

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 Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, leasehold land and buildings and other investments are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Company has not early adopted these new HKFRSs in the accounts for the year ended 31 March 2005. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRs would have a significant impact on its results of operations and financial position.

(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 accumulated 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 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 valuation. Leasehold land and buildings situated in and outside of Hong Kong are valued annually by independent valuers and by the Directors respectively. The valuations are on an open market basis related to individual properties and separate values are not attributed to land and buildings. Increases in valuation are credited to the asset revaluation reserve to the extent that it is not covered by deficits arising on prior valuation of that asset which has previously charged to the profit and loss account. Decreases in valuation are first offset against increases on earlier valuation in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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

Leasehold land and buildings are depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives to the Group on a straight-line basis. The principal rates are as follows:

Leasehold land and buildings	1.5% to 5.9%
Furniture and fixtures	10% to 25%
Machinery and equipment	10% to 20%
Office and computer equipment	10% to 20%
Motor vehicles and vessels	20%
Leasehold improvements	20% or over the unexpired lease period, whichever is shorter

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.

I. Principal accounting policies (continued)

(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.

(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 represent merchandise, 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) Retirement benefit 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 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 substantially 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)

(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.

(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.

I Principal accounting policies (continued)

(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 are as follows:

	<u>Group</u>	
	2005	2004
	HK\$'000	HK\$'000
Turnover – sale of goods	2,944,408	2,644,619
	-----	-----
Other revenue		
Interest income	7,419	5,094
Sales commission	–	402
Gain on sale of other investments	660	740
Dividends income – listed investments	1,168	21
Others	813	1,483
	-----	-----
	10,060	7,740
	-----	-----
Total revenue	2,954,468	2,652,359
	-----	-----

2 Turnover, revenue and segment information (continued)

Primary reporting format – business segments

As over 90% of Group's turnover and profit contribution came from 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	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,538,822	1,566,699	55,220	57,903	1,125,228	1,053,292	3,547	2,541
The PRC	1,385,533	1,077,920	47,245	38,224	827,041	757,395	13,254	2,561
Others	20,053	–	1,512	–	22,700	–	1,970	–
	<u>2,944,408</u>	<u>2,644,619</u>	<u>103,977</u>	<u>96,127</u>	<u>1,974,969</u>	<u>1,810,687</u>	<u>18,771</u>	<u>5,102</u>

3 Operating profit

Operating profit is stated after charging and crediting the following:

	Group	
	2005 HK\$'000	2004 HK\$'000
Charging		
Amortisation of goodwill (included in other operating expenses)	709	1,782
Depreciation of fixed assets	9,927	11,037
Loss on disposal of fixed assets	137	341
Operating lease rentals in respect of land and buildings	10,570	11,388
Provision for slow-moving inventories	3,552	610
Provision for doubtful debts	13,322	16,194
Staff costs (note 9)	70,247	69,625
Unrealised losses on other investments	1,360	–
Auditors' remuneration	697	653
Crediting		
Provision for doubtful debts written back	4,221	2,001
Unrealised gains on other investments	–	470

4 Finance costs

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on bank loans wholly repayable within 5 years	22,065	21,240
Interest on trade credit	9,649	11,112
	31,714	32,352

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
Current	12,808	13,177
Under/(over) provision in previous years	143	(247)
	<hr/>	<hr/>
	12,951	12,930
Overseas taxation	4,178	724
Deferred taxation relating to origination and reversal of temporary differences (note 21)	(555)	(2,512)
Deferred taxation resulting from increase in tax rate	–	642
	<hr/>	<hr/>
	16,574	11,784
Share of taxation of associated companies	(467)	(388)
	<hr/>	<hr/>
	16,107	11,396
	<hr/>	<hr/>

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:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	74,295	64,177
	<hr/>	<hr/>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	13,002	11,231
Effect of different taxation rates in other countries	560	35
Income not subject to taxation	(890)	(736)
Expenses not deductible for taxation purposes	3,583	909
Utilisation of previously unrecognised tax losses	(306)	(460)
Tax losses not recognised	15	22
Under / (over) provision in previous years	143	(247)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	–	642
	<hr/>	<hr/>
	16,107	11,396
	<hr/>	<hr/>

6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$21,472,000 (2004: HK\$17,428,000) (note 20).

7 Dividends

	Group	
	2005	2004
	HK\$'000	HK\$'000
Interim – HK\$0.02 (2004: HK\$0.01) per share	8,585	4,293
Proposed final – HK\$0.03 (2004: HK\$0.03) per share	12,878	12,878
	21,463	17,171

At a meeting held on 12 July 2005, 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 2006.

8 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$56,584,000 (2004: HK\$52,781,000) and on the weighted average number of 429,258,039 shares (2004: 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	
	2005	2004
	HK\$'000	HK\$'000
Wages and salaries	68,281	66,986
Long service payments	(146)	104
Retirement benefit costs – defined contribution schemes	2,112	2,535
	70,247	69,625

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>	
	2005 HK\$'000	2004 HK\$'000
Fees	213	160
Basic salaries, housing allowances, other allowances and benefits in kind	11,428	10,617
Discretionary bonuses	5,076	3,861
Pension costs – defined contribution schemes	212	198
	<u>16,929</u>	<u>14,836</u>

Directors' fees disclosed above include HK\$133,000 (2004: HK\$160,000) paid to independent non-executive Directors and HK\$80,000 (2004: Nil) paid to a non-executive Director.

The emoluments of the Directors fell within the following bands:

Emolument bands HK\$	<u>Number of directors</u>	
	2005	2004
0 – 1,000,000	4	3
1,000,001 – 1,500,000	2	3
1,500,001 – 2,000,000	1	–
4,500,001 – 5,000,000	–	–
5,000,001 – 5,500,000	–	1
5,500,001 – 6,000,000	1	1
6,000,001 – 6,500,000	1	–
	<u>9</u>	<u>8</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.
- (c) No emoluments have been paid by the Group to Directors or the five highest paid individuals, as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors waived any emoluments during the years ended 31 March 2005 and 2004.

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	outside						
	Hong Kong HK\$'000	Hong Kong HK\$'000						
Cost or valuation								
At 1 April 2004	124,649	8,614	5,586	29,831	13,632	10,530	14,357	207,199
Additions	–	8,143	350	1,459	7,864	222	733	18,771
Disposals	–	–	(139)	(545)	(980)	(130)	(549)	(2,343)
Revaluation	(4,336)	(205)	–	–	–	–	–	(4,541)
At 31 March 2005	120,313	16,552	5,797	30,745	20,516	10,622	14,541	219,086
Accumulated depreciation								
At 1 April 2004	–	–	4,809	25,950	10,093	10,189	11,467	62,508
Charge for the year	4,336	205	276	1,156	2,727	183	1,044	9,927
Disposals	–	–	(58)	(372)	(955)	(27)	(405)	(1,817)
Revaluation	(4,336)	(205)	–	–	–	–	–	(4,541)
At 31 March 2005	–	–	5,027	26,734	11,865	10,345	12,106	66,077
Net book value								
At 31 March 2005	120,313	16,552	770	4,011	8,651	277	2,435	153,009
At 31 March 2004	124,649	8,614	777	3,881	3,539	341	2,890	144,691

11 Fixed assets – Group (continued)

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

	<u>Group</u>	
	2005	2004
	HK\$'000	HK\$'000
In Hong Kong, held on		
Leases of between 10 to 50 years	120,313	124,649
	-----	-----
Outside Hong Kong, held on		
Leases of over 50 years	684	697
Leases of between 10 to 50 years	15,868	7,917
	-----	-----
	16,552	8,614
	-----	-----
	<u>136,865</u>	<u>133,263</u>

Leasehold land and buildings situated in Hong Kong were revalued at 31 March 2005 on the basis of open market value carried out by FPD Savills (Hong Kong) Limited, an independent firm of chartered surveyors. Leasehold land and buildings situated outside of Hong Kong were revalued at 31 March 2005 by the Directors.

The carrying amount of the leasehold land and building of the Group would have been HK\$114,648,000 (2004: HK\$108,885,000) had they been stated at cost less accumulated depreciation.

At 31 March 2005, 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).

12 Investments in subsidiaries

	<u>Company</u>	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost (note a)	249,897	249,897
Amounts due from subsidiaries (note b)	142,941	142,879
	<u>392,838</u>	<u>392,776</u>

Notes:

- (a) Particulars of the Company's principal subsidiaries at 31 March 2005 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 Investments in associated companies

	<u>Group</u>	
	2005	2004
	HK\$'000	HK\$'000
Share of net assets	61,731	61,419
Goodwill on acquisition of an associated company less accumulated amortisation	3,890	4,599
	<u>65,621</u>	<u>66,018</u>

	<u>Group</u>	
	2005	2004
	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	42,442	39,946

13 Investments in associated companies (continued)

The following is the details of the associated companies at 31 March 2005:

Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Interest held indirectly	
				2005	2004
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	19.06%	19.11%

Note:

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

14 Inventories

	Group	
	2005 HK\$'000	2004 HK\$'000
Merchandise	353,441	299,023

As at 31 March 2005, inventories of the Group are stated at cost less provision for slow-moving and obsolete items. The inventories for the Group are stated after a provision for slow-moving and obsolete items of approximately HK\$14,142,000 (2004: HK\$10,590,000).

15 Accounts receivable, deposits and prepayments

At 31 March 2005, included in accounts receivable, deposits and prepayments are trade debtors of HK\$1,041,542,000 (net of provision) (2004: HK\$884,749,000 (net of provision)) and their ageing analysis is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Current to 60 days	678,524	596,134
61 to 90 days	170,552	159,153
Over 90 days	192,466	129,462
	<hr/>	<hr/>
	1,041,542	884,749
	<hr/>	<hr/>

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

16 Other investments

	Group	
	2005 HK\$'000	2004 HK\$'000
Listed securities, at fair value:		
Listed shares in Hong Kong	3,265	297
Listed shares outside Hong Kong	19,032	16,281
Bonds listed outside Hong Kong	7,900	8,404
	<hr/>	<hr/>
	30,197	24,982
	<hr/>	<hr/>

17 Accounts payable and accrued charges

At 31 March 2005, included in accounts payable and accrued charges are trade creditors of HK\$435,737,000 (2004: HK\$361,916,000) and their ageing analysis is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Current to 60 days	292,582	265,344
61 to 90 days	61,128	51,028
Over 90 days	82,027	45,544
	<hr/>	<hr/>
	435,737	361,916
	<hr/>	<hr/>

18 Bank loans and trust receipt loans

	<u>Group</u>	
	2005	2004
	HK\$'000	HK\$'000
Bank loans		
Unsecured	262,656	196,878
Secured (note 25)	40,554	38,737
	<u>303,210</u>	<u>235,615</u>
Current portion	(266,370)	(148,809)
	<u>36,840</u>	<u>86,806</u>
Trust receipt loans	<u>565,415</u>	<u>595,808</u>

At 31 March 2005, the Group's bank loans were repayable as follows:

	<u>Group</u>	
	2005	2004
	HK\$'000	HK\$'000
Within one year	266,370	148,809
In the second year	16,527	70,278
In the third to fifth years inclusive	20,313	16,528
	<u>303,210</u>	<u>235,615</u>

At 31 March 2005, the Group's trust receipt loans of HK\$565,415,000 (2004: HK\$595,808,000) were repayable within one year from the balance sheet date.

19 Share capital

	Number of shares of HK\$0.10 each		Share capital	
	2005	2004	2005 HK\$'000	2004 HK\$'000
Authorised:				
At the beginning and the end of year	<u>800,000,000</u>	<u>800,000,000</u>	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:				
At the beginning and the end of year	<u>429,258,039</u>	<u>429,258,039</u>	<u>42,926</u>	<u>42,926</u>

The shareholders of the Company adopted a share option scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Listing Rules. As at 31 March 2005 and 2004, no share option was granted or outstanding .

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 2003	96,293	50,442	33,311	(892)	315,900	495,054
2002-2003 final dividend paid	–	–	–	–	(8,585)	(8,585)
Share of reserve of an associated company	–	–	–	(698)	–	(698)
2003-2004 interim dividend paid	–	–	–	–	(4,293)	(4,293)
Profit for the year	–	–	–	–	52,781	52,781
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2004	96,293	50,442	33,311	(1,590)	355,803	534,259
2003-2004 final dividend paid	–	–	–	–	(12,878)	(12,878)
Share of reserve of an associated company	–	–	–	(1,859)	–	(1,859)
2004-2005 interim dividend paid	–	–	–	–	(8,585)	(8,585)
Profit for the year	–	–	–	–	56,584	56,584
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reserves	96,293	50,442	33,311	(3,449)	378,046	554,643
Proposed 2004-2005 final dividend	–	–	–	–	12,878	12,878
At 31 March 2005	96,293	50,442	33,311	(3,449)	390,924	567,521
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Company and subsidiaries	96,293	50,442	33,311	–	387,827	567,873
Associated companies	–	–	–	(3,449)	3,097	(352)
At 31 March 2005	96,293	50,442	33,311	(3,449)	390,924	567,521
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

20 Reserves (continued)

Company

	Share premium HK\$'000	Contributed surplus (note b) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2003	96,293	249,697	11,936	357,926
2002-2003 final dividend paid	—	—	(8,585)	(8,585)
2003-2004 interim dividend paid	—	—	(4,293)	(4,293)
Profit for the year (note 6)	—	—	17,428	17,428
	<hr/>	<hr/>	<hr/>	<hr/>
Reserves	96,293	249,697	3,608	349,598
Proposed 2003-2004 final dividend	—	—	12,878	12,878
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	96,293	249,697	16,486	362,476
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2004	96,293	249,697	16,486	362,476
2003-2004 final dividend paid	—	—	(12,878)	(12,878)
2004-2005 interim dividend paid	—	—	(8,585)	(8,585)
Profit for the year (note 6)	—	—	21,472	21,472
	<hr/>	<hr/>	<hr/>	<hr/>
Reserves	96,293	249,697	3,617	349,607
Proposed 2004-2005 final dividend	—	—	12,878	12,878
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	96,293	249,697	16,495	362,485
	<hr/>	<hr/>	<hr/>	<hr/>

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% (2004: 17.5%).

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
At 1 April	(4,519)	(6,386)
Deferred taxation credited to profit and loss account (note 5)	555	1,867
At 31 March	<u>(3,964)</u>	<u>(4,519)</u>

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 2005 and 2004.

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

Deferred tax liabilities

	Group	
	Accelerated tax depreciation	
	2005	2004
	HK\$'000	HK\$'000
At 1 April	8,084	8,722
Credited to profit and loss account	(76)	(638)
At 31 March	<u>8,008</u>	<u>8,084</u>

21 Deferred taxation (continued)

Deferred tax assets

	Group					
	Provisions		Tax losses		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At 1 April	1,594	963	1,971	1,373	3,565	2,336
(Charged)/credited to profit and loss account	(188)	631	667	598	479	1,229
At 31 March	1,406	1,594	2,638	1,971	4,044	3,565

The amounts shown in the balance sheet include the following:

	Group	
	2005 HK\$'000	2004 HK\$'000
Deferred tax assets to be recovered after more than 12 months	4,044	2,508
Deferred tax liabilities to be settled after more than 12 months	(8,008)	(7,027)
	(3,964)	(4,519)

22 Consolidated cash flow statement

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Operating profit	103,977	96,127
Amortisation of goodwill	709	1,782
Depreciation of fixed assets	9,927	11,037
Losses on disposal of fixed assets	137	341
Realised gains on sale of other investments	(660)	(740)
Unrealised losses/(gains) on other investments	1,360	(470)
Interest income	(7,419)	(5,094)
Dividends income	(1,168)	(146)
	<hr/>	<hr/>
Operating profit before working capital changes	106,863	102,837
Increase in inventories	(54,418)	(48,541)
Increase in accounts receivable, deposits and prepayments	(80,094)	(140,806)
Increase in accounts payable and accrued charges	90,352	149,624
	<hr/>	<hr/>
Net cash inflow generated from operations	62,703	63,114
	<hr/>	<hr/>

(b) Analysis of changes in financing during the year

	Group	
	2005 HK\$'000	2004 HK\$'000
	Bank loans	
At the beginning of year	235,615	232,574
Bank loans raised	865,761	543,502
Repayment of bank loans	(798,166)	(540,461)
	<hr/>	<hr/>
At the end of year	303,210	235,615
	<hr/>	<hr/>

23 Contingent liabilities

At 31 March 2005, the Company continued to provide corporate guarantees on the banking facilities granted to four subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2005 amounted to HK\$868,625,000 (2004: HK\$831,423,000).

24 Commitments

(a) Capital commitments

Capital commitments for fixed assets

	Group	
	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for	840	2,362

- (b) As at 31 March 2005, a wholly-owned subsidiary of the Company had commitment in respect of the injection of capital into a subsidiary in the PRC amounted to approximately HK\$6,380,000 (2004: HK\$16,380,000).

(c) Operating lease commitments

At 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Not later than one year	7,500	11,171
Later than one year and not later than five years	946	4,514
	8,446	15,685

(d) Forward exchange contracts

As at 31 March 2005, the Group had outstanding forward exchange contracts to purchase United States Dollars amounted to an aggregate of approximately HK\$220,428,000 (31 March 2004: HK\$181,200,000).

25 Charge of assets

At 31 March 2005, trust receipt loans of HK\$174,104,000 (2004: HK\$195,341,000) and bank loans of HK\$40,554,000 (2004: HK\$38,737,000) were secured by legal charges on the Group's properties in Hong Kong with net book value of approximately HK\$120,313,000 (2004: approximately HK\$124,649,000) (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	
	2005 HK\$'000	2004 HK\$'000
Purchase from associated companies	184,198	133,974

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
2005 & 2004				
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 the PRC

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
2005 & 2004				
Shares held indirectly (continued):				
* Global Century Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Property holding
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 shares 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 the PRC
* Sky (Shenzhen) International Trading Co. Ltd.**	The People's Republic of China	Registered capital US\$640,000	100	Trading of paper products in the PRC
* StarVision Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
* Foshan NanHai JiaLing Paper Company Limited**	The People's Republic of China	Registered capital HK\$16,380,000	100	Processing and trading of paper products in the PRC
* High Flyer Transportation Co. Ltd.**	The People's Republic of China	Registered capital RMB10,000,000	80.4	Container transport services
United Aviation (Singapore) Pte. Ltd.**	Singapore	1 ordinary share of US\$1 each	100	Trading of aeronautical parts

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

** Foreign investment enterprises

28 Particulars of principal subsidiaries (continued)

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 12 July 2005.