	73,205

The weighted average interest rate on the above capitalised borrowings is approximately 3.4% per annum (2017: 2.9% per annum).

8 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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:

	2018 HK$'000	2017 HK$'000
Hong Kong profits tax	6,711	4,297
Overseas taxation	30,612	32,131
Under/(over) provision in previous years	63	(75)
Deferred taxation relating to origination and reversal of temporary differences	(2,106)	(1,503)
	35,280	34,850

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:

	2018 HK$'000	2017 HK$'000
Profit before taxation	239,604	128,738
Calculated at a taxation rate of 16.5% (2017: 16.5%)	39,535	21,243
Effect of different taxation rates in other countries	10,496	10,809
Income not subject to taxation	(27,802)	(13,498)
Expenses not deductible for taxation purposes	11,308	14,746
Tax losses not recognised	1,680	1,625
Under/(over) provision in previous years	63	(75)
	35,280	34,850

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% to 10% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at rate of 10% for other foreign investors. Deferred income tax liabilities amounting to HK$27,213,000 (2017: HK$19,869,000) (using withholding tax rate of 5% for Hong Kong holding companies and 10% for foreign holding companies) have not been recognised for withholding tax that would be payable on the distributable retained profits of the Company's subsidiaries in the Mainland China earned after 1 January 2008. Such amounts are not intended to be distributed in the foreseeable future to the group companies outside of the Mainland China.

Deferred income tax assets are recognised for tax losses carrying forwards to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 March 2017, the Group did not recognise deferred income tax assets of HK$31,111,000 (2017: HK$29,431,000) in respect of losses of approximately HK$174,781,000 (2017: HK$169,276,000). Tax losses amounting to approximately HK$29,209,000 (2017: HK$28,206,000) will be expired up to year 2023 (2017: 2022), while the remaining balance can be carried forward indefinitely.

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

	2018			2017		
	Before tax HK$'000	Deferred tax charge HK$'000	After tax HK$'000	Before tax HK$'000	Deferred tax charge HK$'000	After tax HK$'000
Currency translation differences	276,530	—	276,530	(149,751)	—	(149,751)
Revaluation of land and buildings	21,613	(3,566)	18,047	44,760	(7,740)	37,020
Revaluation of available-for-sale financial assets	120	—	120	134	—	134
Other comprehensive income/(loss)	298,263	(3,566)	294,697	(104,857)	(7,740)	(112,597)

9 Dividends

	2018 HK$'000	2017 HK$'000
Interim — HK$0.004 (2017: HK$0.004) per ordinary share	4,564	4,564
Interim — HK$0.004 (2017: HK$0.004) per preference share	528	528
Proposed final — HK$0.0275 (2017: HK$0.019) per ordinary share	31,380	21,681
Proposed final — HK$0.0275 (2017: HK$0.019) per preference share	3,632	2,509
	40,104	29,282

At a meeting held on 27 June 2018, the directors proposed a final dividend of HK$0.0275 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2019.

10 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$193,718,000 (2017: HK$81,677,000) by the weighted average number of 1,141,076,000 (2017: 1,141,076,000) 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 one category of dilutive potential ordinary shares: preference shares. The Company has a share option scheme but no share option has been granted under the scheme.

	2018	2017
Profit attributable to the owner of the Company (HK$'000)	196,755	84,714
Weighted average number of ordinary shares in issue ('000)	1,141,076	1,141,076
Adjustment for:		
— Preference shares ('000)	132,065	132,065
Weighted average number of shares for diluted earnings per share ('000)	1,273,141	1,273,141
Diluted earnings per share	HK15.5 cents	HK6.7 cents

11 Employee Benefit Expenses (Including Directors' Remuneration)

	2018 HK$'000	2017 HK$'000
Wages, salaries and bonus	147,032	134,705
Contributions to pension schemes	5,546	5,353
	152,578	140,058

12 Property, Plant and Equipment

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 1 April 2016								
Cost or valuation	288,107	12,513	1,419,965	56,531	46,479	31,992	307,708	2,163,295
Accumulated depreciation	(18,730)	(6,760)	(294,220)	(41,549)	(20,558)	(26,253)	–	(408,070)
Net book amount	269,377	5,753	1,125,745	14,982	25,921	5,739	307,708	1,755,225
Year ended 31 March 2017								
Opening net book amount	269,377	5,753	1,125,745	14,982	25,921	5,739	307,708	1,755,225
Exchange differences	(13,257)	(34)	(63,453)	(543)	(1,159)	(292)	(17,937)	(96,675)
Additions	56	140	5,870	7,610	112	1,676	70,976	86,440
Revaluation surplus	44,760	–	–	–	–	–	–	44,760
Transfer to properties under development (note 18)	–	–	–	–	–	–	(25,340)	(25,340)
Disposals (note 30(c))	–	–	(574)	(123)	–	(7)	(918)	(1,622)
Depreciation	(9,918)	(1,573)	(51,317)	(5,287)	(4,683)	(2,372)	–	(75,150)
Closing net book amount	291,018	4,286	1,016,271	16,639	20,191	4,744	334,489	1,687,638
At 31 March 2017								
Cost or valuation	291,018	12,493	1,343,784	60,675	45,296	31,428	334,489	2,119,183
Accumulated depreciation	–	(8,207)	(327,513)	(44,036)	(25,105)	(26,684)	–	(431,545)
Net book amount	291,018	4,286	1,016,271	16,639	20,191	4,744	334,489	1,687,638
Year ended 31 March 2018								
Opening net book amount	291,018	4,286	1,016,271	16,639	20,191	4,744	334,489	1,687,638
Exchange differences	22,600	161	110,918	1,350	2,636	344	66,338	204,347
Additions	27,262	1,412	24,170	4,299	1,334	2,418	120,216	181,111
Revaluation surplus	21,613	–	–	–	–	–	–	21,613
Transfer	43,575	–	–	–	–	502	(44,077)	–
Disposals (note 30(c))	–	(6)	(593)	(733)	–	(42)	–	(1,374)
Depreciation	(12,174)	(1,661)	(51,400)	(4,923)	(4,232)	(2,314)	–	(76,704)
Closing net book amount	393,894	4,192	1,099,366	16,632	19,929	5,652	476,966	2,016,631
At 31 March 2018								
Cost or valuation	403,755	14,312	1,504,406	64,032	50,370	35,194	476,966	2,549,035
Accumulated depreciation	(9,861)	(10,120)	(405,040)	(47,400)	(30,441)	(29,542)	–	(532,404)
Net book amount	393,894	4,192	1,099,366	16,632	19,929	5,652	476,966	2,016,631

12 Property, Plant and Equipment (continued)

Land and buildings situated in Hong Kong and major buildings outside Hong Kong were revalued at 31 March 2017 on the basis of open market value carried out by Savills Valuation and Professional Services Limited, an independent firm of chartered surveyors.

The directors have reviewed the fair values of the land and buildings as at 31 March 2018. Certain land and buildings situated in Hong Kong were revalued at 31 March 2018 by Savills Valuation and Professional Services Limited, an independent firm of chartered surveyors, on the basis of market value due to material change in fair value during the year. The directors considered that land and buildings outside Hong Kong were not subject to material change in fair value and no revaluation adjustments have been made accordingly.

The following table analysed the valuation method of land and buildings revaluated during the year.

Fair value hierarchy	Fair value measurements			
	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Fair value of land and buildings				
At 31 March 2018	—	91,002	—	91,002
At 31 March 2017	—	279,597	11,421	291,018

Information about fair value measurements on land and buildings based on Level 3 fair value hierarchy:

Description	Fair value at 31 March 2017 HK$'000	Valuation technique(s)	Unobservable input	Range of unobservable inputs (probability-weighted average) 2017	Relationship of unobservable inputs to fair value
Land and buildings	11,421	Depreciated replacement cost approach	(1) Percentage of professional fee	5%	The higher the percentage of professional fee, the higher the fair value.
			(2) Percentage of finance cost	10%	The higher the percentage of finance cost, the higher the fair value.
			(3) Percentage of contingency	5%	The higher the percentage of contingency, the higher the fair value.
			(4) Percentage of developer's profit	5%	The higher the percentage of developer's profit, the higher the fair value.

12 Property, Plant and Equipment (continued)

The Group's land and buildings are as follows:

	2018 HK$'000	2017 HK$'000
Land and buildings in Hong Kong, held on leases of between 10 and 50 years		
Valuation	91,002	71,702
Accumulated depreciation	—	—
Net book amount	91,002	71,702
Buildings outside Hong Kong		
Valuation	312,753	219,316
Accumulated depreciation	(9,861)	—
Net book amount	302,892	219,316

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

	2018 HK$'000	2017 HK$'000
Land and buildings		
Cost	173,345	101,205
Accumulated depreciation	(31,193)	(25,794)
Net book amount	142,152	75,411

The analysis of the cost or valuation at 31 March 2018 and 2017 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	–	12,493	1,343,784	60,675	45,296	31,428	334,489	1,828,165
At valuation	291,018	–	–	–	–	–	–	291,018
As at 31 March 2017	291,018	12,493	1,343,784	60,675	45,296	31,428	334,489	2,119,183
At cost	–	14,312	1,504,406	64,032	50,370	35,194	476,966	2,145,280
At valuation	403,755	–	–	–	–	–	–	403,755
As at 31 March 2018	403,755	14,312	1,504,406	64,032	50,370	35,194	476,966	2,549,035

At 31 March 2018, construction-in-progress represented costs incurred for buildings, machinery and equipment in Shandong and Xiamen, the PRC (2017: Shandong, the PRC) for the construction of paper mills and building.

At 31 March 2018, land and buildings with carrying value amounted to approximately HK$39,112,000 (2017: HK$86,533,000) were pledged as securities for bank borrowings made available to the Group (note 34).

At 31 March 2018, the net book amount of motor vehicles held by the Group under finance leases was HK$8,565,000 (2017: HK$9,863,000).

Depreciation expenses of HK$70,213,000 (2017: HK$66,238,000) has been charged in selling and administrative expenses and cost of sales (note 6) and HK$6,491,000 (2017: HK$8,912,000) has been included in inventories.

13 Land Use Rights

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

	2018 HK$'000	2017 HK$'000
At 1 April	119,289	143,266
Additions	325	4,299
Disposal	—	(4,378)
Transfer to properties under development (note 18)	—	(12,052)
Exchange differences	12,768	(7,623)
Amortisation (note 6)	(4,315)	(4,223)
At 31 March	128,067	119,289

14 Investment Properties

	2018 HK$'000	2017 HK$'000
At 1 April	550,300	515,500
Fair value gains (note 5)	104,700	34,800
Transfer to assets classified as held for sale	(161,000)	—
At 31 March	494,000	550,300

The Group's interests in investment properties, held on leases of between 10 and 50 years, are located in Hong Kong.

At 31 March 2018 and 2017, investment properties with carrying value amounted to approximately HK$124,500,000 (2017: HK$550,300,000) were pledged as a security for bank borrowings made available to the Group (note 34).

The following table analyses the investment properties, including those presented as assets classified as held for sales (note 24), carried at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements			
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
At 31 March 2018				
Investment properties:				
— Factory buildings — Hong Kong	—	694,000	—	694,000
At 31 March 2017				
Investment properties:				
— Factory buildings — Hong Kong	—	550,300	—	550,300

14 Investment Properties (continued)

There were no transfers between Levels 1, 2 and 3 during the year ended 31 March 2018 (2017: nil). The Group's policy is to recognise transfers into or transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

All the fair values of the Group's investment properties, including those presented as assets classified as held for sale, are measured at fair value hierarchy Level 2 as at 31 March 2018.

Valuation processes of the Group

The Group's investment properties were valued at 31 March 2018 and 2017 by independent professionally qualified valuer, Savills Valuation and Professional Services Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. The department reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every year, in line with the Group's annual reporting date. As at 31 March 2018 and 2017, the fair values of the properties have been determined by Savills Valuation and Professional Services Limited.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Valuation techniques

For Hong Kong's factory buildings, the valuation was determined using a combination of the direct comparison method and the income capitalisation method (i.e. term and reversion analysis) which largely involved the use of observable inputs (e.g. market rents, yields, etc.) with adjustments to reflect the risk associated with the existing leases, and taking into account the risk upon the lease expiry.

15 Intangible Assets

	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2016			
Cost	9,231	37,712	46,943
Accumulated amortisation	(5,325)	—	(5,325)
Net book amount	3,906	37,712	41,618
Year ended 31 March 2017			
Opening net book amount	3,906	37,712	41,618
Exchange differences	(12)	(1,323)	(1,335)
Additions	43	—	43
Amortisation (note 6)	(965)	—	(965)
Closing net book amount	2,972	36,389	39,361
At 31 March 2017			
Cost	9,246	36,389	45,635
Accumulated amortisation	(6,274)	—	(6,274)
Net book amount	2,972	36,389	39,361
Year ended 31 March 2018			
Opening net book amount	2,972	36,389	39,361
Exchange differences	18	2,816	2,834
Additions	1,200	—	1,200
Amortisation (note 6)	(1,008)	—	(1,008)
Closing net book amount	3,182	39,205	42,387
At 31 March 2018			
Cost	10,502	39,205	49,707
Accumulated amortization	(7,320)	—	(7,320)
Net book amount	3,182	39,205	42,387

Amortisation of HK$1,008,000 (2017: HK$965,000) is included in administrative expenses.

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.

15 Intangible Assets (continued)

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

	2018	2017
Gross margin	30%	30%
Growth rate	1%	0%
Discount rate	8%	8%

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 2018 and 2017.

16 Available-for-sale Financial Assets

	2018 HK$'000	2017 HK$'000
At 1 April	5,866	5,732
Net change in fair value transferred to equity (note 28)	120	134
At 31 March	5,986	5,866

Available-for-sale financial assets include the following:

	2018 HK$'000	2017 HK$'000
Unlisted securities:		
— Insurance policy	4,817	4,697
— Other investment	1,169	1,169
	5,986	5,866

As at 31 March 2018 and 2017, the available-for-sale financial assets are denominated in US$.

17 Non-current Deposits and Prepayments

The balance represents rental deposits paid and prepayment for machinery.

18 Properties under Development

	2018 HK$'000	2017 HK$'000
At 1 April	99,821	60,968
Additions	27,929	5,099
Exchange differences	11,752	(3,638)
Reclassified from property, plant and equipment (note 12)	—	25,340
Reclassified from land use rights (note 13)	—	12,052
At 31 March	139,502	99,821

Properties under development comprise:

	2018 HK$'000	2017 HK$'000
Nantong, PRC		
— Land use rights	30,943	27,843
— Construction cost and capitalised expenditure	108,559	71,978
	139,502	99,821

As at 31 March 2018, the properties under development are expected to be completed and recovered after one year.

Properties under development are reclassified to inventory based on the floor areas, which will be held for sale when the related development plan is completed and approved by the relevant regulatory authorities.

19 Inventories

	2018 HK$'000	2017 HK$'000
Merchandise and finished goods	704,433	561,615
Raw materials	135,595	211,929
	840,028	773,544

The cost of inventories are recognised as expenses and included in cost of sales amounted to HK$5,149,015,000 (2017: HK$4,531,533,000) (note 6), and reversal of provision for inventories obsolescence of HK$331,000 (2017: HK$6,099,000) are included in "other operating (expenses)/income" for the year ended 31 March 2018.

As at 31 March 2018, the inventories of the Group are stated after a provision for impairment on inventories of approximately HK$13,655,000 (2017: HK$14,027,000).

20 Accounts and Other Receivables

	2018 HK$'000	2017 HK$'000
Accounts and bills receivable — net of provision	1,480,253	1,255,015
Other receivables, deposits and prepayments	672,242	450,829
	2,152,495	1,705,844

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

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

The aging analysis of accounts and bills receivables based on invoice date and net of impairment provision, is as follows:

	2018 HK$'000	2017 HK$'000
Current to 60 days	1,288,059	1,066,100
61 to 90 days	104,488	90,253
Over 90 days	87,706	98,662
	1,480,253	1,255,015

As at 31 March 2018, accounts receivable of HK$94,892,000 (2017: HK$89,473,000) were considered impaired. The individual impaired receivable mainly related to customers which are in unexpected difficult economic situations. It was assessed that a portion of the receivable is expected to be recovered.

The movement of the provision for impairment of accounts receivable is as follows:

	2018 HK$'000	2017 HK$'000
At 1 April	89,473	99,400
Exchange differences	5,569	(4,357)
Written back of provision for receivables (note 6)	(7,779)	(12,850)
Provision for impairment on receivables (note 6)	7,629	7,280
At 31 March	94,892	89,473

20 Accounts and Other Receivables (continued)

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 considered fully recoverable. As at 31 March 2018, accounts receivable of HK$55,910,000 (2017: HK$45,975,000) were past due over 90 days but not impaired. These related to a number of independent customers who have had no recent history of default. The aging analysis of accounts receivable that are past due but not impaired are as follows:

	Group	
	2018 HK$'000	2017 HK$'000
Past due by:		
91–120 days	33,642	9,181
Over 120 days	22,268	36,794
	55,910	45,975

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.

21 Financial Assets at Fair Value through Profit or Loss

	2018 HK$'000	2017 HK$'000
Listed equities outside Hong Kong, at fair value	—	913

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

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains and income, net" in the consolidated statement of profit or loss.

22 Restricted Bank Deposits

	2018 HK$'000	2017 HK$'000
Bank deposits pledged as securities for bills payables (note 34)	168,707	139,348

Restricted bank deposits earn interest at a fixed rate of 1.42% per annum (2017: 1.43% per annum).

The restricted bank deposits are denominated in RMB.

23 Bank Balances and Cash

	2018 HK$'000	2017 HK$'000
Cash at bank and on hand	276,255	339,260
Short-term bank deposits	83,817	118,691
	360,072	457,951

The effective interest rate on short-term bank deposits was 1.75% per annum (2017: 1.23% per annum). These deposits had an average maturity of three months or less (2017: three months or less).

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

	2018 HK$'000	2017 HK$'000
Bank balances and cash	360,072	457,951
Bank overdrafts (note 26)	(2,703)	(2,681)
	357,369	455,270

The carrying amounts of bank balances and cash and bank overdrafts approximate their fair value.

24 Assets classified as held for sale

During the year, the Board of Directors resolved that certain investment properties located in Hong Kong were held for sale. As a result, investment properties with a fair value of HK$161,000,000 on transfer date were reclassified to assets classified as held for sale.

	2018 HK$'000	2017 HK$'000
Transfer from investment properties (note 14)	161,000	—
Fair value gains (note 5)	39,000	—
	200,000	—

The analysis of investment properties classified as held for sale carried at fair value by valuation method is presented in note 14.

At 31 March 2018, investment properties presented as assets classified as held for sale with carrying value amounted to approximately HK$200,000,000 were pledged as securities for bank borrowings made available to the Group (note 34).

25 Accounts and Other Payables

	2018 HK$'000	2017 HK$'000
Accounts and bills payable	1,366,678	1,325,959
Accruals and other payables	237,394	196,961
	1,604,072	1,522,960
Less: non-current portions:		
Accounts and other payables (note (a))	(31,872)	(198,348)
	1,572,200	1,324,572

Note:

(a) As at 31 March 2018, accounts payable of HK$31,392,000 (2017: HK$105,474,000) were unsecured, interest-bearing at 5.1% (2017: 4.7%) per annum and repayable twelve months after balance sheet date. The remaining balances of HK$92,291,000 as at 31 March 2017 were unsecured, interest-free and were repayable twelve months after the balance sheet date.

As at 31 March 2018, rental deposit received of HK$480,000 (2017: HK$583,000) is not repayable within one year.

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

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

	2018 HK$'000	2017 HK$'000
Current to 60 days	1,049,647	646,261
61 to 90 days	140,683	127,377
Over 90 days	176,348	552,321
	1,366,678	1,325,959

26 Borrowings

	2018 HK$'000	2017 HK$'000
Non-current		
Bank loans — unsecured	1,051,430	728,909
Bank loans — secured (note 34)	17,279	5,736
Finance lease liabilities	2,547	4,011
Total non-current borrowings	1,071,256	738,656
Current		
Trust receipt loans — unsecured	812,047	687,718
Trust receipt loans — secured (note 34)	142,801	121,971
	954,848	809,689
Bank loans — unsecured	454,533	494,486
Bank loans — secured (note 34)	31,790	28,859
Bank overdrafts (note 23)	2,703	2,681
Finance lease liabilities	1,926	2,083
	490,952	528,109
Total current borrowings	1,445,800	1,337,798
Total borrowings	2,517,056	2,076,454

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

	Bank overdrafts		Bank loans		Trust receipt loans	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Within one year	2,703	2,681	486,323	523,345	954,848	809,689
In the second year	—	—	461,038	479,394	—	—
In the third to fifth years inclusive	—	—	597,548	251,054	—	—
Over 5 years	—	—	10,123	4,197	—	—
	2,703	2,681	1,555,032	1,257,990	954,848	809,689

26 Borrowings (continued)

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

	2018 HK$'000	2017 HK$'000
HK$	2,333,469	1,944,202
RMB	119,038	85,538
US$	50,841	31,919
SG$	6,981	8,561
MYR	6,727	6,234
	2,517,056	2,076,454

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans range from 2.6% to 5.7% per annum (2017: 2.3% to 5.2% 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$1,339,944,000 (2017: HK$2,003,657,000) as at 31 March 2018. All of the Group's facilities are at floating rates and subject to periodic renewal.

Finance lease liabilities

	2018 HK$'000	2017 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	2,104	2,206
Later than 1 year but not later than 5 years	2,832	4,201
	4,936	6,407
Future finance charges on finance leases	(463)	(313)
Present value of finance lease liabilities	4,473	6,094

	2018 HK$'000	2017 HK$'000
The present value of finance lease liabilities was as follows:		
Not later than 1 year	1,926	2,083
Later than 1 year and no later than 5 years	1,756	1,791
Later than 5 years	791	2,220
	4,473	6,094

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 4.6% to 6.6% per annum (2017: 4.6% to 6.6% per annum).

27 Share Capital

	Number of shares of HK$0.10 each		Share capital	
	2018	2017	2018 HK$'000	2017 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 and 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

Note:

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.

27 Share Capital (continued)

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

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

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

During the years ended 31 March 2018 and 2017, no convertible non-voting preference shares were converted.

Share option scheme
At the Special General Meeting of the Company held on 18 September 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 March 2018, no option was granted under the Option Scheme. A summary of the terms and conditions of the Option Scheme are set out below.

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

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

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

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

27 Share Capital (continued)

Share option scheme (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 i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and iii) the nominal value of a share on the date of grant.

(8) Remaining life of the Option Scheme

The Option Scheme will remain in force until 17 September 2025.

28 Reserves

	Share premium HK$'000	Asset revaluation reserve HK$'000	Capital reserve (note a) HK$'000	Exchange reserve HK$'000	Statutory reserve (note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2016	161,262	290,329	201,994	32,378	9,936	881,073	1,576,972
Profit for the year	—	—	—	—	—	84,714	84,714
Revaluation of land and building, net of tax	—	36,593	—	—	—	—	36,593
Revaluation of available-for-sale financial assets (note 16)	—	134	—	—	—	—	134
Currency translation differences	—	—	—	(140,822)	—	—	(140,822)
2015–2016 final dividend paid	—	—	—	—	—	(8,275)	(8,275)
2016–2017 interim dividend paid	—	—	—	—	—	(5,092)	(5,092)
Transfer from/(to) statutory reserve	—	—	—	—	5,934	(5,934)	—
At 31 March 2017	161,262	327,056	201,994	(108,444)	15,870	946,486	1,544,224
At 1 April 2017	161,262	327,056	201,994	(108,444)	15,870	946,486	1,544,224
Profit for the year	—	—	—	—	—	196,755	196,755
Revaluation of land and building, net of tax	—	18,047	—	—	—	—	18,047
Revaluation of available-for-sale financial assets (note 16)	—	120	—	—	—	—	120
Currency translation differences	—	—	—	247,731	—	—	247,731
2016–2017 final dividend paid	—	—	—	—	—	(24,190)	(24,190)
2017–2018 interim dividend paid	—	—	—	—	—	(5,092)	(5,092)
Transfer from/(to) statutory reserve	—	—	—	—	5,882	(5,882)	—
At 31 March 2018	161,262	345,223	201,994	139,287	21,752	1,108,077	1,977,595

Notes:

(a) The capital reserve of the Group includes the difference between the nominal value of the shares issued by Samson Paper (BVI) Limited and the nominal value of the share capital of those companies forming the Group pursuant to a group reorganisation in 1995 amounted to HK$33,311,000. In addition, it also includes the loss from the acquisition of additional interests in subsidiaries of HK$1,977,000 in 2011 and the gain on disposal of 22.3% equity interests in a subsidiary of HK$170,660,000 in 2012.

(b) The amount is determined under the relevant laws and regulations in the PRC.

29 Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2017: 16.5%).

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

	2018 HK$'000	2017 HK$'000
At 1 April	(88,004)	(84,348)
Credited/(charged) to consolidated statement of profit or loss (note 8)	2,106	1,503
Charged to consolidated statement of comprehensive income	(3,566)	(7,740)
Exchange difference	(5,152)	2,581
At 31 March	(94,616)	(88,004)

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

	Provisions		Tax losses		Total	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
At 1 April	3,973	8,148	2,849	2,894	6,822	11,042
Credited/(charged) to consolidated statement of profit or loss (note 8)	1,207	(3,803)	(998)	(38)	209	(3,841)
Exchange difference	411	(372)	14	(7)	425	(379)
At 31 March	5,591	3,973	1,865	2,849	7,456	6,822

Deferred tax liabilities

	Accelerated tax depreciation		Fair value gains		Others		Total	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
At 1 April	(33,786)	(40,635)	(38,317)	(32,032)	(22,723)	(22,723)	(94,826)	(95,390)
Credited to consolidated statement of profit or loss (note 8)	1,207	4,885	690	459	–	–	1,897	5,344
Charged to consolidated statement of comprehensive income	–	–	(3,566)	(7,740)	–	–	(3,566)	(7,740)
Exchange difference	(1,981)	1,964	(1,066)	996	(2,530)	–	(5,577)	2,960
At 31 March	(34,560)	(33,786)	(42,259)	(38,317)	(25,253)	(22,723)	(102,072)	(94,826)

29 Deferred Taxation (continued)

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

	2018 HK$'000	2017 HK$'000
Deferred tax assets to be recovered after more than 12 months	7,456	6,822
Deferred tax liabilities to be settled after more than 12 months	(102,072)	(94,826)
	(94,616)	(88,004)

30 Consolidated Statement of Cash Flows

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

	2018 HK$'000	2017 HK$'000
Operating profit	320,128	201,943
Depreciation of property, plant and equipment	70,213	66,238
Amortisation of land use rights	4,315	4,223
Amortisation of intangible assets	1,008	965
Fair value gains on investment properties	(143,700)	(34,800)
Gains on disposal of property, plant and equipment (note (c))	(36)	(336)
Realised and unrealised gains on investments in financial assets at fair value through profit or loss	(224)	(276)
Written-back of impairment on accounts receivable, net	(150)	(5,570)
Written-back of provision for inventories obsolescence (note 19)	(331)	(6,099)
Interest income (note 5)	(5,089)	(4,853)
Operating profit before working capital changes	246,134	221,435
Decrease/(increase) in inventories	9,930	(187,891)
Increase in properties under development	(27,137)	(5,099)
(Increase)/decrease in trade and other receivables	(333,182)	261,695
(Decrease)/increase in trade and other payables	(54,440)	(130,824)
Net cash (used in)/generated from operations	(158,695)	420,964

30 Consolidated Statement of Cash Flows (continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Finance lease liabilities due within 1 year HK$'000	Finance lease liabilities due after 1 year HK$'000	Bank Loans due within 1 year HK$'000	Bank Loans due after 1 year HK$'000	Trust receipt loans HK$'000	Total HK$'000
Net debt as at 1 April 2017	2,083	4,011	523,345	734,645	809,689	2,073,773
Proceeds/additions	—	—	206,648	811,322	2,441,019	3,458,989
Repayments	(2,083)	—	(383,226)	(378,909)	(2,295,860)	(3,060,078)
Other non-cash movement	1,792	(1,712)	101,786	(99,184)	—	2,682
Exchange differences	134	248	37,770	835	—	38,987
Net debt as at 31 March 2018	1,926	2,547	486,323	1,068,709	954,848	2,514,353

(c) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2018 HK$'000	2017 HK$'000
Net book amount	1,374	1,622
Gains on disposal of property, plant and equipment (note 5)	36	336
	1,410	1,958

In the consolidated statement of cash flows, proceeds from sale of land use rights comprise:

	2018 HK$'000	2017 HK$'000
Net book amount	—	4,378
Gains on disposal of land use rights	—	—
	—	4,378

31 Bank Guarantees

At 31 March 2018, 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 2018 amounted to HK$2,512,583,000 (2017: HK$2,070,360,000).

32 Financial instruments by category

	2018 HK$'000	2017 HK$'000
Financial assets		
Available-for-sale financial assets	5,986	5,866
Financial assets at fair value through profit or loss	—	913
Loans and other receivables		
Accounts and other receivables	2,010,931	1,436,365
Restricted bank deposits	168,707	139,348
Bank balances and cash	360,072	457,951
Financial liabilities		
At amortised cost		
Accounts and other payables	1,490,886	1,407,834
Borrowings	2,517,056	2,076,454

33 Commitments

(a) Capital commitments

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

	2018 HK$'000	2017 HK$'000
Contracted but not provided for		
Property, plant and equipment	140,733	117,575

(b) Operating lease commitments

The Group leases certain premises under non-cancellable operating lease agreements. The lease terms are mainly 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:

	2018 HK$'000	2017 HK$'000
Not later than one year	31,613	28,550
Later than one year and not later than five years	41,440	12,370
Later than five years	7,396	2,641
	80,449	43,561

(c) Operating lease receivable

The Group leases out various warehouses under non-cancellable operating lease agreements. The lease terms are between one to five 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:

	2018 HK$'000	2017 HK$'000
Not later than one year	3,101	17,136
Later than one year and not later than five years	960	791
	4,061	17,927

34 Charge of Assets

At 31 March 2018, trust receipt loans of HK$142,801,000 (2017: HK$121,971,000) and bank loans of HK$49,069,000 (2017: HK$34,595,000) are secured by legal charges on the Group's land and buildings and investment properties, including those presented as assets classified as held for sale, with aggregate net book amount of HK$323,112,000 (2017: HK$636,833,000) (notes 12, 14 and 24).

At 31 March 2018, bills payables of HK$490,769,000 (2017: HK$286,604,000) are secured by restricted bank deposits of HK$168,707,000 (2017: HK$139,348,000) (note 22).

35 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:

(a) Purchases from a related party

	2018 HK$'000	2017 HK$'000
Purchase of merchandise from an investee company	1,035,403	647,334

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

(b) Year-end balances arising from purchases of goods

	2018 HK$'000	2017 HK$'000
Payables to an investee company	292,444	423,997

Amounts due to an investee company which are included under accounts and other payables are unsecured, interest-free and were repayable with credit period of 90 days.

The carrying amounts as at 31 March 2018 and 2017 are denominated in RMB.

(c) Sales to a related party

	2018 HK$'000	2017 HK$'000
Sale of merchandise to an investee company	48,873	71,354

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

	2018 HK$'000	2017 HK$'000
Receivables from an investee company	15,292	—

(d) Year-end balances arising from sales of goods

Amounts due from an investee company which are included under trade receivables are unsecured, interest-free and repayable with credit period of 90 days.

The carrying amounts as at 31 March 2018 and 2017 are denominated in RMB.

(e) Key management compensation

Details of key management compensation are set out in note 39 to the consolidated financial statements.

36 Ultimate Holding Company

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

37 Particulars of Principal Subsidiaries

	Name of subsidiary(ies)	Place(s) of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding(s) (%) 2018	2017	Nature of business
	Shares held directly:					
1	Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK$1 each	100	100	Investment holding in Hong Kong
	Shares held indirectly:					
	Burotech Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	100	100	Printing and sales of computer forms and trading of commercial paper products in Hong Kong
1	Foshan NanHai JiaLing Paper Company Limited[2]	The PRC	Registered capital HK$81,380,000	100	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	100	Export trading of paper products to the PRC
1	Global Century Investments Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Property holding in the PRC
	High Flyer International Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100	100	FMCG business, leasing of investment property and logistics services in Hong Kong
1	Hypex Holdings Limited	British Virgin Islands	2 ordinary shares of US$1 each	100	100	Investment holding in Singapore
1	Samson Paper (Beijing) Company Limited[2]	The PRC	Registered capital HK$46,380,000	100	100	Trading of paper products in the PRC
	Samson Paper (China) Company Limited	Hong Kong	1,000 ordinary shares of HK$10 each	100	100	Investment holding in Hong Kong
1	Samson Paper (M) Sdn. Bhd.	Malaysia	7,500,000 ordinary shares of RM1 each	100	100	Trading of paper products in Malaysia
1	Samson Paper (Shanghai) Company Limited[2]	The PRC	Registered capital RMB61,650,000	100	100	Trading of paper products in the PRC
1	Samson Paper (Shenzhen) Company Limited[2]	The PRC	Registered capital HK$48,300,000	100	100	Trading of paper products in the PRC
	Samson Paper Company Limited	Hong Kong	10 ordinary shares of HK$100 each 285,000 non-voting shares of HK$100 each	100	100	Trading of paper products in Hong Kong

37 Particulars of Principal Subsidiaries (continued)

Name of subsidiary(ies)	Place(s) of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding(s) (%) 2018	2017	Nature of business
Shares held directly: (continued)					
[1] Shenzhen High Flyer International Transportation Co. Ltd.[2]	The PRC	Registered capital RMB10,000,000	80.4	80.4	Container transport services in the PRC
Shun Hing Paper Company Limited	Hong Kong	7,600 ordinary shares of HK$100 each 2,400 non-voting shares of HK$100 each	100	100	Trading of paper products in Hong Kong
[1] SJ (China) Company Limited (formerly known as "Universal Pulp and Paper (Jiangsu) Co. Ltd.")[2]	The PRC	Registered capital US$60,000,000	100	100	Property development, manufacturing & trading of paper products in the PRC
United Aviation (Singapore) Pte. Ltd.	Singapore	2 ordinary shares of US$1 each	100	100	Trading of aeronautical parts in Singapore
[1] Universal Pulp and Paper (Shandong) Co. Ltd.[2]	The PRC	Registered capital US$97,418,900	79.9	79.9	Manufacturing & trading of paper products in the PRC

1 The statutory financial statements 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.

38 Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

	Note	As at 31 March 2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		249,897	249,897
Current assets			
Amounts due from subsidiaries		330,358	319,299
Bank balances and cash		71	83
		330,429	319,382
Total Assets		580,326	569,279
Current liabilities			
Accruals		322	312
Net current assets		330,107	319,070
Total assets less current liabilities		580,004	568,967
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		127,315	127,315
Reserves	(a)	452,689	441,652
Total equity		580,004	568,967

38 Balance Sheet and Reserve Movement of the Company (continued)

(a) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus (note) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2016	161,262	249,697	14,563	425,522
Profit for the year	—	—	29,497	29,497
2015–2016 final dividend paid	—	—	(8,275)	(8,275)
2016–2017 interim dividend paid	—	—	(5,092)	(5,092)
At 31 March 2017	161,262	249,697	30,693	441,652
At 1 April 2017	161,262	249,697	30,693	441,652
Profit for the year	—	—	40,319	40,319
2016–2017 final dividend paid	—	—	(24,190)	(24,190)
2017–2018 interim dividend paid	—	—	(5,092)	(5,092)
At 31 March 2018	161,262	249,697	41,730	452,689

Note: 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.

39 Benefits and Interests of Directors

(a) Directors' emoluments

The remuneration of every director for the year ended 31 March 2018 is set out below:

	2018						2017
	Fee HK$'000	Salary HK$'000	Allowances in excess of actual expenses HK$'000	Estimated money value of benefits received other than in cash HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000	Total HK$'000
Executive Directors							
Sham Kit Ying	–	1,800	839	3,240	–	5,879	5,879
Lee Seng Jin	–	6,762	–	1,560	263	8,585	6,534
Sham Yee Lan, Peggy	–	1,800	–	–	107	1,907	1,011
Chow Wing Yuen	–	1,800	–	–	126	1,926	1,416
Lee Yue Kong, Albert	–	1,344	–	456	74	1,874	1,184
Non-executive Directors							
Pang Wing Kin, Patrick	200	–	–	–	–	200	160
Lau Wang Yip, Eric	200	–	–	–	–	200	160
Tong Yat Chong	200	–	–	–	–	200	160
Ng Hung Sui, Kenneth	200	–	–	–	–	200	160

39 Benefits and Interests of Directors (continued)

(a) Directors' emoluments (continued)

During the year, no emoluments were waived by the directors 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) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 March 2018 and 2017.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 March 2018 and 2017.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31 March 2018 and 2017, no consideration was paid by the company to third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31 March 2018 and 2017, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31 March 2018 and 2017 or at any time during the years ended 31 March 2018 and 2017.

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2017: five) directors whose emoluments are reflected in the analysis presented above.

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