1 Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The adoption of new/revised HKFRSs

In 2006, the Group adopted the new/revised Hong Kong Accounting Standards ("HKASs") and interpretations of HKFRSs below, which have not been early adopted by the Group for the preparation of the 2005 consolidated accounts and are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 3	Business Combination

The adoption of HKAS 1,2,7,8,10,16,21,23,24,27,28 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures.

HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity accounts.

HKAS 2,7,8,10,16,23,24,27, 28 and 33 had no material effect on the Group's policies.

1 Basis of preparation (continued)

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights with a carrying value of HK$71,415,000 as at 31 March 2006 (31 March 2005: HK$73,098,000) are reclassified as prepaid premium for land leases payments instead of property, plant and equipment, which are expensed in the consolidated profit and loss account on a straight-line basis over the period of the leases.

The adoption of HKAS 32 and HKAS 39 has resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 3 and HKAS 36 results in a change in the accounting policy for goodwill. Until 31 March 2005, goodwill was:

- Amortised on a straight line basis over a period of 10 years; and
- Assessed for impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 and HKAS 36:

- The Group ceased amortisation of goodwill from 1 April 2005;
- Accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;
- From the year ended 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

Effect of the above changes in accounting policies on profit after taxation for the year ended 31 March 2006:

	Attributable to the equity holders of the Company HK$'000
Increase in profit after taxation-HKFRS 3 and HKAS 36	709

1 Basis of preparation (continued)

Effect of the above changes in accounting policies on balance sheet as at 31 March 2006 and 31 March 2005:

	31 March 2006			31 March 2005		
	HKAS 17 HK$'000	HKAS 32 & 39 HK$'000	HKFRS3 & HKAS 36 HK$'000	HKAS 17 HK$'000	HKAS 32 & 39 HK$'000	HKFRS3 & HKAS 36 HK$'000
Decrease in property, plant and equipment	71,415	–	–	73,098	–	–
Increase in prepaid premium for land leases	71,415	–	–	73,098	–	–
Increase in retained earnings	4,636	–	–	4,636	–	–
Decrease in deferred tax liabilities	4,636	–	–	4,636	–	–
Increase in other financial assets at fair value through profit or loss	–	1,798	–	–	–	–
Increase in other financial liabilities at fair value through profit or loss	–	703	–	–	–	–
Decrease in other receivable	–	1,095	–	–	–	–
Increase in interests in associated companies	–	–	709	–	–	–

The following new Standards or Interpretations or Amendments that have been issued but are not yet effective were not early-adopted. The management are in the process of assessing the impact.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in Specific Market-Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

2 Principal accounting policies

2.1 Foreign currency translation

(a) *Functional and presentation currency*
Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

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

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

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

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

2.2 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 balance sheet date.

2 Principal accounting policies (continued)

2.3 Investments

On or before 31 March 2005:

The Group classified its investments in securities, other than subsidiaries as 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.

From 1 April 2005 onwards:

The Group classifies its investments in the following categories: other financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) *Other financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) *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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. 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. Loans and receivables are included in trade and other receivables in the balance sheet.

Purchases and sales of investments are recognised on 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 other 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 profit and loss account. Investments 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. Other financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise.

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 refined to reflect the issuer's specific circumstances.

2 Principal accounting policies (continued)

2.4 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2.5 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.6 Consolidation

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

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account (Note 2.8).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Principal accounting policies (continued)

2.6 Consolidation (continued)

(a) *Subsidiaries (continued)*

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

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.8).

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Principal accounting policies (continued)

2.7 Property, plant and equipment

Buildings comprise mainly warehouse and offices. Buildings are shown at fair value, based on periodic, but at least triennial, less subsequent depreciation. Valuations of building inside and outside Hong Kong are valued by external independent valuers and the directors respectively, 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. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are expensed in the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset expensed in the profit and loss account and depreciation based on the asset's original cost is transferred from 'other reserve' to 'retained earnings'.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	2.5% 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 2.2).

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

2 Principal accounting policies (continued)

2.7 Property, plant and equipment (continued)

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.

2.8 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in interest in associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.9 Operating 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) are charged in the profit and loss account on a straight-line basis over the period of the lease.

2.10 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.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and highly liquid investments with a maturity of three months or less from date of investment.

2.12 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.

2 Principal accounting policies (continued)

2.12 Employee benefits (continued)

(ii) *Retirement benefit obligations*

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

2.13 Deferred taxation

Deferred 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 consolidated accounts. However, if the deferred taxation 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, it is not accounted for. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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.

2 Principal accounting policies (continued)

2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

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.

2.15 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.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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.

2.16 Finance lease (as lessor)

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.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

2.17 Comparatives

As further explained above, due to the adoption of the new/revised HKFRSs during the current year, the accounting treatment and presentation of certain items in the consolidated accounts have been revised to comply with the new requirements. Accordingly, certain comparatives have been restated to conform with the current year presentation.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest-rate 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 hedge certain risk exposures.

(a) *Foreign exchange risk*

The Group operates in various Asian countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Renminbi.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group enters into forward contracts to reduce foreign exchange risk.

(b) *Credit risk*

The carrying amount of trade and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated accounts.

(c) *Liquidity risk*

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

(d) *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 2006, borrowings were primarily at floating rates.

3 Financial risk management (continued)

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

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

(b) Estimated provision for trade and other receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impaired receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment expenses in the period in which such estimate has been changed.

(c) Estimated write-downs of inventories to net realisble value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

5 Turnover, other gains and revenue and segment information

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

	Group	
	2006 HK$'000	2005 HK$'000
Turnover – sale of goods	3,120,108	2,944,408
Other gains and revenue		
Interest income	13,140	7,419
Sales commission	1,029	–
Gain on sale of investments in financial assets	1,840	660
Dividends income – listed investments	1,015	1,168
Others	4,181	813
	21,205	10,060

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		Total assets		Capital expenditure	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Hong Kong	1,502,063	1,538,822	1,072,052	1,125,228	1,877	3,547
The PRC	1,490,137	1,385,533	848,156	827,041	3,774	13,254
Others	127,908	20,053	109,093	22,700	590	1,970
	3,120,108	2,944,408	2,029,301	1,974,969	6,241	18,771

6 Operating profit

Operating profit is stated after charging and crediting the following:

	Group 2006 HK$'000	Group 2005 HK$'000
Charging		
Amortisation of goodwill (included in other operating expenses)	–	709
Depreciation of property, plant and equipment	6,875	8,235
Amortisation of prepaid premium for land leases	1,750	1,692
Loss on disposal of property, plant and equipment	229	137
Operating lease rentals in respect of land and buildings	19,406	14,609
Transportation costs	30,854	28,117
Provision for impairment on inventories	89	3,552
Provision for impairment on receivables	9,137	13,322
Employee benefit expense (note 12)	73,446	70,247
Unrealised losses on investments in financial assets	429	1,360
Auditors' remuneration	738	697
Crediting		
Provision for impairment on receivables written back	2,242	4,221

7 Finance costs

	Group 2006 HK$'000	Group 2005 HK$'000
Interest on bank borrowings wholly repayable within 5 years	40,266	22,065
Interest on trade credit	13,321	9,649
	53,587	31,714

8 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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	
	2006 HK$'000	2005 HK$'000 (As restated)
Hong Kong profits tax		
Current	6,179	12,808
(Over)/under provision in previous years	(107)	143
	6,072	12,951
Overseas taxation	1,801	4,178
Deferred taxation relating to origination and reversal of temporary differences (note 27)	1,041	(555)
	8,914	16,574

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:

	2006 HK$'000	2005 HK$'000 (As restated)
Profit before taxation	40,703	74,762
Adjustments: Share of losses/(profits) of associated companies	5,402	(2,499)
	46,105	72,263
Calculated at a taxation rate of 17.5% (2005: 17.5%)	8,068	12,646
Effect of different taxation rates in other countries	(196)	560
Income not subject to taxation	(771)	(890)
Expenses not deductible for taxation purposes	1,920	3,583
Utilisation of previously unrecognised tax losses	–	517
Tax losses not recognised	–	15
(Over)/under provision in previous years	(107)	143
	8,914	16,574

9 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of HK$10,627,000 (2005: HK$21,472,000) (note 26).

10 Dividends

	Group	
	2006 HK$'000	2005 HK$'000
Interim – HK$0.015 (2005: HK$0.02) per share	6,439	8,585
Proposed final – HK$0.01 (2005: HK$0.03) per share	4,292	12,878
	10,731	21,463

At a meeting held on 21 July 2006, the Directors proposed a final dividend of HK1 cent 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 2007.

11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company.

	2006 HK$'000	2005 HK$'000
Profit attributable to equity holders of the Company	30,449	56,584
Weighted average number of ordinary shares in issue	429,258	429,258
Basic earnings per share (HK$ per share)	0.07	0.13

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

12 Employee benefit expense (including directors' remuneration)

	Group 2006 HK$'000	Group 2005 HK$'000
Wages, salaries and bonus	71,132	68,281
Long service payments	(491)	(146)
Contributions to pension scheme	2,805	2,112
	73,446	70,247

13 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 March 2006 is set out below:

	2006					2005
	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000	Total HK$'000
Executive directors						
Sham Kit Ying	–	5,039	1,000	–	6,039	6,412
Lee Seng Jin	–	3,780	2,800	125	6,705	5,705
Sham Yee Lan, Peggy	–	646	–	30	676	1,441
Chow Wing Yuen	–	1,312	568	34	1,914	1,775
Lee Yue Kong, Albert	–	840	560	30	1,430	1,383
Non-executive directors						
Pang Wing Kin, Patrick	80	–	–	–	80	80
Lau Wang Yip, Eric	80	–	–	–	80	80
Tong Yat Chong	80	–	–	–	80	41
Ng Hung Sui, Kenneth	80	–	–	–	80	12

13 Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2005: five) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual (2005: none) during the year are as follows:

	2006 HK$'000	2005 HK$'000
Basic salaries, allowances and benefits-in-kind	590	–
Discretionary bonuses	212	–
Contributions to pension scheme	24	–
	826	–

	Number of individuals	
Emolument bands	2006	2005
HK$		
0 – 1,000,000	1	–

14 Property, plant and equipment – Group

	Buildings Inside Hong Kong HK$'000	Buildings Outside Hong Kong HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles & vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Total HK$'000
At 1 April 2004								
Cost or valuation	55,609	5,203	5,586	29,831	13,632	10,530	14,357	134,748
Accumulated depreciation	–	–	(4,809)	(25,950)	(10,093)	(10,189)	(11,467)	(62,508)
Net book amount	55,609	5,203	777	3,881	3,539	341	2,890	72,240
Year ended 31 March 2005								
Opening net book amount	55,609	5,203	777	3,881	3,539	341	2,890	72,240
Additions	–	5,804	350	1,459	7,864	222	733	16,432
Disposals	–	–	(81)	(173)	(25)	(103)	(144)	(526)
Depreciation	(2,784)	(65)	(276)	(1,156)	(2,727)	(183)	(1,044)	(8,235)
Closing net book amount	52,825	10,942	770	4,011	8,651	277	2,435	79,911
Year ended 31 March 2005								
Cost or valuation	52,825	10,942	5,797	30,745	20,516	10,622	14,541	145,988
Accumulated depreciation	–	–	(5,027)	(26,734)	(11,865)	(10,345)	(12,106)	(66,077)
Net book amount	52,825	10,942	770	4,011	8,651	277	2,435	79,911
Year ended 31 March 2006								
Opening net book amount	52,825	10,942	770	4,011	8,651	277	2,435	79,911
Net exchange difference	–	168	50	75	102	(43)	19	371
Additions	–	–	842	716	2,662	378	1,643	6,241
Revaluation surplus	2,844	359	–	–	–	–	–	3,203
Disposals	–	–	(44)	(8)	(1,451)	(42)	(169)	(1,714)
Depreciation	(1,326)	(409)	(299)	(974)	(2,468)	(127)	(1,272)	(6,875)
Closing net book amount	54,343	11,060	1,319	3,820	7,496	443	2,656	81,137
Year ended 31 March 2006								
Cost or valuation	55,139	11,469	6,567	31,533	20,578	10,913	15,796	151,729
Accumulated depreciation	(796)	(409)	(5,248)	(27,713)	(13,082)	(10,470)	(13,140)	(70,592)
Net book amount	54,343	11,060	1,319	3,820	7,496	443	2,656	81,137

14 Property, plant and equipment – Group (continued)

Buildings situated in Hong Kong and major buildings situated outside Hong Kong were revalued at 30 September 2005 on the basis of open market value carried out by FPDSavills (Hong Kong) Limited, an independent firm of chartered surveyors. The remaining buildings situated outside Hong Kong were revalued at 30 September 2005 by the Directors.

If buildings were stated on the historical cost basis, the amounts would be as follows:

	2006 HK$'000	2005 HK$'000
Cost	52,903	52,903
Accumulated depreciation	(12,932)	(11,793)
Net book amount	39,971	41,110

The analysis of the cost or valuation at 31 March 2006 of the above assets is as follows:

	Buildings		Furniture and fixtures	Machinery and equipment	Motor vehicles & vessels	Leasehold improvements	Office and computer equipment	Total
	Inside Hong Kong HK$'000	Outside Hong Kong HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At cost	–	–	6,567	31,533	20,578	10,913	15,796	85,387
At valuation	55,669	11,469	–	–	–	–	–	67,138
	55,669	11,469	6,567	31,533	20,578	10,913	15,796	152,525

The analysis of the cost or valuation at 31 March 2005 of the above assets is as follows:

At cost	–	–	5,797	30,745	20,516	10,622	14,541	82,221
At valuation	52,825	10,942	–	–	–	–	–	63,767
	52,825	10,942	5,797	30,745	20,516	10,622	14,541	145,988

At 31 March 2006, buildings situated in Hong Kong with carrying value amounted to approximately HK$54,343,000 (2005: HK$52,825,000) were secured for bank borrowings made available to the Group (Note 24).

15 Prepaid premium for land leases

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

	2006 HK$'000	2005 HK$'000 (As restated)
In Hong Kong, held on:		
Leases of between 10 to 50 years	65,882	67,488
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	5,533	5,610
	71,415	73,098

	2006 HK$'000	2005 HK$'000 (As restated)
Opening	73,098	72,451
Exchange differences	67	–
Additions	–	2,339
Amortisation of prepaid premium for land leases	(1,750)	(1,692)
	71,415	73,098

At 31 March 2006, prepaid premium for land leases situated in Hong Kong with carrying value amounted to approximately HK$65,882,000 (2005: HK$67,488,000) were secured for bank borrowings made available to the Group (Note 24).

16 Interest in subsidiaries

	Company	
	2006 HK$'000	2005 HK$'000 (As restated)
Unlisted shares, at cost (note (a))	249,897	249,897
Amounts due from subsidiaries (note (b))	142,656	142,941

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 March 2006 are set out in note 34 to the accounts.

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

17 Interest in associated companies

	Group	
	2006 HK$'000	2005 HK$'000
Beginning of the year	65,621	66,018
Share of associates' results		
– (loss)/profit before taxation	(5,292)	2,032
– taxation	(666)	467
– dividend paid	(125)	(365)
	59,538	68,152
Amortisation of goodwill	–	(672)
Exchange difference	1,144	(1,859)
	60,682	65,621

Interest in associated companies at 31 March 2006 include goodwill of HK$3,890,000 (2005: HK$3,890,000).

17 Interest in associated companies (continued)

Details of the Group's principal associate was as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets HK$'000	Liabilities HK$'000	Revenues HK$'000	Profit/(Loss) HK$'000	Interest held %
2006							
United Pulp & Paper Company Limited (note i) (Listed in Singapore)	22,192,000 shares of S$0.25 each	Singapore	650,413	306,867	361,614	(27,323)	19.02%
2005							
United Pulp & Paper Company Limited (note i) (Listed in Singapore)	22,192,000 shares of S$0.25 each	Singapore	636,300	292,950	359,712	11,817	19.06%

Notes:

(i) United Pulp & Paper Company Limited has a financial accounting year end of 31 December which is not coterminous with the Group.

(ii) The above table lists out the principal associated company of the Company as at 31 March 2006 which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the Directors, result in particulars of excessive length.

18 Inventories

	Group	
	2006 HK$'000	2005 HK$'000
Merchandise	337,424	353,441

As at 31 March 2006, inventories of the Group are stated at cost less provision for impairment on inventories. The inventories for the Group are stated after a provision for impairment on inventories of approximately HK$11,561,000 (2005: HK$14,142,000).

19 Trade and other receivables

	Group 2006 HK$'000	Group 2005 HK$'000
Trade receivables – net	1,018,608	1,041,542
Other receivables, deposits and prepayments	85,569	29,802
Finance lease receivables	4,254	–
	1,108,431	1,071,344
Finance lease receivables – non current portion	(2,421)	–
	1,106,010	1,071,344

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

The ageing analysis of trade receivables is as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Current to 60 days	641,357	678,524
61 to 90 days	171,060	170,552
Over 90 days	206,191	192,466
	1,018,608	1,041,542

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, which are widely dispersed within Hong Kong, the PRC and other countries.

Finance lease receivables

	Group 2006 HK$'000	Group 2005 HK$'000
Non-current		
Finance leases – gross receivables	2,691	–
Unearned finance income	(270)	–
	2,421	–
Current		
Finance leases – gross receivables	2,225	–
Unearned finance income	(392)	–
	1,833	–

19 Trade and other receivables (continued)

Finance lease receivables (continued)

	Group	
	2006 HK$'000	2005 HK$'000
Gross receivables from finance leases:		
Not later than 1 year	2,225	–
Later than 1 year and not later than 5 years	2,691	–
	4,916	–
Unearned future finance income on finance leases	(662)	–
Net investment in finance leases	4,254	–
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	1,833	–
Later than 1 year and not later than 5 years	2,421	–
	4,254	–

20 Investment in financial assets/(liabilities)

	Group 2006 HK$'000	Group 2005 HK$'000
Other financial assets at fair value through profit or loss		
Listed securities, at fair value:		
Listed shares in Hong Kong	297	–
Listed shares outside Hong Kong	14,802	–
Bonds listed outside Hong Kong	7,982	–
	23,081	–
Derivative financial instruments	1,798	–
	24,879	–
Other investments		
Listed securities, at fair value:		
Listed shares in Hong Kong	–	3,265
Listed shares outside Hong Kong	–	19,032
Bonds listed outside Hong Kong	–	7,900
	24,879	30,197
Derivative financial liabilities	(703)	–
	24,176	30,197

The carrying amount of the above financial assets/liabilities at fair value through profit or loss are classified as follows:

	2006 HK$'000	2005 HK$'000
Designated as fair value through profit or loss on initial recognition	24,176	–

21 Restricted bank deposits

	2006 HK$'000	2005 HK$'000
Pledged as securities for banking facilities	33,323	–

Restricted bank deposits earn interest at a fixed rate of 2.07% per annum.

22 Bank balances and cash

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and in hand	179,111	127,051	8	3
Short-term bank deposits	128,687	170,262	–	–
	307,798	297,313	8	3

The effective interest rate on short-term bank deposits was 3.2% (2005: 2.4%); these deposits have an average maturity of 14 days.

23 Trade and other payables

	Group	
	2006	2005
	HK$'000	HK$'000
Trade and bills payables	459,129	435,737
Accrued expenses and other payables	37,718	45,103
Amount due to related companies	10,878	–
	507,725	480,840

At 31 March 2006, the ageing analysis of trade and bills payables was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current to 60 days	266,991	292,582
61 to 90 days	101,485	61,128
Over 90 days	90,653	82,027
	459,129	435,737

24 Bank borrowings and trust receipt loans

	Group	
	2006 HK$'000	2005 HK$'000
Bank loans		
Unsecured	399,231	262,656
Secured (note 31)	43,646	40,554
	442,877	303,210
Current portion	(221,655)	(266,370)
	221,222	36,840
Trust receipt loans		
Unsecured	283,359	391,311
Secured (note 31)	153,845	174,104
	437,204	565,415

At 31 March 2006, the Group's bank loans were repayable as follows:

	Group			
	Bank loans		Trust receipt loans	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Within one year	221,655	266,370	437,204	565,415
In the second year	87,614	16,527	–	–
In the third to fifth years inclusive	133,608	20,313	–	–
	442,877	303,210	437,204	565,415

The effective interest rate at the balance sheet date on bank loans and trust receipt loans were 5.5% (2005: 4.9%).

The carrying amount of bank loans and trust receipt loans approximates their fair values.

24 Bank borrowings and trust receipt loans (continued)

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

	Group	
	2006 HK$'000	2005 HK$'000
Hong Kong dollar	776,465	727,221
Reminbi	87,893	139,968
Ringgit	10,118	–
US dollar	5,605	1,436
	880,081	868,625

25 Share capital

	Number of shares of HK$0.10 each		Share capital	
	2006	2005	2006 HK$'000	2005 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

The shareholders of the Company adopted a share option scheme to comply with the new requirements of Chapter 17 of the Listing Rules. As at 31 March 2006 and 2005, no share option was granted or outstanding.

26 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 2004 as previously reported	96,293	50,442	33,311	(1,590)	355,803	534,259
Changes in accounting policy – adoption of HKAS 17	–	–	–	–	4,636	4,636
At 1 April 2004 as restated	96,293	50,442	33,311	(1,590)	360,439	538,895
2003-2004 final dividend paid	–	–	–	–	(12,878)	(12,878)
Profit for the year	–	–	–	–	56,584	56,584
Share of reserve of an associated company	–	–	–	(1,859)	–	(1,859)
2004-2005 interim dividend paid	–	–	–	–	(8,585)	(8,585)
Reserves	96,293	50,442	33,311	(3,449)	382,682	559,279
Proposed 2004-2005 final dividend					12,878	12,878
At 31 March 2005	96,293	50,442	33,311	(3,449)	395,560	572,157
At 1 April 2005 as per above	96,293	50,442	33,311	(3,449)	395,560	572,157
2004-2005 final dividend paid	–	–	–	–	(12,878)	(12,878)
Profit for the year	–	–	–	–	30,449	30,449
Asset revaluation reserve transferred to retained earnings	–	(27,237)	–	–	27,237	–
Surplus on properties revaluation	–	3,203	–	–	–	3,203
Currency translation difference	–	–	–	3,926	(556)	3,370
Share of reserve of an associated company	–	–	–	1,181	–	1,181
2005-2006 interim dividend paid	–	–	–	–	(6,439)	(6,439)
Reserves	96,293	26,408	33,311	1,658	429,081	586,751
Proposed 2005-2006 final dividend	–	–	–	–	4,292	4,292
At 31 March 2006	96,293	26,408	33,311	1,658	433,373	591,043

26 Reserves (continued)

Company

	Share premium HK$'000	Contributed surplus (note b) HK$'000	Retained earnings HK$'000	Total HK$'000
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 9)	–	–	21,472	21,472
Reserves	96,293	249,697	3,617	349,607
Proposed 2004-2005 final dividend	–	–	12,878	12,878
At 31 March 2005	96,293	249,697	16,495	362,485
At 1 April 2005	96,293	249,697	16,495	362,485
2004-2005 final dividend paid	–	–	(12,878)	(12,878)
2005-2006 interim dividend paid	–	–	(6,439)	(6,439)
Profit for the year (note 9)	–	–	10,627	10,627
Reserves	96,293	249,697	3,513	349,503
Proposed 2005-2006 final dividend	–	–	4,292	4,292
At 31 March 2006	96,293	249,697	7,805	353,795

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.

27 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The movement on the deferred tax liabilities account is as follows:

	Group	
	2006 HK$'000	2005 HK$'000 (As restated)
At 1 April	672	117
Deferred taxation credited to profit and loss account (note 8)	(1,041)	555
At 31 March	(369)	672

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 2006 and 2005.

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	
	2006 HK$'000	2005 HK$'000 (As restated)
At 1 April	3,372	3,448
Credited to profit and loss account	(479)	(76)
At 31 March	2,893	3,372

27 Deferred taxation (continued)

Deferred tax assets

	Group					
	Provisions		Tax losses		Total	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
At 1 April	1,406	1,594	2,638	1,971	4,044	3,565
(Charged)/credited to profit and loss account	(1,406)	(188)	(114)	667	(1,520)	479
At 31 March	–	1,406	2,524	2,638	2,524	4,044

The amounts shown in the balance sheet include the following:

	Group	
	2006 HK$'000	2005 HK$'000 (As restated)
Deferred tax assets to be recovered after more than 12 months	2,524	4,044
Deferred tax liabilities to be settled after more than 12 months	(2,893)	(3,372)
	(369)	672

28 Consolidated cash flow statement

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

	Group	
	2006 HK$'000	2005 HK$'000 (As restated)
Operating profit	99,692	103,977
Amortisation of goodwill	–	709
Depreciation of property, plant and equipment	6,875	8,235
Amortisation of prepaid premium for land leases	1,750	1,692
Losses on disposal of property, plant and equipment	229	137
Realised gains on sale of investments in financial assets	(1,840)	(660)
Unrealised losses on investments in financial assets	429	1,360
Interest income	(13,140)	(7,419)
Dividend income	(1,015)	(1,168)
Operating profit before working capital changes	92,980	106,863
Decrease/(increase) in inventories	16,017	(54,418)
Increase in trade and other receivables	(32,833)	(80,094)
Increase in trade and other payables	26,885	90,352
Effect of change in exchange rate	3,369	–
Net cash inflow generated from operations	106,418	62,703

(b) Analysis of changes in financing during the year

	Group	
	Bank loans	
	2006 HK$'000	2005 HK$'000
At the beginning of year	303,210	235,615
Bank loans raised	666,409	865,761
Repayment of bank loans	(530,779)	(798,166)
Effect of change in exchange rate	4,037	–
At the end of year	442,877	303,210

29 Contingent liabilities

At 31 March 2006, the Company continued to provide corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2006 amounted to HK$880,081,000 (2005: HK$868,625,000).

30 Commitments

(a) Capital commitments

Capital commitments for property, plant and equipment

	Group	
	2006 HK$'000	2005 HK$'000
Contracted but not provided for	–	840

(b) As at 31 March 2006, 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$50,546,000 (2005: HK$6,380,000).

(c) Operating lease commitments

At 31 March 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of offices and warehouses as follows:

	Group	
	2006 HK$'000	2005 HK$'000
Not later than one year	2,034	7,500
Later than one year and not later than five years	4,574	946
	6,608	8,446

31 Charge of assets

At 31 March 2006, trust receipt loans of HK$153,845,000 (2005: HK$174,104,000) and bank loans of HK$43,646,000 (2005: HK$40,554,000) were secured by legal charges on the Group's properties in Hong Kong with net book amount of approximately HK$120,225,000 (2005: approximately HK$120,313,000) (notes 14 & 15).

32 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	
	2006 HK$'000	2005 HK$'000
(a) Sale to and purchase from related parties		
(i) Sales to associated companies	9,440	–
(ii) Purchase from associated companies	182,574	184,198
(iii) Purchase of machinery from associated company	131	–

All the above transactions were carried out on the basis of the price lists in force with non-related parties.

(b) Year-ended balances arising from sales/purchases of goods

	Group 2006 HK$'000	Group 2005 HK$'000
Payables to associated companies	10,878	–

(c) Key management compensation

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

33 Ultimate holding company

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

34 Particulars of principal subsidiaries

	Name of subsidiary	Country/ place of incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding 2006 & 2005	Nature of business
	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
*	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$10each	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	

34 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 2006 & 2005	Nature of business
	Shares held indirectly (continued):				
	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$8,000,000	100	Trading of paper products in the PRC
*	Star Vision 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$30,006,273	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.

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.

35 Approval of accounts

The accounts were approved by the board of Directors on 21 July 2006.