

Notes to the Accounts

I Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain land and buildings, machinery and equipment and investments in securities are stated at fair value.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003. The changes to the Group's accounting policies and the effect of adopting the new policy are set out in note I(n) to the accounts.

(b) Consolidation

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

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

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

I Principal accounting policies (continued)

(c) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year; and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

(d) Translation of foreign currencies

Transactions in foreign currency are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising from these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences arising are dealt with as a movement in reserves.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired associated company at the date of acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5-10 years.

I. Principal accounting policies (continued)

(f) Fixed assets

Leasehold land and buildings are stated at cost or valuation.

Depreciation of leasehold land and buildings is calculated to write off their cost or valuation on a straight-line basis over their expected useful lives to the Group or the unexpired lease periods, whichever is shorter. The principal annual rates range from 1.52% to 5.9%.

Other fixed assets, comprising leasehold improvements, plant and machinery and furniture and fixtures are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Depreciation on other fixed assets is calculated at rates sufficient to write off their cost less accumulated impairment losses or valuation over their estimated useful lives to the Group on a straight-line basis. The principal annual rates are as follows:

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

Improvements are capitalised and depreciated over their estimated useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any assets revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from leasing company are charged to the consolidated profit and loss account on a straight-line basis over the lease periods.

I. Principal accounting policies (continued)

(h) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) Inventories

Inventories comprise merchandise, raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises purchase price of inventories and direct expenses. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks, cash investments with a maturity of three months or less from date of investment.

(l) 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 a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

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

I. Principal accounting policies (continued)

(m) Employee benefits (continued)

(ii) Pension obligations

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

(iii) Equity compensation benefits

Share options are granted to any employee including any executive or non-executive director of the Company and its subsidiaries at an exercise price which is at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. No compensation cost is recognised in the profit and loss account. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(n) Deferred taxation

Deferred income taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred income taxation.

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

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

I. Principal accounting policies (continued)

(n) Deferred taxation (continued)

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 20 to the accounts, the opening reserves at 1 April 2002 and 2003 have been decreased by HK\$5,249,000 and HK\$4,549,000 respectively, which represent the unprovided net deferred tax liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31 March 2003 by HK\$1,629,000 and HK\$6,178,000 respectively. The profit and amount charged to equity for the year ended 31 March 2003 have been increased by HK\$700,000 and decreased by HK\$10,700,000 respectively.

(o) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(p) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

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

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

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

I Principal accounting policies (continued)

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

(r) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2 Turnover, revenue and segment information

The Group is principally engaged in the trading and marketing of paper products. Revenues recognised during the year are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Turnover – sale of goods	2,644,619	2,512,363
Other revenue		
Interest income	5,094	4,286
Sales commission	402	458
Gain on sale of other investments	740	–
Dividends received – listed investments	146	–
Others	1,358	–
	7,740	4,744
Total revenue	2,652,359	2,517,107

2 Turnover, revenue and segment information (continued)

Primary reporting format – business segments

The Group only has one business segment which comprises trading and marketing of paper products and an analysis of the Group's turnover, contribution, assets and liabilities by business segments is therefore not presented.

Secondary reporting format – geographical segments

	Group							
	Turnover		Segment results		Total assets		Capital expenditure	
	2004	2003	2004	2003	As restated		2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,566,699	1,711,461	57,903	61,007	1,053,292	1,045,793	2,541	3,428
Mainland China	1,077,920	800,902	38,224	27,232	757,395	525,912	2,561	1,566
	<u>2,644,619</u>	<u>2,512,363</u>	<u>96,127</u>	<u>88,239</u>	<u>1,810,687</u>	<u>1,571,705</u>	<u>5,102</u>	<u>4,994</u>

3 Operating profit

Operating profit is stated after charging and crediting the following:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Charging		
Amortisation of goodwill (included in other operating expenses)	1,782	709
Depreciation of fixed assets	11,037	11,351
Loss on disposal of fixed assets	341	–
Operating lease rentals in respect of land and buildings	11,388	10,388
Provision for slow-moving inventories	610	3,353
Provision for doubtful debts	16,194	10,255
Staff costs (excluding directors' remuneration (note 9))	69,625	71,993
Unrealised losses on other investments	–	810
Auditors' remuneration	653	500
	<hr/>	<hr/>
Crediting		
Gain on disposal of fixed assets	–	28
Provision for doubtful debts written back	2,001	3,707
Realised gains on sale of other investments	740	–
Unrealised gains on other investments	470	–
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4 Finance costs

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within 5 years	21,240	29,020
Interest on trade credit	11,112	10,408
	<hr/>	<hr/>
	32,352	39,428
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5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2004 HK\$'000	As restated 2003 HK\$'000
Hong Kong profits tax		
Current	13,177	10,079
Overprovision in previous years	(247)	(675)
	12,930	9,404
Mainland China taxation	724	27
Deferred taxation relating to origination and reversal of temporary differences	(2,512)	(307)
Deferred taxation resulting from increase in tax rate	642	–
	11,784	9,124
Share of taxation attributable to associated companies	(388)	10
	11,396	9,134

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:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	64,177	48,957
Calculated at a taxation rate of 17.5% (2003: 16%)	11,231	7,833
Effect of different taxation rates in other countries	35	50
Income not subject to taxation	(736)	(714)
Expenses not deductible for taxation purposes	909	2,579
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	642	–
Utilisation of previously unrecognised tax losses	(72)	(36)
Tax losses not recognised	22	87
Overprovision in previous years	(247)	(675)
	11,784	9,124
Taxation charge		

6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$17,428,000 (2003: HK\$13,046,000) (note 20).

7 Dividends

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interim – HK\$0.01 (2003: HK\$0.01) per share	4,293	4,293
Proposed final – HK\$0.03 (2003: HK\$0.02) per share	12,878	8,585
	<u>17,171</u>	<u>12,878</u>

At a meeting held on 19 July 2004, the Directors proposed a final dividend of HK3.0 cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2005.

8 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$52,781,000 (2003: HK\$39,823,000 (as restated)) and on the weighted average number of 429,258,039 shares (2003: 429,258,039 shares) in issue during the year.

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

9 Staff costs (excluding directors' remuneration)

	Group	
	2004	2003
	HK\$'000	HK\$'000
Wages and salaries	66,986	66,760
Long service payments	104	3,303
Pension costs – defined contribution schemes	2,535	1,930
	<u>69,625</u>	<u>71,993</u>

10 Directors' and senior management's emoluments

- (a) The aggregate amounts of emoluments payable to the Directors of the Company during the year are as follows:

	<u>Group</u>	
	2004 HK\$'000	2003 HK\$'000
Fees	160	160
Basic salaries, housing allowances, other allowances and benefits in kind	10,617	10,491
Discretionary bonuses	3,861	3,820
Pension costs – defined contribution schemes	198	204
	<u>14,836</u>	<u>14,675</u>

Directors' fees disclosed above were paid to the two independent non-executive Directors. The non-executive Director has waived his emoluments in respect of the years ended 31 March 2004 and 2003.

The emoluments of the Directors fell within the following bands:

	<u>Number of directors</u>	
	2004	2003
Emolument bands HK\$		
0 – 1,000,000	3	5
1,000,001 – 1,500,000	3	2
1,500,001 – 2,000,000	–	1
4,500,001 – 5,000,000	–	–
5,000,001 – 5,500,000	1	2
5,500,001 – 6,000,000	1	–
	<u>8</u>	<u>10</u>

- (b) The five individuals whose emoluments were the highest in the Group for both years were also Directors and their emoluments are reflected in the analysis presented above.

II Fixed assets – Group

	Leasehold land and buildings		Furniture and fixtures	Machinery and equipment	Motor vehicles and vessels	Leasehold improve- ments	Office and computer equipment	Total
	in Hong Kong	outside Hong Kong						
	HK\$'000	HK\$'000						
Cost or valuation								
At 1 April 2003	146,400	9,356	5,558	27,965	12,681	10,530	13,692	226,182
Additions	–	–	35	1,894	1,379	–	1,794	5,102
Disposals	–	–	(7)	(28)	(428)	–	(1,129)	(1,592)
At 31 March 2004	146,400	9,356	5,586	29,831	13,632	10,530	14,357	229,692
Accumulated depreciation								
At 1 April 2003	17,415	536	4,417	24,794	8,487	9,597	9,923	75,169
Charge for the year	4,336	206	399	1,165	1,978	592	2,361	11,037
Disposals	–	–	(7)	(9)	(372)	–	(817)	(1,205)
At 31 March 2004	21,751	742	4,809	25,950	10,093	10,189	11,467	85,001
Net book value								
At 31 March 2004	124,649	8,614	777	3,881	3,539	341	2,890	144,691
At 31 March 2003	128,985	8,820	1,141	3,171	4,194	933	3,769	151,013

11 Fixed assets – Group (continued)

The Group's interests in land and buildings at their net book values are analysed as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
In Hong Kong, held on		
Leases of between 10 to 50 years	124,649	128,985
Outside Hong Kong, held on		
Leases of over 50 years	697	708
Leases of between 10 to 50 years	7,917	8,112
	8,614	8,820
	133,263	137,805

- (a) Leasehold land and buildings of HK\$146,400,000 (2003: HK\$146,400,000) were situated in Hong Kong and were revalued at 31 March 2004 on the basis of open market value carried out by FPD Savills (Hong Kong) Limited, an independent firm of chartered surveyors.

The carrying amount of the leasehold land and buildings situated in Hong Kong would have been HK\$100,271,000 (2003: HK\$102,446,000) had they been stated at cost less accumulated depreciation.

At 31 March 2004, the leasehold land and buildings situated in Hong Kong were pledged to banks as securities for bank loans and certain trust receipt loans granted to the Group (note 25).

- (b) Machinery and equipment of HK\$2,994,000 (2003: HK\$2,994,000) held by Burotech Limited, a wholly-owned subsidiary of the Company, at 31 July 1989 were valued by the Directors of the Group at 30 August 1989 by reference to a valuation report prepared by American Appraisal Limited on a fair market value basis on 30 August 1989. Surplus arising on the revaluation was taken directly to the assets revaluation reserve. Effective from 1st April 1995 no further revaluation have been carried out. The Group places reliance on paragraph 80 of the Hong Kong SSAP No. 17 (revised) which provides exemption from the need to make regular revaluations for such assets.

The machinery and equipment would have no carrying value (2003: Nil) had they been stated at cost less accumulated depreciation.

- (c) All other fixed assets of the Group are stated at cost less accumulated depreciation.

12 Investment in subsidiaries

	<u>Company</u>	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost (note a)	249,897	249,897
Amounts due from subsidiaries (note b)	142,879	142,588
	<u>392,776</u>	<u>392,485</u>

Notes:

- (a) Particulars of the Company's principal subsidiaries at 31 March 2004 are set out in note 28 to the accounts.
- (b) The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months from the balance sheet date.

13 Investment in associated companies

	<u>Group</u>	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets	61,419	61,327
Goodwill on acquisition of an associated company less accumulated amortisation	4,599	6,381
	<u>66,018</u>	<u>67,708</u>

	<u>Group</u>	
	2004	2003
	HK\$'000	HK\$'000
Investments at cost :		
Listed overseas shares	67,334	67,334
Unlisted shares	640	640
	<u>67,974</u>	<u>67,974</u>
Market value of listed shares	<u>39,946</u>	<u>37,948</u>

13 Investment in associated companies (continued)

The following is the details of the associated companies at 31 March 2004:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Interest held indirectly	
				2004	2003
Tri-Pine Trading (Hong Kong) Limited	Hong Kong	Trading of paper products	640,000 shares of HK\$1 each	40%	40%
United Pulp & Paper Company Limited (note)	Singapore	Manufacturing and trading of paper and paper products	22,192,000 shares of S\$0.25 each	19.11%	19.18%

Note:

United Pulp & Paper Company Limited has a financial accounting period of 31 December which is not coterminous with the Group.

14 Inventories

	Group	
	2004 HK\$'000	2003 HK\$'000
Merchandise	298,162	246,411
Raw materials	675	3,686
Work in progress	3	20
Finished goods	183	365
	<u>299,023</u>	<u>250,482</u>

At 31 March 2004 and 2003, all inventories were carried at cost.

15 Accounts receivable, deposits and prepayments

At 31 March 2004, included in accounts receivable, deposits and prepayments are trade debtors of HK\$884,749,000 (net of provision) (2003: HK\$787,979,000 (net of provision)) and their ageing analysis is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current to 60 days	596,134	553,753
61 to 90 days	159,153	136,215
Over 90 days	129,462	98,011
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	884,749	787,979
	<hr/>	<hr/>

The Group has a defined credit policy with general credit terms ranging from 30 days to 90 days.

16 Other investments

	Group	
	2004	2003
	HK\$'000	HK\$'000
Listed securities, at fair value:		
Listed shares in Hong Kong	297	630
Listed shares outside Hong Kong	16,281	734
Bonds listed outside Hong Kong	8,404	7,218
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	24,982	8,582
	<hr/>	<hr/>

17 Accounts payable and accrued charges

At 31 March 2004, included in accounts payable and accrued charges are trade creditors of HK\$361,916,000 (2003: HK\$208,078,000) and their ageing analysis is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current to 60 days	265,344	156,775
61 to 90 days	51,028	35,735
Over 90 days	45,544	15,568
	<hr/>	<hr/>
	361,916	208,078
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18 Bank loans and trust receipt loans

	<u>Group</u>	
	2004	2003
	HK\$'000	HK\$'000
Bank loans		
Unsecured	196,878	169,684
Secured (note 25)	38,737	62,890
	<u>235,615</u>	<u>232,574</u>
Current portion	(148,809)	(179,837)
	<u>86,806</u>	<u>52,737</u>
Trust receipt loans	<u>595,808</u>	<u>546,050</u>

At 31 March 2004, the Group's bank loans were repayable as follows:

	<u>Group</u>	
	2004	2003
	HK\$'000	HK\$'000
Within one year	148,809	179,837
In the second year	70,278	38,153
In the third to fifth years inclusive	16,528	14,584
	<u>235,615</u>	<u>232,574</u>

At 31 March 2004, the Group's trust receipt loans of HK\$595,808,000 (2003: HK\$546,050,000) were repayable within one year from the balance sheet date.

19 Share capital

	Number of shares of HK\$0.10 each		Share capital	
	2004	2003	2004 HK\$'000	2003 HK\$'000
Authorised:				
At the beginning and the end of year	800,000,000	800,000,000	80,000	80,000
Issued and fully paid:				
At the beginning and the end of year	429,258,039	429,258,039	42,926	42,926

At the Special General Meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") to comply with the new requirements of Chapter 17 of the Listing Rules and the termination of the operation of the existing share option scheme (the "Old Scheme") which was approved on 8 November 1995. No share option was granted under the Old Scheme since 8 November 1995 and up to the date of the termination or was outstanding as at the date of the termination. As at 31 March 2004, no option has been granted under the New Scheme.

20 Reserves

Group

	Share premium HK\$'000	Assets revaluation reserve HK\$'000	Capital reserve (note a) HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2002, as previously reported	96,293	62,742	33,311	(126)	279,212	471,432
Changes in accounting policy – adoption of SSAP 12 (revised)	–	(10,700)	–	–	5,451	(5,249)
At 1 April 2002, as restated	96,293	52,042	33,311	(126)	284,663	466,183
2001-2002 final dividend paid	–	–	–	–	(4,293)	(4,293)
Profit for the year	–	–	–	–	39,823	39,823
Deficit on revaluation of properties	–	(1,600)	–	–	–	(1,600)
Share of reserve of an associated company	–	–	–	(766)	–	(766)
2002-2003 interim dividend paid	–	–	–	–	(4,293)	(4,293)
Reserves	96,293	50,442	33,311	(892)	307,315	486,469
Proposed 2002-2003 final dividend	–	–	–	–	8,585	8,585
At 31 March 2003	96,293	50,442	33,311	(892)	315,900	495,054
Company and subsidiaries	96,293	50,442	33,311	–	315,764	495,810
Associated companies	–	–	–	(892)	136	(756)
At 31 March 2003	96,293	50,442	33,311	(892)	315,900	495,054
At 1 April 2003, as previously reported	96,293	61,142	33,311	(892)	309,749	499,603
Changes in accounting policy – adoption of SSAP 12 (revised)	–	(10,700)	–	–	6,151	(4,549)
At 1 April 2003, as restated	96,293	50,442	33,311	(892)	315,900	495,054
2002-2003 final dividend paid	–	–	–	–	(8,585)	(8,585)
Profit for the year	–	–	–	–	52,781	52,781
Share of reserve of an associated company	–	–	–	(698)	–	(698)
2003-2004 interim dividend paid	–	–	–	–	(4,293)	(4,293)
Reserves	96,293	50,442	33,311	(1,590)	342,925	521,381
Proposed 2003-2004 final dividend	–	–	–	–	12,878	12,878
At 31 March 2004	96,293	50,442	33,311	(1,590)	355,803	534,259
Company and subsidiaries	96,293	50,442	33,311	–	354,877	534,923
Associated companies	–	–	–	(1,590)	926	(664)
At 31 March 2004	96,293	50,442	33,311	(1,590)	355,803	534,259

20 Reserves (continued)

Company

	Share premium HK\$'000	Contributed surplus (note b) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2002	96,293	249,697	7,476	353,466
2001-2002 final dividend paid	–	–	(4,293)	(4,293)
Profit for the year (note 6)	–	–	13,046	13,046
2002-2003 interim dividend paid	–	–	(4,293)	(4,293)
Reserves	96,293	249,697	3,351	349,341
Proposed 2002-2003 final dividend	–	–	8,585	8,585
At 31 March 2003	96,293	249,697	11,936	357,926
At 1 April 2003	96,293	249,697	11,936	357,926
2002-2003 final dividend paid	–	–	(8,585)	(8,585)
Profit for the year (note 6)	–	–	17,428	17,428
2003-2004 interim dividend paid	–	–	(4,293)	(4,293)
Reserves	96,293	249,697	3,608	349,598
Proposed 2003-2004 final dividend	–	–	12,878	12,878
At 31 March 2004	96,293	249,697	16,486	362,476

Notes:

- (a) The capital reserve of the Group represents the difference between the nominal value of the shares issued by Samson Paper (BVI) Limited and the nominal value of the share capital of those companies forming the Group pursuant to a group reorganisation in 1995.
- (b) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its component of reserves of the underlying subsidiaries.

21 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003:16%).

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

	<u>Group</u>	
	2004	As restated 2003
	HK\$'000	HK\$'000
At 1 April	6,386	6,693
Deferred taxation credited to profit and loss account (note 5)	(1,867)	(307)
	<hr/>	<hr/>
At 31 March	4,519	6,386
	<hr/>	<hr/>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has no material unrecognised tax losses as at 31 March 2004 and 2003.

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

	<u>Group</u>	
	2004	As restated 2003
	HK\$'000	HK\$'000
Deferred tax liabilities		
		Accelerated tax depreciation
		As restated
	2004	2003
	HK\$'000	HK\$'000
At 1 April	8,722	8,453
(Credited)/charged to profit and loss account	(638)	269
	<hr/>	<hr/>
At 31 March	8,084	8,722
	<hr/>	<hr/>

21 Deferred taxation (continued)

Deferred tax assets	Group					
	Provisions		Tax losses		Total	
	As restated		As restated		As restated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	963	1,238	1,373	522	2,336	1,760
Charged/(credited) to profit and loss account	631	(275)	598	851	1,229	576
At 31 March	1,594	963	1,971	1,373	3,565	2,336

The amounts shown in the balance sheet include the following:

	Group	
	2004	As restated 2003
	HK\$'000	HK\$'000
Deferred tax assets to be recovered after more than 12 months	(2,508)	(1,629)
Deferred tax liabilities to be settled after more than 12 months	7,027	8,015
	4,519	6,386

22 Consolidated cash flow statement

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Operating profit	96,127	88,239
Amortisation of goodwill	1,782	709
Depreciation of fixed assets	11,037	11,351
Losses / (gains) on disposal of fixed assets	341	(28)
Realised gains on sale of other investments	(740)	(780)
Unrealised (gains) / losses on other investments	(470)	810
Interest income	(5,094)	(4,286)
Dividends income	(146)	–
	<hr/>	<hr/>
Operating profit before working capital changes	102,837	96,015
(Increase) / decrease in inventories	(48,541)	29,432
Increase in accounts receivable, deposits and prepayments	(140,806)	(133,529)
Increase in accounts payable and accrued charges	149,624	81,967
Increase in trust receipt loans	49,758	128,453
	<hr/>	<hr/>
Net cash inflow generated from operations	112,872	202,338
	<hr/>	<hr/>

(b) Analysis of changes in financing during the year

	Group	
	Bank loans	
	2004	2003
	HK\$'000	HK\$'000
At the beginning of year	232,574	176,903
Bank loans raised	543,502	469,640
Repayment of bank loans	(540,461)	(413,969)
	<hr/>	<hr/>
At the end of year	235,615	232,574
	<hr/>	<hr/>

23 Contingent liabilities

At 31 March 2004, the Company provided corporate guarantees on the banking facilities granted to three subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2004 amounted to HK\$831,423,000 (2003: HK\$778,624,000).

24 Commitments

(a) Capital commitments

Capital commitments for property, plant and equipment

	<u>Group</u>	
	2004	2003
	HK\$'000	HK\$'000
Contracted but not provided for	2,362	312

- (b) As at 31 March 2004, a wholly-owned subsidiary of the Company had commitment in respect of the injection of capital into a subsidiary in Mainland China amounted to approximately HK\$16,380,000 (2003: Nil).

(c) Operating lease commitments

At 31 March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<u>Group</u>	
	2004	2003
	HK\$'000	HK\$'000
Not later than one year	11,171	9,434
Later than one year and not later than five years	4,514	12,538
	<u>15,685</u>	<u>21,972</u>

25 Charge of assets

At 31 March 2004, trust receipt loans of HK\$195,341,000 (2003: HK\$175,289,000) and bank loans of HK\$38,737,000 (2003: HK\$62,890,000) were secured by legal charges on the Group's properties in Hong Kong with net book value of approximately HK\$124,649,000 (2003: approximately HK\$128,985,000) (note 11).

26 Related party transactions

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Purchase from associated companies	133,974	149,238

27 Ultimate holding company

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

28 Particulars of principal subsidiaries

Name of subsidiary	Country/ place of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding	Nature of business
2004 & 2003				
Shares held directly:				
* Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK\$1 each	100	Investment holding
Shares held indirectly:				
Boardton Consultants Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	Property holding
Burotech Limited	Hong Kong	4,000,000 ordinary shares of HK\$1 each	100	Printing and sales of computer forms and trading of commercial paper products
Foundation Paper Company Limited	Hong Kong	10,000 ordinary shares of HK\$100 each	100	Export trading of paper products to Mainland China
* Global Century Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Property holding

28 Particulars of principal subsidiaries (continued)

Name of subsidiary	Country/ place of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding	Nature of business
2004 & 2003				
Shares held indirectly (continued):				
Samson Paper (China) Company Limited	Hong Kong	1,000 ordinary shares of HK\$10 each	100	Investment holding
Samson Paper Company Limited	Hong Kong	100 ordinary shares of HK\$10 each	100	Trading of paper products
		2,850,000 non-voting share of HK\$10 each	100	
Shun Hing Paper Company Limited	Hong Kong	7,600 ordinary shares of HK\$100 each	100	Trading of paper products
		2,400 non-voting shares of HK\$100 each	100	
* Sino Development (Tianjin) International Trading Co. Ltd.**	The People's Republic of China	Registered capital US\$300,000	100	Trading of paper products in Mainland China
* Sky (Shenzhen) International Trading Co. Ltd.**	The People's Republic of China	Registered capital US\$640,000	100	Trading of paper products in Mainland China
* Star Vision Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding

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

** Foreign investment enterprises

All subsidiaries operate in Hong Kong except otherwise stated.

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

29 Approval of accounts

The accounts were approved by the board of Directors on 19 July 2004.