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Samson group

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Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)



ANNUAL REPORT **2017**



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Board of Directors

Executive Directors

SHAM Kit Ying (Chairman) (alias SHAM Kit)
LEE Seng Jin (Deputy Chairman)
CHOW Wing Yuen
SHAM Yee Lan, Peggy
LEE Yue Kong, Albert

Non-executive Director

LAU Wang Yip, Eric

Independent Non-executive Directors

PANG Wing Kin, Patrick
TONG Yat Chong
NG Hung Sui, Kenneth

Company Secretary

LEE Yue Kong, Albert

Principal Bankers

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

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

3/F, Seapower Industrial Centre
177 Hoi Bun Road
Kwun Tong
Kowloon, Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
6 Front Street
Hamilton
Bermuda

Hong Kong Share Registrar and Transfer Office

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

Financial Highlights

Consolidated Statement of Profit or Loss

	For the year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Revenue	5,173,620	5,000,852
Operating profit	201,943	151,321
Finance costs	73,205	71,601
Profit before taxation	128,738	79,720
Profit attributable to owners of the Company	84,714	46,675

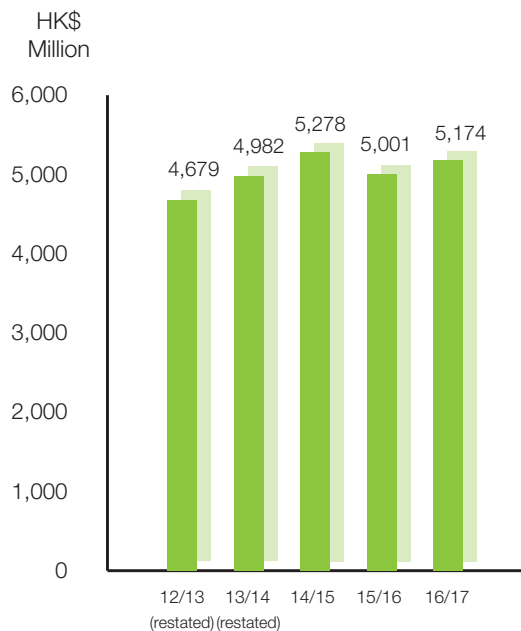
Consolidated Balance Sheet

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
Non-current assets	2,461,518	2,476,938
Current assets	3,180,996	3,221,356
Current liabilities	2,734,566	2,841,683
Shareholders' funds	1,671,539	1,704,287
Non-current liabilities	1,031,830	968,490

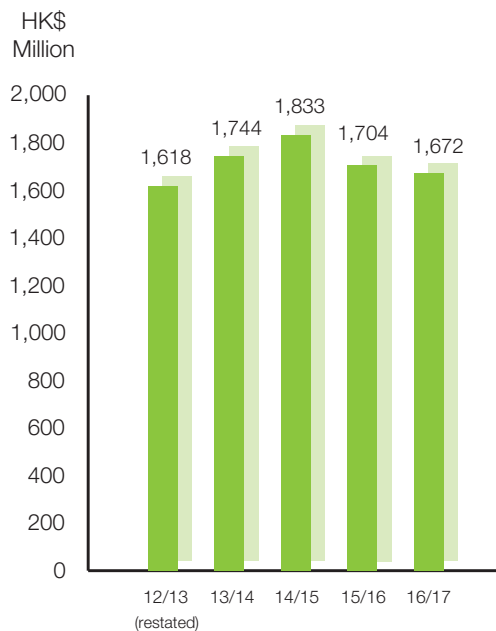
Share Statistics

Earnings per share — basic	HK7.16 CENTS	HK3.75 CENTS
Earnings per share — diluted	HK6.65 CENTS	HK3.67 CENTS
Dividends per share	HK2.30 CENTS	HK1.05 CENTS
Net asset value per ordinary share	HK146 CENTS	HK149 CENTS

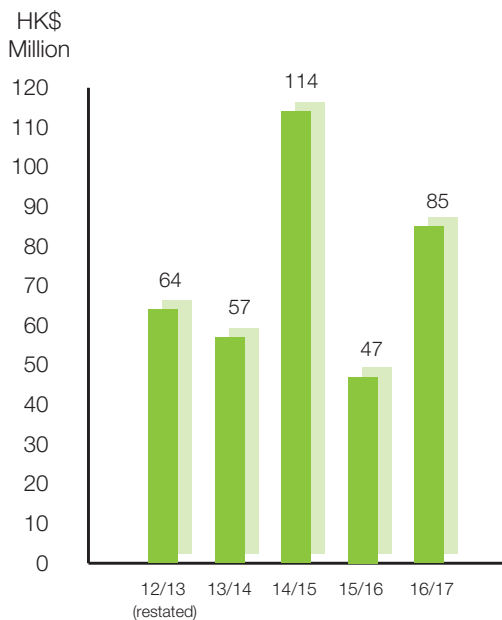
Revenue



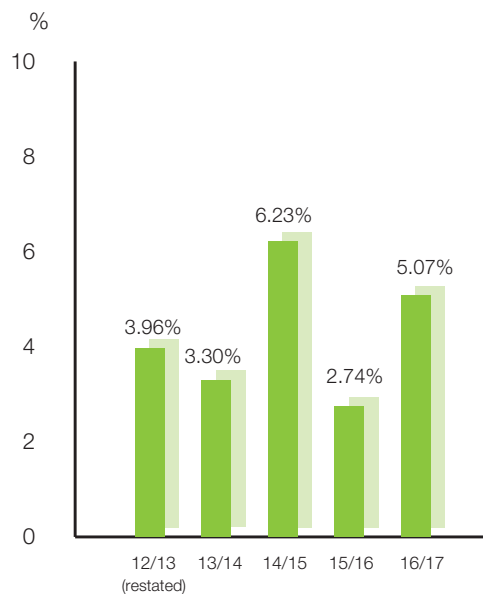
Shareholders' Funds



Profit Attributable to Owners of the Company



Return on Shareholders' Funds



Chairman's Statement

The Economy

During the financial year under review, China's economy accelerated at a robust pace with its gross domestic product having risen by 6.9% in the first quarter of 2017 which was mainly driven by reflation policies, very strong property sales and investments. Activities in China's manufacturing sector had also expanded faster than expected, which continued to benefit from higher sales prices and a recovery in demand fueled by construction boom.

On the other hand, Hong Kong's gross domestic product in the first quarter of 2017 grew by 4.3% faster than the 3.2% expansion in the fourth quarter last year, mainly boosted by an increase in domestic exports.

The Paper Industry

For the reporting year, paper and board prices have been stable at a low level during the first half of the year. With the gradual ease of the imbalance of supply and demand in the paper industry following the stringent policy adopted by the PRC government authority on the environmental control and elimination of outdated and less environmentally friendly production facilities, the pick-up in demand in the domestic market in China and the rising costs in pulp, fibre, energy and freight faced by mills, paper and board prices increased rapidly at sustainable level for the second half of the year. However, as banks in the Mainland were still suffering from high bad loans ratio, customers, especially private entities, were continuously experiencing relatively difficulty to have credit granted from banks to ease their liquidity for working capital uses or for business expansion. There remains keen competition for new orders from customers with a strong working capital.

Overview of Operations

Financial Performance

Facing an uptrend in demand and paper price hikes, Samson Group (the "Group") adopted a flexible and cautious approach on sales and procurement with an aim to maximize profitability with a high regard for customer creditability. These measures relating to internal optimization and cost control which have been put into place since last year have gradually taken effect and have been reflected in the Group's performance for the year. The Group recorded a steady 3.5% growth in overall turnover to HK\$5,173,620,000. At the same time, the Group saw a rise of 4.6% in sales volume to 1,134,000 metric tonnes, a historical high record attained for the year. Gross profit increased from previous year's by 12.9% to HK\$543,730,000 with a 9.1% increase in gross profit margin from 9.6% to 10.5%. Profit for the year rose significantly from previous year's by 72.7% to HK\$93,888,000. Profit attributable to the owners of the Company rose by 81.5% from the previous year's HK\$46,675,000 to HK\$84,714,000 with a basic earnings per share of HK7.2 cents.

The Board has recommended the payment of a final dividend of HK1.9 cents per share. Together with an interim dividend of HK0.4 cent per share already paid, total dividend for the year will amount to HK2.3 cents per share, translating to a dividend payment ratio of approximately 34.6%.

The Group intends to keep an appropriate level of cash reserve to enhance its working capital position in anticipation of future investment opportunities. As at 31 March 2017, the Group had cash and bank balance (including restricted bank deposit) of HK\$597,299,000 and a gearing ratio at a level of 44.1% compared to 47.0% last year. This enables the Group to maintain interest costs at HK\$73,205,000. The stringent credit policy and procedures, close follow-ups with customers on liquidity and settlement situation have enabled the Group's debtor turnover days to be shortened by 13 days. As a result, the provision for impairment loss of receivables was able to be kept at a HK\$7.28 million low, representing 0.1% of the Group's total revenue while the write back of the provision is HK\$12,850,000.

Paper Business

At the second half of the financial year, producers continued to push price hikes for various paper and board grades in order to pass on higher costs of production. However, the rise in paper price in the domestic market of China have been digested by the market. With a significant sales growth of 11.9% in paper manufacturing segment, and the success of the new sales and procurement strategies implemented, the Group recorded an increase of 4.6% in turnover from HK\$4,779,292,000 to HK\$5,000,698,000. In volume term, there has been a stable rise of 4.6% in sales tonnage. Operating profit was recorded at HK\$180,541,000, a significant 40.3% growth compared with last year.

For paper trading business, the Group reported an increase by 2.6% in turnover to HK\$3,850,866,000 and a 5.7% rise in sales tonnage ascribing to the success of appropriate sales and procurement approach adopted amid the price run of paper products in China at the second half of the year. Turnover from paper trading business in the PRC market rose by 4.8% to HK\$2,819,180,000 with an increase of 7.5% in volume. At the same time, Hong Kong market recorded a turnover of HK\$659,571,000, slipped by 11.6 % compared to the corresponding last year. As for other Asian countries, the business achieved a significant growth of 18.1% in sales to HK\$372,115,000 as compared to the corresponding last year with a 15.9% growth in sales tonnage, mainly resulted from the continued strong growth in export sales attained by Korea office.

For paper manufacturing business, the segment's turnover rose by 12.7%, including inter-segment revenue, to HK\$1,179,176,000 with a growth of 3.3% in the sales tonnage, mostly attributable to its ability to implement price hikes to pass on the increase in cost of production to customers during the year as well as its sales strategy focusing on profitability. Operating profit increased by 8.1% to HK\$80,233,000 with its operating profit margin reported at 7.0%.

Property Development and Investment

For the year under review, rental income from the investment properties with a value of HK\$550,300,000 as at 31 March 2017 had risen by 4.8% from HK\$17,819,000 last year to HK\$18,675,000. This provides a continual and steady income and cash inflow to the Group and serves as a solid contributor to the Group's operating income. A fair value gain on investment properties of HK\$34,800,000 was also recorded by the Group as compared to the HK\$50,200,000 last year.

During the year under review, the Group had commenced development for the Nantong business park including the construction of new industrial standard factories and buildings with supporting facilities measuring a total gross floor area of not less than 200,800 sq.m. in Nantong, the PRC. The overall design, planning, and general layout of the site have been approved by the relevant PRC government authority. The construction permit has been obtained and the Group intends to develop the site in three phases. General foundation works have been started on the phase one site. As at 31 March 2017, the costs of property under development amounted to HK\$99,821,000.

During the year the Group also acquired another plot of land of 8,336.21 sq.m. in Xiamen, the PRC with a plan to construct an office/warehouse hybrid of a total gross floor area of 16,295.8 sq.m. for the use of paper trading business and plans to use part of the building for leasing purpose in the future. The overall design of the site has been approved by the relevant PRC government authority.

Other Businesses

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

The aeronautic parts and services business and marine services business recorded turnover of HK\$28,297,000 and HK\$51,537,000 respectively during the year under review.

During the year, the retail business continued to face a challenging market environment with soft consumer spending and intense pressure on pricing competition. The Group's procurement team was changing innovatively and actively sourcing supplies for consumable products and successfully secured a number of overseas sourcing network to widen the variety of products for choice and to build profitable brands under the Group's portfolio. To better synergize the Group's strength, the management has also changed the business strategy on the whole retailing and wholesaling of fast-moving consumer goods ("FMCG") business by exerting more attention on the wholesale segment. The Group has taken steps to close and consolidate the underperformed outlets and has also franchised out the eleven outlets out of the twelve remaining outlets for a period of three years with a view to trim down the fixed costs while maintaining the revenue. The business's revenue decreased 20.3% from HK\$91,302,000 to HK\$72,751,000. With the change of business strategy, the operating loss narrowed down by 28.3% from HK\$25,815,000 to HK\$18,511,000.

Prospects

China's nation-wide manufacturing activity expanded at a slower pace in April and May of 2017 but remained solid after a strong growth in the first quarter of 2017 as the government tried to crack down on financial risks brought by high property boom in order to ensure that the economy is growing in a steady manner.

The Chinese government's more stringent enforcement of forced closures of paper and board mills violating environmental regulations has led to the ease of the imbalance of supply and demand and provided further support to the upward increase of paper prices in the long run at the backdrop of gradual economic growth in the domestic market in China. The Group continues to take a cautious approach in developing its businesses and act in an orderly manner to fend off financial risks. The Group will take appropriate and flexible approaches on sales and procurement to pursue profitability while minimizing the risk exposure on customers and stocks. For manufacturing segment, the Group had put in more resources in upgrading the production facilities and power plant to attain cost savings in the production processes. Leverage on the Group's strong relationship with paper mills in China and our existing overseas sales offices, the Group is planning to expand overseas sales to countries other than Hong Kong and mainland China. At the same time the Group continues to uphold those measures taken since the previous year in streamlining and centralizing internal processes to achieve effectiveness and efficiency.

For the property development and investment segment, the Group has placed considerable resources and emphasis into its continued growth. For the Nantong business park project, the Group's design and marketing team is discussing with a number of interested buyers for the blocks of custom-built properties. It is expected that the Nantong project will generate a steady stream of revenue and cash inflow arising from the sales of properties and services income in the coming year. The Group will continue with our existing business model and grow our paper business in parallel with our property development and investment business. It is expected that the income brought by the property development and investment business will enable the Group to continue the expansion of our paper business while providing a solid foundation to mitigate the effects of market fluctuations.

For the FMCG business segment, with the new strategy, the Group will focus on the franchise and wholesale business rather than the retailing operations in order to reduce fixed costs. With the profitable brands that the Group is distributing, centralized procurement and marketing team, the wholesale arm will build sales network with a view to driving sustainable growth.

Appreciation

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

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 26 June 2017

Management Discussion and Analysis

Turnover by Geographical Area

For the financial year under review, the Group reported a steady 3.5% growth in overall turnover from HK\$5,001 million to HK\$5,174 million.

Amid an uptrend in demand and paper price hikes at the second half of the financial year, with a significant sales growth of 11.9% in the business of paper manufacturing segment and the success of the sales and procurement strategies adopted in paper trading segment, turnover of paper business registered a rise of 4.6% from HK\$4,779.3 million to approximately HK\$5,000.7 million. In volume terms, the total sales tonnage of paper business in all geographical regions increased by 4.6% to 1,134,500 metric tonnes. Sales in the PRC saw a rise of 6.7% from HK\$3,718.3 million to HK\$3,969.0 million, making up approximately 79.4% of the Group's total revenue from paper products. Sales of paper products in Hong Kong contributed 13.2% while those in Malaysia and other countries contributed the remaining 7.4% of the Group's revenue from paper business.

In addition to the paper business, the Group engaged in the property development and investment, the FMCG business, the distribution business of consumable aeronautic parts and provision of related services and marine services business. These business segments together contributed approximately HK\$172.9 million, 3.3% (2016: HK\$221.6 million, 4.4%) of the Group's total revenue.

	2017 HK\$ million	2016 HK\$ million	% change
Hong Kong			
Paper trading	659.6	745.8	-11.6%
Rental services	18.7	17.8	5.1%
FMCG business	72.7	91.3	-20.4%
The PRC			
Paper trading	2,819.2	2,690.9	4.8%
Paper manufacturing	1,149.8	1,027.4	11.9%
Logistics services	1.7	1.8	-5.6%
Singapore			
Marine services	51.5	56.9	-9.5%
Aeronautic parts and services	28.3	53.7	-47.3%
Other regions			
Paper trading	372.1	315.2	18.1%
Total revenue	5,173.6	5,000.8	3.5%

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

(in '000 Metric Tonnes)	2016	2015	+/-
Import	550	619	-11.1%
Re-export	109	133	-18.0%
Local consumption	441	484	-8.9%

Turnover by Geographical Area (continued)

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

(in '000 Metric Tonnes)	2016	2015	+/-
Newsprint	60	60	—
Woodfree	410	370	10.8%
Coated paper	350	340	2.9%
Corrugated board	1,150	1,050	9.5%
Duplex board	580	610	-4.9%
Corrugating medium	80	90	-11.1%
Others	340	350	-2.9%
	2,970	2,870	3.5%

Major Product Analysis

As a national paper distributor in the Mainland China and one of the largest paper traders in Hong Kong, the Group currently carries a stock of over 100 paper brands. The Group's two main product categories, book printing papers and packaging boards, accounted for 38.9% and 50.7% of the Group's turnover of paper products respectively. For the year under review, sales of packaging boards rose by 9.79% as there was a boost from online shopping spree in the domestic market in China while sales of book printing papers decreased slightly by 1.16%.

Working Capital and Inventory Management

As credit control is one of basic internal controls employed by the Group, the management continued to cautiously assess the creditability of customers rather to pursue on the growth in revenue. During the year, as banks in Mainland were reluctant to grant credit to customers, the management has made additional effort on monitoring closely the performance of customers. The Group's effort has achieved fruitful results, which enables the Group to shorten the collection period by thirteen days and has a write back of impaired receivable provision of HK\$12.9 million for the year under review. This further indicates that the Group's operation control and policy is able to fend off the financial risks faced in the market. As a part of risk management, the Group continued to have credit insurance coverage on the accounts receivable of paper business in Hong Kong and the PRC while for prudent purpose, the Group continued to take conservative approach to make provision for doubtful debts to cover the credit exposure. Impaired receivable provision of HK\$7.3million was made, which is at 0.1% of the Group's total revenue.

To maintain a strong working capital position and minimize the risk exposure of the value of stocks against paper price, the Group has kept a low level of stocks at HK\$773.5 million as at 31 March 2017 with the turnover days being kept at a healthy level of 30 days.

Employees and Remuneration Policies

As at 31 March 2017, the Group employed 1,758 staff members, 178 of whom are based in Hong Kong and 1,302 are based in the PRC and 278 are based in other countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund and medical insurance. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

Liquidity and Financial Resources

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flows generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2017, short term deposits plus bank balances amounted to HK\$597 million (2016: HK\$526 million) (including restricted bank deposits of HK\$139 million (2016: HK\$166 million)) and bank borrowings amounted to HK\$2,076 million (2016: HK\$2,200 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2017, the Group's gearing ratio was 44.1% (2016: 47.0%), calculated as net debt divided by total capital. Net debt of HK\$1,479 million (2016: HK\$1,674 million) is calculated as total borrowings of HK\$2,076 million (2016: HK\$2,200 million) (including trust receipt loans, short term and long term borrowings, finance lease obligations and bank overdraft) less cash on hand and restricted deposits of HK\$597 million (2016: HK\$526 million). Total capital is calculated as total equity of HK\$1,876 million (2016: HK\$1,888 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.16 times (2016: 1.13 times).

With bank balances and other current assets amounted to HK\$3,181 million (2016: HK\$3,221 million) as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital for its present requirement.

Foreign Exchange Risk

The Group's transaction currencies are principally denominated in Renminbi, United States dollar and Hong Kong dollar. The Group hedged its position with foreign exchange contracts and options when considered necessary. The Group has continued to obtain Renminbi loans which provide a natural hedge against currency risks. As at 31 March 2017, bank borrowings in Renminbi amounted to HK\$86 million (2016: HK\$123 million). The remaining borrowings are mainly in Hong Kong dollar. The majority of the Group's borrowings bear interest costs which are based on floating interest rates. The Group has entered an interest rate swap contract, the notional principal amount of the outstanding interest rate swap contract as at 31 March 2017 was nil (2016: HK\$20,000,000).

Contingent Liabilities and Charge of Assets

As at 31 March 2017, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2017 amounted to HK\$2,070 million (2016: HK\$2,194 million).

Certain land and buildings, and investment properties of the Company's subsidiaries, with a total carrying value of HK\$637 million as at 31 March 2017 (2016: HK\$575 million) were pledged to banks as securities for bank loans of HK\$35 million (2016: HK\$33 million) and trust receipt loans of HK\$122 million (2016: HK\$99 million) granted to the Group.

Corporate Governance Practices

The Company has always recognised the importance of transparency in governance and accountability to shareholders. It is the belief of the Board that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions (the "Code Provisions") of the "Code on Corporate Governance Practices" (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code. Throughout the financial year of 2017, the Company has met the Code Provisions set out in the Code except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's bye-laws.

Board of Directors

The Board currently comprises five executive and four non-executive Directors of whom three are independent as defined by the Stock Exchange. (The biographies of the Directors, together with information about the relationship among them, are set out on page 25). Independent non-executive Directors are one-third of the Board. Under the Company's bye-laws, every Director is subject to retirement by rotation at least once every three year. One-third of the Directors, who have served the longest on the Board, must retire from office at each Annual General Meeting and their re-election is subject to a vote of shareholders.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and financial performance. Day-to-day management of the Group's businesses is delegated to the executive Director or officer in charge of each division. The functions and authority that are so delegated are reviewed periodically to ensure that they remain appropriate.

Matters that reserved for the Board are those affecting the Group's overall strategic policies, finances and shareholders including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments. All Board members have access to the advice and services of the Company Secretary. All Directors have separate and independent access to the Management for enquiries and to obtain information when required. Independent professional advice can be sought at the Group's expense upon reasonable requests. The Directors are covered by appropriate insurance on Directors' liabilities from risk exposures arising from the management of the Company.

Directors' Training and Professional Development

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

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

During the year ended 31 March 2017, the Company has organized training sessions provided by external professional firm to the Board.

Board of Directors (continued)

Directors' Training and Professional Development (continued)

The Board meets regularly to review the financial and operating performance of the Group and approve future strategies. Details of the number of Board meetings held in the year and attendance of each Board member at those meetings and meetings of the Audit Committee, the Remuneration Committee and the Nomination Committee are set out below:

Directors	Board	Attendance/Number of Meetings		
		Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. SHAM Kit Ying (Chairman)	4/4			
Mr. LEE Seng Jin (Deputy Chairman and Chief Executive Officer) (note 3)	4/4		1/1	1/1
Mr. CHOW Wing Yuen	4/4			
Ms. SHAM Yee Lan, Peggy	3/4			
Mr. LEE Yue Kong, Albert	4/4			
Independent Non-executive Directors				
Mr. PANG Wing Kin, Patrick (note 2)	3/4	2/3		1/1
Mr. TONG Yat Chong (note 1)	4/4	2/3	1/1	
Mr. NG Hung Sui, Kenneth	3/4		1/1	1/1
Non-executive Director				
Mr. LAU Wang Yip, Eric	4/4	3/3		

Note 1: Chairman of Remuneration Committee

Note 2: Chairman of Audit Committee

Note 3: Chairman of Nomination Committee

To implement the strategies and plans adopted by the Board effectively, an executive committee of selected executive Directors and senior managers meet monthly to review the performance of the businesses of the Group and make financial and operational decisions.

Chairman and Chief Executive Officer

The Group has appointed a Chairman, Mr. Sham Kit Ying and a Chief Executive Officer, Mr. Lee Seng Jin. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The Chief Executive Officer is a Board member and has executive responsibilities over the business direction and operational decisions of the Group.

Non-executive Directors

There are currently four non-executive Directors of whom three are independent. As a deviation from the Code, the term of office for non-executive Directors is not fixed but subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Company's bye-laws. At every Annual General Meeting, one-third of the Directors for the time being, who have served the longest on the Board, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Code.

Remuneration of Directors

The Remuneration Committee has clear terms of reference and is accountable to the Board. The principle role of the Remuneration Committee is to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises three members including the Deputy Chairman and two independent non-executive Directors. The current Committee members are:

Mr. Lee Seng Jin
Mr. Tong Yat Chong
Mr. Ng Hung Sui, Kenneth

The Remuneration Committee met once in the year with the attendance rate of 100%.

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salaries and bonuses of the executive Directors and certain key executives. No executive Director has taken part in any discussion about his/her own remuneration.

The Directors' emoluments paid or payable to the Directors during the year are set out on an individual and named basis, in note 38 to the accounts of this Annual Report.

Pursuant to B.1.5 of the Corporate Governance Code, the remuneration of the members of the Senior Management (including executive directors) by band for the year ended 31 March 2017 is set out below:

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

Nomination Committee

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

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

Audit Committee

The audit committee of the Company (the "Committee") comprises two independent non-executive Directors of the Company, namely Mr. Pang Wing Kin, Patrick and Mr. Tong Yat Chong and one non-executive Director of the Company, namely Mr. Lau Wang Yip, Eric. The principal activities of the Committee include the review and supervision of the Group's financial reporting process and internal controls. The Committee has met with the senior management of the Company and the Company's external auditor to review the annual results for the year ended 31 March 2017 before recommending them to the Board for approval.

Company Secretary

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the board chairman and the chief executive. During the year 2016/2017, the company secretary has taken no less than 15 hours of relevant professional training.

Internal Control and Risk Management

The Board maintains a sound and effective system of internal controls in the Group and reviews its effectiveness through the Audit Committee. The system is set up to address key business risks of failure to meet corporate objectives. The purpose of such system is to manage and control risks properly, but not eliminate it. The Board decides the overall policies and strategies which are implemented by the executive management as well as the review of material controls including the financial, operational and compliance controls and risk management functions.

The Group carries out the businesses under an established control environment which is consistent with the principles stated in Internal Control and Risk Management — A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants. The internal control of the Group is designed to provide reasonable assurance regarding the achievements of effectiveness and efficiency of operation, reliability of financial reporting and compliance with applicable laws and regulations.

The Group's internal audit team under the supervision of Internal Audit Manager independently reviews the internal controls and evaluates their adequacy, effectiveness and compliance. The team comprises qualified personnel to maintain and monitor the system of controls on an ongoing basis. The Internal Audit Department reports the major findings and recommendations to the Audit Committee on a regular basis.

In the year 2016/2017, the internal audit reports of the Group were completed regularly and sent to the Audit Committee to review. According to the assessments made by the Board and the Group's Internal Audit team in 2015, the Audit Committee is satisfied that:

- The internal controls and accounting systems of the Group have been functioning effectively. They provide the reasonable assurance that the business risks are detected and monitored. The material assets are protected and the accounts are reliable. They help to ensure compliance with applicable laws and regulations.
- There is an ongoing basis of identifying and managing the risks existing in the Group.

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

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

Business Planning and Budgeting

The Group's budget meeting is held annually in the beginning of each year. It is a key control process in business planning. The budget meeting of the year 2017/2018 was held in February 2017. The scope of the meeting included the following areas:

1. Sales/product strategy;
2. Market analysis and competitor profile;
3. Purchasing strategy; and
4. Customers analysis.

On the other hand, the half-yearly performance review for the year 2016/2017 (i.e. April to September 2016) was conducted in October 2016. The monthly performance reviews for the same year were carried out as well. It is important to monitor results and progress against the budget. Revenue and expenditures were compared with the budget and projections were revised when considered necessary.

Auditor's Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong. During the year, PricewaterhouseCoopers, Hong Kong provided the following audit and non-audit services to the Group:

Service	Fee charged HK\$'000
(a) Audit services	2,730
(b) Non-audit services (note)	122

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

Model Code for Securities Transactions

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

Financial Reporting

Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, price-sensitive announcements, disclosures required under the Listing Rules, and other regulatory requirements. The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 31.

Communication with Shareholders

The Board and senior management recognise their responsibilities to look after the interests of the shareholders of the Company. The Company reports on its financial and operating performance to the shareholders through interim and annual reports. At the Annual General Meeting, shareholders can raise any questions relating to the performance and future directions of the Company to the Directors. Our corporate website which contains information, interim and annual reports, announcements and circulars issued by the Company as well as the recent development of the Group, enables the Company's shareholders to access information on the Group on a timely basis.

Shareholders' Rights

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

Changes in Constitutional Documents

There is no significant change in the Company's constitutional documents during the year ended 31 March 2017. These documents are published on the website of the Company and the Stock Exchange.

Environmental, Social and Governance Report

Introduction

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

Environmental

Emissions

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

The new power supply units under construction in the power plant of the paper manufacturing business are expected to be under commissioning in the year of 2017. These units are designed not only to meet the requirements of ultra-low emissions, but also to reduce the production costs of the Group. Upon smooth operation of these units, the emission indicators will be further enhanced from the existing levels while the ancillary facilities required for power generation will be optimized. The Group believes that the smooth commissioning of these new power supply units will allow environmental work to advance further.

The Environment and Natural Resources and Use of Resources

The Group actively advocates resource recycling, and the paper manufacturing business is equipped with a sewage treatment plant furnished with advanced Fenton technology and a well-established anaerobic system. CH₄ (methane) generated in the course of sewage treatment is sent to the thermal power plant's incinerator for incineration after being pressurized by blowers. The heat value generated is supplied to the thermal power plant for power generation. If the power plant is in normal operation, about 7 tons of standard coal can be saved each day.

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

The Group has green office practices in place at present, such as promoting the use of recycled paper, turning off idle lighting equipment and electrical appliances. In addition, the Group is planning to upgrade the national unified computer document processing system, which is expected to substantially reduce the amount of paper for office use.

System Certifications and Awards

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

In addition, Samson Paper Company Limited under the Group, which has received accolades consecutively over the past years from Carbon Care Asia, was awarded the "CarbonCare Label" for 2016.

Social

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

Remuneration Mechanism

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

Health and Work Safety

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

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

As a result of the Group's emphasis on building a safety corporate culture and aggressive efforts to carry out safety cultural exchanges, the paper manufacturing business was named in 2017 as "A Production Safety Advanced Work Unit in the City for 2016" (2016 年度全市安全生產工作先進單位) by the Zaozhuang Municipal Government, and as "An Opening-to-the-Outside-World Advanced Work Unit for 2016" (2016 年度對外開放工作先進單位) by the Xuecheng District People's Government, CPC Xuecheng District Committee.

Employee Development and Training

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

Care for Employee and Team-building Initiatives

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

The paper manufacturing business offers free accommodation for employees living in remote rural areas, free shuttle bus service for employees living in the surrounding urban areas, and free work meals for employees with a view to providing employees with a comfortable working and living environment.

Employment Ordinance and Enforcement Standards

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

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

Supply Chain Management

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

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

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

Product Quality Control and Responsibility

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

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

Anti-corruption, Anti-bribery and Anti-fraud

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

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

Community Investment

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

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2017.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing, trading and marketing of paper products, property development as well as leasing of investment properties as set out in note 36 to the consolidated financial statements. The Group also engages in trading of consumable aeronautic parts and provision of related services, provision of logistic services and marine services and FMCG business. The Group's customers are mainly based in Hong Kong and the PRC.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the consolidated financial statements.

Results and Appropriations

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

The Directors have declared an interim dividend of HK0.4 cent per share, totalling HK\$5,092,000, which was paid on 11 January 2017.

The Directors recommend the payment of a final dividend of HK1.9 cents per share, totalling HK\$24,190,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 27 and note 37 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$387,000.

Principal Properties

Details of the principal properties held for development and/or sale and for investment purposes are set out in note 18 and 14 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 26 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 March 2017, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK\$280,390,000 (2016: HK\$264,260,000).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Five Year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out below:

	2013 HK\$'000 (restated)	2014 HK\$'000 (restated)	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Revenue (note)	4,678,519	4,982,417	5,277,933	5,000,852	5,173,620
Profit attributable to owners of the Company	63,661	57,196	114,225	46,675	84,714
Total assets	5,246,166	5,599,964	5,883,903	5,698,294	5,642,514
Total liabilities	3,520,754	3,686,361	3,871,670	3,810,173	3,766,396
Total equity	1,725,412	1,913,603	2,012,233	1,888,121	1,876,118

Note: To conform to the current year's presentation, rental income HK\$8,684,000 and HK\$13,300,000 respectively for the financial years 2013 and 2014, has been reclassified from "Other gains and income, net" to "Revenue".

Purchase, Sale or Redemption of Shares

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

Share option scheme

At the Special General Meeting of the Company held on 18 September 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 March 2017, no option was granted under the Option Scheme. A summary of the terms and conditions of the Option Scheme are set out below.

- (1) *Purpose*
The purpose of the Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").
- (2) *Participants*
All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.
- (3) *Maximum number of shares*
The number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum number of share available for issue under the Option Scheme is nil as at the date of this report.

Purchase, Sale or Redemption of Shares (continued)

Share option scheme (continued)

(4) *Maximum entitlement of each Participant*

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

(5) *Time of exercise of option*

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

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

(7) *Exercise price*

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

(8) *Remaining life of the Option Scheme*

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

Directors

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

Executive Directors

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

Non-executive Director

Mr. LAU Wang Yip, Eric

Independent non-executive Directors

Mr. PANG Wing Kin, Patrick (note)
Mr. TONG Yat Chong
Mr. NG Hung Sui, Kenneth (note)

Note: Mr. LEE Seng Jin, Mr. PANG Wing Kin, Patrick and Mr. NG Hung Sui, Kenneth retire in accordance with clause 99 of the Company's bye-laws and, being eligible, offer themselves for re-election.

Permitted Indemnity Provision

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

Directors' Service Contracts

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

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

Directors' Material Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year save as disclosed under the "Connected Transactions and Continuing Connected Transactions" section stated below and note 34 "Related Party Transactions" to the financial statements.

Biographical Details of Directors and Senior Management

Brief biographical details of the Directors and senior management of the Group are set out as follows:

Executive Directors

Mr. SHAM Kit Ying (alias SHAM Kit), aged 91, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 58 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 60, is the Deputy Chairman and Chief Executive Officer of the Group. Mr. Lee is responsible for the formulation of the Group's corporate strategies and development. He joined the Group in 1997. He is the husband of Ms. Sham Yee Lan, Peggy and a son-in-law of Mr. Sham Kit Ying.

Mr. CHOW Wing Yuen, aged 58, is the Chief Operating Officer of the Group. Mr. Chow joined the Group in 1978 and is responsible for the overall management of the Group's operation in Hong Kong and the PRC. Mr. Chow has over 39 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 51, is a Director of the Group. Ms. Sham joined the Group in 1989 and is responsible for the Group's overall credit and administrative management. Ms. Sham is the wife of Mr. Lee Seng Jin and a daughter of Mr. Sham Kit Ying.

Mr. LEE Yue Kong, Albert, aged 61, is the Chief Financial Officer of the Group and the Company Secretary of the Company. Mr. Lee is responsible for the Group's financial and accounting management. He has over 34 years of experience in the finance, auditing and accounting fields. Prior to joining the Group in June 1997, Mr. Lee was an independent non-executive Director of the Company. He is a member of Chartered Accountants Australia and New Zealand and the Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors and Senior Management (continued)

Non-executive Directors

Mr. PANG Wing Kin, Patrick, aged 61, is a qualified accountant and has over 34 years of working experience in the auditing, finance and general management areas. Mr. Pang is currently a financial consultant to an Australian company which has investment in China. He is also consulting a property and jewellery investment company in Hong Kong. Mr. Pang was appointed independent non-executive Director of the Company in 1995. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Mr. LAU Wang Yip, Eric, aged 50, is a solicitor practising in Hong Kong. He was appointed non-executive Director of the Company in 1997 and is currently a partner of a local law firm. Mr. Lau holds a Bachelor's degree in Laws and has been admitted as a solicitor in England and Wales. He has also been admitted as a legal practitioner in Tasmania, Australia.

Mr. TONG Yat Chong, aged 60, is a qualified accountant and has over 32 years of experience in finance, accounting and management. Mr. Tong was appointed independent non-executive Director of the Company in 2004. Mr. Tong holds a Master of Business Administration degree from the University of Wales. He is a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and a Certified Public Accountant in Hong Kong.

Mr. NG Hung Sui, Kenneth, aged 50, is a solicitor practising in Hong Kong. He was appointed independent non-executive Director of the Company in 2005 and is currently a partner of a local law firm. Mr. NG holds a Bachelor's degree in Laws and has been admitted as a solicitor in Hong Kong. He was also admitted as a solicitor in England and Wales and as a legal practitioner in Tasmania, Australia. He was appointed as a Notary Public of Hong Kong on 3 April 2008.

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

Senior Management

Mr. CHAN Kwok Keung, aged 57, is a Sales Director of Samson Paper (China) Company Limited. He joined the Group in 1990 and has over 30 years of working experience in the paper distribution industry and is responsible for the procurement of paper products and overseeing the general operations in China.

Mr. CHU Wai Kwong, aged 60, is a Sales Director of Samson Paper (China) Company Limited. He joined the Group in 1976. He has over 30 years of sales experience in the paper distribution industry and is responsible for the development of specialty paper and products and its operation in China.

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

As at 31 March 2017, the interests and short positions of each Director and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

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

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

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

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

Save as disclosed above, as at 31 March 2017, none of the Directors and Chief Executives had any interests or short positions in the shares, underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

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

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

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

At 31 March 2017, the interests and short positions of the shareholders other than a Director or Chief Executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO are as follows:

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

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

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

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

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

Save as disclosed above, the register which is required to be kept under Section 336 of the SFO shows that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 March 2017.

Public Float

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

Management Contracts

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

Major Customers and Suppliers

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

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

Related Party Transactions and Continuing Connected Transactions

Details on related party transactions for the year are set out in note 34 to the consolidated accounts. Details of any related party transaction which constitute continuing connected transaction not exempted under Rule 14A.31 or Rule 14A.33 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are disclosed below.

Continuing connected transactions

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

During the financial year ended 31 March 2017, the actual amount of sale and purchase transactions were approximately HK\$2,412.0 million in respect of the total purchases by the Group from KPP Group and HK\$71.4 million in respect of the total sales to KPP Group by the Group. Of such purchase transactions, HK\$647.3 million was purchased from Keishin Papers Trade (Shanghai) Company Limited, a subsidiary of KPP, which is a related party of the Group under the relevant Hong Kong Accounting Standards and a connected person of the Group under the Listing Rules. Such related party transactions, which also constituted continuing connected transactions, were also disclosed on page 91 of this Annual Report under note 34 to the consolidated financial statement.

Annual review of continuing connected transactions

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions for the year ended 31 March 2017 (the "Transactions") and confirmed that the Transactions were entered into:

- (i) In the ordinary and usual course of business of the Group;
- (ii) On normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) In accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

Independence of Independent Non-executive Directors

The Company has received, from each of the Independent Non-executive Directors of the Company, an annual confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

Compliance with the Continuing Disclosure Requirement under Chapter 13 of the Listing Rules

In accordance with the continuing disclosure requirements under Rule 13.21 of Chapter 13 of the Listing Rules (as amended on 31 March 2004), the Directors reported below details of the Group's loan agreements, which contains covenants requiring performance obligations of the controlling shareholder of the Company.

A subsidiary of the Company has been granted a three and a half-year revolving credit and term loan facility amounting to HK\$728,000,000 in March 2015. The loan facility requires that (i) Mr. Sham Kit Ying, Mr. Lee Seng Jin, Ms. Sham Yee Lan, Peggy and members of their respective immediate family shall in aggregate maintain not less than 100% of the direct or indirect legal and beneficial interest in Quinselle Holdings Limited; and maintain management control over Quinselle Holdings Limited; and (ii) Quinselle Holdings Limited shall maintain at least 51% of the direct or indirect legal and beneficial interest in the Company and remain the single largest shareholder of the Company.

Independent Auditor

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

On behalf of the Board

SHAM Kit Ying
Chairman

Hong Kong, 26 June 2017

Independent Auditor's Report



羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Samson Paper Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 97, which comprise:

- the consolidated balance sheet as at 31 March 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

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

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

Independence

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

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

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

- Valuation of investment properties
- Impairment assessment of accounts receivable

Key Audit Matter

Valuation of investment properties

Refer to notes 2.7, 4(i) and 14 in the consolidated financial statements

Management has estimated the fair value of the Group's investment properties to be HK\$550,300,000 at 31 March 2017, with a revaluation gain for the year ended 31 March 2017 recorded in the consolidated statement of profit or loss of HK\$34,800,000. Valuations by an independent external valuer were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant judgement, such as market prices and term yields.

We focused on this area due to the significant amount of revaluation gain recorded for the year and the significant management judgement used to evaluate the fair value of the Group's investment properties.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's valuations of investment properties included:

- Evaluating of the independent external valuer's competence, capabilities and objectivity;
- Using our in-house valuation experts to assess the appropriateness of the valuation methodologies used by the valuer and the reasonableness of the key assumptions adopted for the valuations based on our knowledge of the property industry; and
- Checking on a sample basis the market prices and term yields applied by making reference to available comparable market data.

We found the key assumptions applied in the valuations of investment properties as at year end to be supported by available evidence.

Key Audit Matters (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment of accounts receivable

Refer to notes 2.8, 2.11(a), 4(ii) and 20 to the consolidated financial statements

The Group had gross accounts receivable of approximately HK\$1,030,675,000 as at 31 March 2017. Accounts receivable of HK\$89,473,000 had been impaired and provided for as at year end.

Management performed impairment assessment of the accounts receivable based on information including aging of the accounts receivable, past repayment history, subsequent settlement status, credit profile of the customers and on-going trading relationship with the customers. The Group made provision for impairment of accounts receivable based on an estimate of the recoverability of these receivables.

We focused on this area due to the significant amount of the accounts receivable as at 31 March 2017 and the significant management judgement used to evaluate the recoverability of such balances.

Our procedures in relation to management's impairment assessment of the accounts receivable included:

Understanding, evaluating and validating the key controls that the Group has implemented to manage, monitor and evaluate credit risk of its customers;

Understanding the status of material long aged accounts receivable as at year end, the Group's on-going business relationship with the relevant customers, credit profile and past repayment history of these customers through discussion with management and review of supporting documents;

Selecting debtors on a sample basis and circulated auditor's confirmations to them confirming the accounts receivable balances as at 31 March 2017, where confirmations were not received from these debtors, we examined alternative supporting documents such as good delivery notes to verify the outstanding balances; and

Checking, on a sample basis, the aging profile of the accounts receivable as at 31 March 2017 to sales invoices and post year-end settlements to bank receipts.

We found that the management's judgement used to assess the impairment of the accounts receivable in the year to be supported by available evidence.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 June 2017

Consolidated Statement of Profit or Loss

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	5	5,173,620	5,000,852
Cost of sales		<u>(4,629,890)</u>	<u>(4,519,234)</u>
Gross profit		543,730	481,618
Fair value gains on investment properties	5	34,800	50,200
Other gains and income, net	5	29,870	32,008
Selling expenses		(212,858)	(198,313)
Administrative expenses		(204,016)	(203,375)
Other operating income/(expenses)		<u>10,417</u>	<u>(10,817)</u>
Operating profit	6	201,943	151,321
Finance costs	7	<u>(73,205)</u>	<u>(71,601)</u>
Profit before taxation		128,738	79,720
Taxation	8	<u>(34,850)</u>	<u>(25,359)</u>
Profit for the year		<u>93,888</u>	<u>54,361</u>
Attributable to:			
— Owners of the Company		84,714	46,675
— Non-controlling interests		<u>9,174</u>	<u>7,686</u>
		<u>93,888</u>	<u>54,361</u>
Earnings per share			
Basic	10	<u>HK7.2 cents</u>	<u>HK3.8 cents</u>
Diluted	10	<u>HK6.7 cents</u>	<u>HK3.7 cents</u>
Dividends	9	<u>29,282</u>	<u>13,367</u>

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The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	2017 HK\$'000	2016 HK\$'000
Profit for the year	93,888	54,361
Other comprehensive loss, net of tax		
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of land and buildings, net of deferred tax	37,020	—
	<u>37,020</u>	<u>—</u>
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(149,751)	(142,331)
Revaluation of available-for-sale financial assets	134	779
	<u>(149,617)</u>	<u>(141,552)</u>
Other comprehensive loss for the year, net of tax	<u>(112,597)</u>	<u>(141,552)</u>
Total comprehensive loss for the year	<u>(18,709)</u>	<u>(87,191)</u>
Attributable to:		
— Owners of the Company	(19,381)	(92,138)
— Non-controlling interests	672	4,947
Total comprehensive losses for the year	<u>(18,709)</u>	<u>(87,191)</u>

The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	12	1,687,638	1,755,225
Land use rights	13	119,289	143,266
Investment properties	14	550,300	515,500
Intangible assets	15	39,361	41,618
Available-for-sale financial assets	16	5,866	5,732
Non-current deposits and prepayments	17	52,242	6,614
Deferred tax assets	28	6,822	8,983
		<u>2,461,518</u>	<u>2,476,938</u>
Current assets			
Properties under development	18	99,821	60,968
Inventories	19	773,544	610,372
Accounts and other receivables	20	1,705,844	2,021,894
Financial assets at fair value through profit or loss	21	913	637
Taxation recoverable		3,575	1,838
Restricted bank deposits	22	139,348	166,181
Bank balances and cash	23	457,951	359,466
		<u>3,180,996</u>	<u>3,221,356</u>
Current liabilities			
Accounts and other payables	24	1,324,572	1,392,023
Trust receipt loans	25	809,689	885,623
Taxation payable		72,196	53,517
Derivative financial instruments	29	—	55
Borrowings	25	528,109	510,465
		<u>2,734,566</u>	<u>2,841,683</u>
Net current assets		<u>446,430</u>	<u>379,673</u>
Total assets less current liabilities		<u>2,907,948</u>	<u>2,856,611</u>

Consolidated Balance Sheet

As at 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
Financed by:			
Share capital	26	127,315	127,315
Reserves	27	1,544,224	1,576,972
		<u>1,671,539</u>	<u>1,704,287</u>
Non-controlling interests		<u>204,579</u>	<u>183,834</u>
Total equity		<u>1,876,118</u>	<u>1,888,121</u>
Non-current liabilities			
Accounts and other payables	24	198,348	71,140
Borrowings	25	738,656	804,019
Deferred tax liabilities	28	94,826	93,331
		<u>1,031,830</u>	<u>968,490</u>
		<u>2,907,948</u>	<u>2,856,611</u>

The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

The financial statements on pages 36 to 97 were approved by the Board of Directors on 26 June 2017 and were signed on its behalf.

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000		
Balance at 1 April 2015	127,315	834,470	871,561	1,833,346	178,887	2,012,233
Comprehensive income						
Profit for the year	—	—	46,675	46,675	7,686	54,361
Other comprehensive loss						
Currency translation differences	—	(139,592)	—	(139,592)	(2,739)	(142,331)
Revaluation of available-for-sale financial assets	—	779	—	779	—	779
Total other comprehensive loss, net of tax	—	(138,813)	—	(138,813)	(2,739)	(141,552)
Total comprehensive (loss)/income	—	(138,813)	46,675	(92,138)	4,947	(87,191)
Transactions with owners in their capacity as owners						
Transfer to statutory reserve	—	242	(242)	—	—	—
2014–2015 final dividend paid	—	—	(31,829)	(31,829)	—	(31,829)
2015–2016 interim dividend paid	—	—	(5,092)	(5,092)	—	(5,092)
Total transactions with owners in their capacity as owners	—	242	(37,163)	(36,921)	—	(36,921)
Balance at 31 March 2016	127,315	695,899	881,073	1,704,287	183,834	1,888,121

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000		
Balance at 1 April 2016	127,315	695,899	881,073	1,704,287	183,834	1,888,121
Comprehensive income						
Profit for the year	—	—	84,714	84,714	9,174	93,888
Other comprehensive loss						
Currency translation differences	—	(140,822)	—	(140,822)	(8,929)	(149,751)
Revaluation of land and building, net of deferred tax	—	36,593	—	36,593	427	37,020
Revaluation of available-for-sale financial assets	—	134	—	134	—	134
Total other comprehensive loss, net of tax	—	(104,095)	—	(104,095)	(8,502)	(112,597)
Total comprehensive (loss)/income	—	(104,095)	84,714	(19,381)	672	(18,709)
Transactions with owners in their capacity as owners						
Capital injection	—	—	—	—	20,073	20,073
Transfer to statutory reserve	—	5,934	(5,934)	—	—	—
2015–2016 final dividend paid	—	—	(8,275)	(8,275)	—	(8,275)
2016–2017 interim dividend paid	—	—	(5,092)	(5,092)	—	(5,092)
Total transactions with owners in their capacity as owners	—	5,934	(19,301)	(13,367)	20,073	6,706
Balance at 31 March 2017	127,315	597,738	946,486	1,671,539	204,579	1,876,118

The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Note	2017 HK\$'000	2016 HK\$'000
Operating activities			
Cash generated from operations	30(a)	420,964	70,123
Interest paid		(73,205)	(71,601)
Hong Kong profits tax paid		(7,130)	(5,008)
Overseas taxation paid		(17,445)	(5,480)
Net cash generated from/(used in) operating activities		323,184	(11,966)
Investing activities			
Purchase of property, plant and equipment		(86,440)	(125,397)
Purchase of land use rights		(4,299)	(5,482)
Purchase of intangible assets		(43)	—
Proceeds from disposal of land use rights	30(c)	4,378	—
Proceeds from disposal of property, plant and equipment	30(c)	1,958	25,291
Increase in non-current deposits and prepayment		(45,628)	(899)
Interest received		4,853	7,507
Net cash used in investing activities		(125,221)	(98,980)
Financing activities			
Net increase in bank borrowings	30(b)	350,000	459,135
Repayment of bank loans	30(b)	(388,159)	(539,456)
Repayment of financial lease liabilities		(172)	(2,272)
(Decrease)/increase in trust receipt loans		(75,934)	133,157
Decrease in restricted bank deposits		19,822	51,819
Capital contributed by the non-controlling interest of a subsidiary		20,073	—
Dividends paid to shareholders		(13,367)	(36,921)
Net cash (used in)/generated from financing activities		(87,737)	65,462
Net increase/(decrease) in cash and cash equivalents		110,226	(45,484)
Cash and cash equivalents at beginning of the year		356,814	408,968
Effect of changes in exchange rates on cash and cash equivalents		(11,770)	(6,670)
Cash and cash equivalents at end of the year	23	455,270	356,814

The notes on pages 43 to 97 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General Information

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

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is 3/F Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Hong Kong.

The Company has its listing on The Stock Exchange of Hong Kong Limited.

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

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, land and building as well as investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(a) *New standard and amendments to standards adopted by the Group*

The following new standard, amendments to standards and annual improvements are mandatory for their first time for the financial year beginning 1 April 2016:

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual Improvements Projects	Annual improvements 2012–2014 cycle

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

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

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

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning on 1 April 2016, and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 7	Disclosure initiative	1 January 2017
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the likely impact of adopting the above new standards and amendments to existing standards but it is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group plans to adopt these new standards and amendments to existing standards when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

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

2 Summary of Significant Accounting Policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of Significant Accounting Policies (continued)

2.3 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

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

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss are recognised in consolidated statement of profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equity instruments classified as available-for-sale, are included in other comprehensive income.

(c) *Group companies*

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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

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

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

2 Summary of Significant Accounting Policies (continued)

2.4 Property, plant and equipment

Land and buildings comprise mainly warehouses and offices. Subsequent to initial recognition, leasehold land classified as financial leases and buildings are carried at their revalued amounts less subsequent accumulated depreciation and impairment losses. Valuation of land and buildings in and outside Hong Kong are valued by external independent valuers on a regular basis with an interval of not more than 3 years. In the intervening years, the directors review the carrying value of the land and buildings and adjustment is made where they consider that there has been a material change. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income; all other decreases are expensed in the consolidated statement of profit or loss.

All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the financial period in which they are incurred.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

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

2 Summary of Significant Accounting Policies (continued)

2.5 Construction-in-progress

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

2.6 Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Costs incurred to acquire and bring specific computer software licences to working condition are capitalised and amortised over their estimated useful lives of ten years.

2.7 Investment properties

Investment property is defined as property held to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Investment properties are initially measured at cost, including the related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of profit or loss.

2 Summary of Significant Accounting Policies (continued)

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables are classified as "accounts and other receivables", "restricted bank deposits" and "bank balances and cash" in the consolidated balance sheet.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the balance sheet date.

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the consolidated statement of profit or loss within "other gains and income, net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2 Summary of Significant Accounting Policies (continued)

2.8 Financial assets (continued)

2.8.2 Recognition and measurement (continued)

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of profit or loss as “other gains and income, net”.

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

2.8.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Derivative financial instruments

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

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

2.10 Impairment of non-financial assets

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

2 Summary of Significant Accounting Policies (continued)

2.11 Impairment of financial assets

(a) *Assets carried at amortised cost*

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

(b) *Assets classified as available-for-sale*

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in consolidated statement of profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

2.12 Properties under development

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

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

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

2 Summary of Significant Accounting Policies (continued)

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for trading merchandise is determined using the first-in, first-out method and cost for manufactured merchandise is determined using the weighted-average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Accounts and other receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.17 Borrowing costs

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

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

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

2.18 Accounts payables

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2 Summary of Significant Accounting Policies (continued)

2.19 Provisions

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

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

2.20 Share capital

Ordinary shares and convertible non-voting preference shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

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

Service income is recognised when the relevant services are rendered.

Operating lease rental income is recognised on a straight-line basis over lease period of the lease. When the properties provide incentives to its tenants, the cost of incentives will be recognised over the lease term, on a straight-line basis, as a reduction of rental income.

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

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

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

2 Summary of Significant Accounting Policies (continued)

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2.23 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

(b) *Retirement benefit obligations*

The Group operates a number of defined contribution schemes for all its employees in Hong Kong and overseas. A defined contribution scheme is a pension scheme that the Group pays fixed contribution into a separate entity. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

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

(c) *Bonus plan*

The Group recognises a provision for bonus when contractually obligated or when there is a past practice that have created a constructive obligation.

2.24 Leases (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

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

Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2 Summary of Significant Accounting Policies (continued)

2.25 Leases (as lessor)

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

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

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

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

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

2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

2 Summary of Significant Accounting Policies (continued)

2.26 Current and deferred income tax (continued)

(b) *Deferred income tax (continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

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

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.27 Dividend distribution

Dividend distribution to the Company's owners is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's owners.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest-rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to reduce certain risk exposures.

Risk management policies approved by the Board of Directors are carried out by a central treasury department ("Group Treasury"). Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

(a) *Market risk*

(i) *Currency risk*

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group is presently not using any forward exchange contracts to hedge against foreign exchange risk as management considers its exposure is minimal.

(ii) *Cash flow interest-rate risk*

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

The Group's interest-rate risk arises from bank borrowings. As at 31 March 2017 and 2016, borrowings are primarily at floating interest rates. In order to manage the cash flow interest-rate risk, the Group sometimes enters into interest rate swap.

At 31 March 2017, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been HK\$6,583,000 (2016: HK\$6,665,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk*

Credit risk is managed on a group basis. The Group's credit risk is primarily attributable to cash and bank deposits, accounts and other receivables, financial assets at fair value through profit or loss and available-for-sale financial assets.

The Group's cash and bank deposits are entered into with a diversified portfolio of reputable financial institutions. Counterparties' credit risks are carefully reviewed and in general, the Group only deals with financial institutions with low credit risk. The amount of counterparties' lending exposure to the Group is also an important consideration as a means to control credit risk.

Credit risk on trade debtors is managed by management of the individual business units and monitored by the Group's management on a group basis. The Group's trade debtors are mainly market leaders in their industries with low credit risk. For other smaller customers, management assesses their credit quality by considering its financial position, past experience and other relevant factors. The utilisation of credit limits is regularly monitored. Debtors with overdue balances will be requested to settle their outstanding balance.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. For the accounts receivables proved to be impaired, management has provided sufficient provision on those balances. The Group's historical experience in collection of accounts and other receivables falls within the recorded allowances. There was no individual customer with balance representing more than 10% of the Group's total trade receivable from third parties, thus there was no concentration of credit risk with respect to accounts receivable as there were a large number of customers. In addition, majority of the Group's open credit sales are covered by credit insurance.

The carrying amount of cash and bank deposits, accounts and other receivables, financial assets at fair value through profit or loss and available-for-sale financial assets included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

(c) *Liquidity risk*

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facilities (note 25) and bank balances and cash (note 23)) on the basis of expected cash flow.

The table below analyses the Group's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to involve their unconditional rights to call the loans with immediate effect. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

	On demand HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
At 31 March 2017					
Term loans subject to a repayment on demand clause	80,000	—	—	—	—
Other bank borrowings ¹	—	452,917	501,614	270,448	6,144
Trust receipt loans ¹	—	813,859	—	—	—
Accounts and other payables ¹	—	1,209,486	198,348	—	—
Finance lease liabilities ¹	—	2,206	1,875	2,327	—
At 31 March 2016					
Term loans subject to a repayment on demand clause	140,000	—	—	—	—
Derivative financial instruments	—	55	—	—	—
Other bank borrowings ¹	—	374,288	432,331	408,351	7,487
Trust receipt loans ¹	—	889,977	—	—	—
Accounts and other payables ¹	—	1,360,438	71,400	—	—
Finance lease liabilities ¹	—	1,890	1,943	2,871	347

¹ The amounts include interest payable.

The Company provides corporate guarantees as disclosed in note 31.

The following table summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the maturity analysis. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank would exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
At 31 March 2017	81,236	—	—
At 31 March 2016	142,072	—	—

3 Financial Risk Management (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash, bank balances and restricted deposits. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

	2017 HK\$'000	2016 HK\$'000
Total borrowings (note 25)	2,076,454	2,200,107
Less: Cash, bank balances and restricted deposits	<u>(597,299)</u>	<u>(525,647)</u>
Net debt	1,479,155	1,674,460
Total equity	<u>1,876,118</u>	<u>1,888,121</u>
Total capital	<u>3,355,273</u>	<u>3,562,581</u>
Gearing ratio	<u>44.1%</u>	<u>47.0%</u>

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 Financial Risk Management (continued)

3.3 Fair value estimation (continued)

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
– Trading securities	913	—	—	913
Available-for-sale financial assets				
– Insurance policy	—	—	4,697	4,697
– Other investment	—	—	1,169	1,169
	—	—	5,866	5,866
Derivative financial instruments				
– Interest rate swap	—	—	—	—
	913	—	5,866	6,779

The following table presents the Group's assets/(liabilities) that were measured at fair value at 31 March 2016.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
– Trading securities	637	—	—	637
Available-for-sale financial assets				
– Insurance policy	—	—	4,563	4,563
– Other investment	—	—	1,169	1,169
	—	—	5,732	5,732
Derivative financial instruments				
– Interest rate swap	—	(55)	—	(55)
	637	(55)	5,732	6,314

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

3 Financial Risk Management (continued)

3.3 Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. There is no quoted market price in an active market for certain financial assets and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed without incurring excessive costs.

4 Critical Accounting Estimates and Judgements

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

(i) Estimated valuation of investment properties

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

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

(ii) Estimated provision for accounts and other receivables

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

(iii) Current and deferred income taxes

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

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

Revenue recognised is as follows:

	2017 HK\$'000	2016 HK\$'000
Revenue		
Sale of goods	5,101,745	4,924,330
Leasing of investment properties	18,675	17,818
Provision of services	53,200	58,704
	<u>5,173,620</u>	<u>5,000,852</u>
Fair value gains on investment properties (note 14)	<u>34,800</u>	<u>50,200</u>
Other gains and income, net		
Interest income	4,853	7,507
Sales of scrap materials	6,974	8,043
Unrealised gains/(losses) on investments in financial assets at fair value through profit or loss	276	(149)
Gain on disposal of property, plant and equipment	336	292
Franchise income	14,301	—
Others	3,130	16,315
	<u>29,870</u>	<u>32,008</u>

The chief operating decision-maker (the “CODM”) has been identified as the Executive Directors. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the CODM.

The CODM considers the performance of the Group from the perspective of the business activities. The CODM assesses the performance of the operating segments based on a measure of segment profit/loss without allocation of finance costs which is consistent with that in the financial statements.

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

- (1) Paper trading: trading and marketing of paper products;
- (2) Paper manufacturing: manufacturing of paper products in Shandong, the PRC;
- (3) Property development and investment: developing properties for sale and leasing of investment properties; and
- (4) Others: including trading and marketing of aeronautic parts and provision of related services and the provision of marine services to marine, oil and gas industries and FMCG business.

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, intangible assets, properties under development, inventories, receivables, financial instruments and operating cash. They exclude deferred tax assets, taxation recoverable and corporate assets.

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

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

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

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

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

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

The segment information for the year ended and as at 31 March 2016 is restated as follows:

	Paper trading HK\$'000	Paper manufacturing HK\$'000	Property development and investment HK\$'000	Others HK\$'000	Total HK\$'000
Total segment revenue	3,997,658	1,046,485	19,293	210,790	5,274,226
Inter-segment revenue	(245,757)	(19,094)	(1,474)	(7,049)	(273,374)
Revenue from external customers	3,751,901	1,027,391	17,819	203,741	5,000,852
Reportable segment results	54,453	74,222	69,216	(31,510)	166,381
Corporate expenses					(15,060)
Operating profit					151,321
Finance costs					(71,601)
Profit before taxation					79,720
Taxation					(25,359)
Profit for the year					54,361
Other items for the year ended 31 March 2016					
Interest income	6,617	603	—	287	7,507
Depreciation of property, plant and equipment	9,708	50,542	—	11,864	72,114
Amortisation of land use rights	829	4,104	—	77	5,010
Amortisation of intangible assets	845	48	—	64	957
Fair value gains on investment properties	—	—	50,200	—	50,200
Capital expenditure	4,497	107,865	—	13,201	125,563
Reportable segment assets	2,199,458	2,698,056	579,624	210,181	5,687,319
Taxation recoverable					1,838
Deferred tax assets					8,983
Corporate assets					154
Total assets					5,698,294
Reportable segment liabilities	1,997,254	309,185	739	41,224	2,348,402
Taxation payable					53,517
Deferred tax liabilities					93,331
Corporate liabilities					1,314,923
Total liabilities					3,810,173

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

The Group's operating segments operate in the following geographical areas, even though they are managed on a worldwide basis.

	Revenue		Non-current assets ¹	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Hong Kong	750,924	854,931	653,778	600,488
The PRC ²	3,970,675	3,720,059	1,733,373	1,796,038
Singapore	79,880	110,646	53,657	57,995
Korea	340,682	276,797	2,154	2,159
Malaysia	31,431	37,788	11,698	11,268
Others	28	631	36	7
	<u>5,173,620</u>	<u>5,000,852</u>	<u>2,454,696</u>	<u>2,467,955</u>

¹ Non-current assets excluded deferred tax assets.

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

6 Operating Profit

Operating profit is stated after charging and crediting the following:

	2017 HK\$'000	2016 HK\$'000
Charging		
Cost of inventories sold	4,531,533	4,382,911
Depreciation of property, plant and equipment	66,238	72,114
Amortisation of land use rights	4,223	5,010
Amortisation of intangible assets	965	957
Operating lease rentals in respect of land and buildings:		
— Minimum lease payment	54,374	41,756
— Contingent rent	52	159
Transportation costs	97,868	79,867
Provision for impairment on receivables	7,280	33,338
Employee benefit expenses	140,058	134,686
Auditor's remuneration		
— Audit services	3,103	3,173
— Non-audit services	122	82
	<u>4,975,126</u>	<u>4,873,086</u>
Crediting		
Gains on disposal of property, plant and equipment	336	292
Write-back of provision for inventories	6,099	9,305
Write-back of provision for impairment on receivables	12,850	15,726
	<u>19,285</u>	<u>25,323</u>

Notes to the Consolidated Financial Statements

7 Finance Costs

	2017 HK\$'000	2016 HK\$'000
Interest on bank borrowings wholly repayable within 5 years	68,542	64,814
Interest on finance lease obligations wholly repayable within 5 years	278	286
Interest on trade credit facilities	16,547	14,237
	<u>85,367</u>	<u>79,337</u>
Less: amounts capitalised in property, plant and equipment and properties under development	(12,162)	(7,736)
	<u>73,205</u>	<u>71,601</u>

The weighted average interest rate on the above capitalised borrowings is approximately 2.9% per annum (2016: 4.6% per annum).

8 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	2017 HK\$'000	2016 HK\$'000
Hong Kong profits tax	4,297	6,009
Overseas taxation	32,131	24,479
Over-provision in previous years	(75)	(25)
Deferred taxation relating to origination and reversal of temporary differences	(1,503)	(5,104)
	<u>34,850</u>	<u>25,359</u>

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:

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	<u>128,738</u>	<u>79,720</u>
Calculated at a taxation rate of 16.5% (2016: 16.5%)	21,243	13,154
Effect of different taxation rates in other countries	10,809	9,178
Income not subject to taxation	(13,498)	(16,913)
Expenses not deductible for taxation purposes	14,746	13,838
Tax losses not recognized	1,625	6,127
Over-provision in previous years	(75)	(25)
	<u>34,850</u>	<u>25,359</u>

8 Taxation (continued)

According to the New Corporate Income Tax Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at rate of 10% for other foreign investors. Deferred income tax liabilities have not been recognised for withholding tax that would be payable on the distributable retained profits amounting to HK\$19,869,000 (2016: HK\$17,304,000) of the Company's subsidiaries in the Mainland China earned after 1 January, 2008. Such amounts are not intended to be distributed in the foreseeable future to the group companies outside of the Mainland China.

Deferred income tax assets are recognised for tax losses carrying forwards to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 March 2017, the Group did not recognise deferred income tax assets of HK\$29,431,000 (2016: HK\$27,806,000) in respect of losses of approximately HK\$169,276,000 (2016: HK\$148,794,000). Tax losses amounting to approximately HK\$28,206,000 (2016: HK\$31,458,000) will be expired up to year 2022 (2016: 2021), while the remaining balance can be carried forward indefinitely.

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

	2017			2016		
	Before tax	Deferred tax (charge)/ credit	After tax	Before tax	Deferred tax (charge)/ credit	After tax
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Currency translation differences	(149,751)	—	(149,751)	(142,331)	—	(142,331)
Revaluation of land and buildings	44,760	(7,740)	37,020	—	—	—
Revaluation of available-for-sale financial assets	134	—	134	779	—	779
Other comprehensive loss	(104,857)	(7,740)	(112,597)	(141,552)	—	(141,552)

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9 Dividends

	2017 HK\$'000	2016 HK\$'000
Interim — HK\$0.004 (2016: HK\$0.004) per ordinary share	4,564	4,564
Interim — HK\$0.004 (2016: HK\$0.004) per preference share	528	528
Proposed final — HK\$0.019 (2016: HK\$0.0065) per ordinary share	21,681	7,417
Proposed final — HK\$0.019 (2016: HK\$0.0065) per preference share	2,509	858
	<u>29,282</u>	<u>13,367</u>

At a meeting held on 26 June 2017, the directors proposed a final dividend of HK\$0.019 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2018.

10 Earnings per Share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company less preference dividends of HK\$81,677,000 (2016: HK\$42,845,000) by the weighted average number of 1,141,076,000 (2016: 1,141,076,000) ordinary shares in issue during the year.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: preference shares. The Company has a share option scheme but no share option has been granted under the scheme.

	2017	2016
Profit attributable to the owner of the Company (HK\$'000)	<u>84,714</u>	<u>46,675</u>
Weighted average number of ordinary shares in issue ('000)	1,141,076	1,141,076
Adjustment for:		
— Preference shares ('000)	<u>132,065</u>	<u>132,065</u>
Weighted average number of shares for diluted earnings per share ('000)	<u>1,273,141</u>	<u>1,273,141</u>
Diluted earnings per share	<u>HK6.7 cents</u>	<u>HK3.7 cents</u>

11 Employee Benefit Expenses (Including Directors' Remuneration)

	2017 HK\$'000	2016 HK\$'000
Wages, salaries and bonus	134,705	127,836
Contributions to pension schemes	<u>5,353</u>	<u>6,850</u>
	<u>140,058</u>	<u>134,686</u>

12 Property, Plant and Equipment

	Land and buildings HK\$'000	Furniture and fixtures HK\$'000	Machinery and equipment HK\$'000	Motor vehicles and vessels HK\$'000	Leasehold improvements HK\$'000	Office and computer equipment HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
At 1 April 2015								
Cost or valuation	294,202	9,692	1,324,257	57,375	38,813	29,583	437,205	2,191,127
Accumulated depreciation	(10,053)	(5,618)	(256,620)	(36,998)	(15,794)	(24,970)	—	(350,053)
Net book amount	284,149	4,074	1,067,637	20,377	23,019	4,613	437,205	1,841,074
Year ended 31 March 2016								
Opening net book amount	284,149	4,074	1,067,637	20,377	23,019	4,613	437,205	1,841,074
Exchange differences	(10,023)	(95)	(43,395)	(183)	(946)	(96)	(17,617)	(72,355)
Additions	518	3,063	5,442	1,071	8,665	3,452	103,186	125,397
Transfer	—	—	146,632	—	—	—	(146,632)	—
Transfer to properties under development (note 18)	—	—	—	—	—	—	(44,196)	(44,196)
Transfer from non-current assets held for sale	4,596	—	—	—	—	—	—	4,596
Disposals (note 30(c))	(2)	(4)	(423)	(305)	(9)	(18)	(24,238)	(24,999)
Depreciation	(9,861)	(1,285)	(50,148)	(5,978)	(4,808)	(2,212)	—	(74,292)
Closing net book amount	269,377	5,753	1,125,745	14,982	25,921	5,739	307,708	1,755,225
At 31 March 2016								
Cost or valuation	288,107	12,513	1,419,965	56,531	46,479	31,992	307,708	2,163,295
Accumulated depreciation	(18,730)	(6,760)	(294,220)	(41,549)	(20,558)	(26,253)	—	(408,070)
Net book amount	269,377	5,753	1,125,745	14,982	25,921	5,739	307,708	1,755,225
Year ended 31 March 2017								
Opening net book amount	269,377	5,753	1,125,745	14,982	25,921	5,739	307,708	1,755,225
Exchange differences	(13,257)	(34)	(63,453)	(543)	(1,159)	(292)	(17,937)	(96,675)
Additions	56	140	5,870	7,610	112	1,676	70,976	86,440
Revaluation surplus	44,760	—	—	—	—	—	—	44,760
Transfer to properties under development (note 18)	—	—	—	—	—	—	(25,340)	(25,340)
Disposals (note 30(c))	—	—	(574)	(123)	—	(7)	(918)	(1,622)
Depreciation	(9,918)	(1,573)	(51,317)	(5,287)	(4,683)	(2,372)	—	(75,150)
Closing net book amount	291,018	4,286	1,016,271	16,639	20,191	4,744	334,489	1,687,638
At 31 March 2017								
Cost or valuation	291,018	12,493	1,343,784	60,675	45,296	31,428	334,489	2,119,183
Accumulated depreciation	—	(8,207)	(327,513)	(44,036)	(25,105)	(26,684)	—	(431,545)
Net book amount	291,018	4,286	1,016,271	16,639	20,191	4,744	334,489	1,687,638

12 Property, Plant and Equipment (continued)

Land and buildings situated in Hong Kong and major buildings outside Hong Kong were revalued at 31 March 2017 on the basis of open market value carried out by Savills Valuation and Professional Services Limited, an independent firm of chartered surveyors, according to the Group's policy as set out in note 2.4.

	2017 HK\$'000	2016 HK\$'000
Land and buildings in Hong Kong, held on leases of between 10 and 50 years		
Valuation	71,702	39,000
Accumulated depreciation	—	(2,294)
Net book amount	<u>71,702</u>	<u>36,706</u>
Buildings outside Hong Kong		
Valuation	219,316	249,107
Accumulated depreciation	—	(16,436)
Net book amount	<u>219,316</u>	<u>232,671</u>

The following table analysed the land and buildings carried at revaluated amount, by valuation method.

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

12 Property, Plant and Equipment (continued)

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

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

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

	2017 HK\$'000	2016 HK\$'000
Land and buildings		
Cost	101,205	101,205
Accumulated depreciation	(25,794)	(22,306)
Net book amount	<u>75,411</u>	<u>78,899</u>

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12 Property, Plant and Equipment (continued)

The analysis of the cost or valuation at 31 March 2017 and 2016 of the above assets is as follows:

	Land and buildings HK\$'000	Furniture and fixtures HK\$'000	Machinery and equipment HK\$'000	Motor vehicles and vessels HK\$'000	Leasehold improvements HK\$'000	Office and computer equipment HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
At cost	—	12,513	1,419,965	56,531	46,479	31,992	307,708	1,875,188
At valuation	288,107	—	—	—	—	—	—	288,107
As at 31 March 2016	288,107	12,513	1,419,965	56,531	46,479	31,992	307,708	2,163,295
At cost	—	12,493	1,343,784	60,675	45,296	31,428	334,489	1,828,165
At valuation	291,018	—	—	—	—	—	—	291,018
As at 31 March 2017	291,018	12,493	1,343,784	60,675	45,296	31,428	334,489	2,119,183

At 31 March 2017 and 2016, construction-in-progress represented costs incurred for buildings, machinery and equipment in Shandong and Nantong, the PRC, for the construction of paper mills.

At 31 March 2017, land and buildings with carrying value amounted to approximately HK\$86,533,000 (2016: HK\$59,936,000) were pledged as securities for bank borrowings made available to the Group (note 33).

At 31 March 2017, the net book amount of motor vehicles held by the Group under finance leases was HK\$9,863,000 (2016: HK\$7,842,000).

Depreciation expenses of HK\$66,238,000 (2016: HK\$72,114,000) has been charged in selling and administrative expenses and cost of sales (note 6) and HK\$8,912,000 (2016: HK\$2,178,000) has been included in inventories.

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13 Land Use Rights

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

	2017 HK\$'000	2016 HK\$'000
At 1 April	143,266	166,105
Additions	4,299	5,482
Disposal	(4,378)	—
Transfer to properties under development (note 18)	(12,052)	(16,772)
Exchange differences	(7,623)	(6,539)
Amortisation (note 6)	(4,223)	(5,010)
At 31 March	119,289	143,266

14 Investment Properties

	2017 HK\$'000	2016 HK\$'000
At 1 April	515,500	465,300
Fair value gains (note 5)	<u>34,800</u>	<u>50,200</u>
At 31 March	<u>550,300</u>	<u>515,500</u>

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

At 31 March 2017 and 2016, all of the investment properties were pledged as a security for bank borrowings made available to the Group (note 33).

Fair value hierarchy

Description	Fair value measurements			Total HK\$'000
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
At 31 March 2017				
Investment properties:				
— Factory buildings — Hong Kong	<u>—</u>	<u>550,300</u>	<u>—</u>	<u>550,300</u>
At 31 March 2016				
Investment properties:				
— Factory buildings — Hong Kong	<u>—</u>	<u>515,500</u>	<u>—</u>	<u>515,500</u>

There were no transfers between Levels 1, 2 and 3 during the year ended 31 March 2017 (2016: nil). The Group's policy is to recognise transfers into or transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

All the fair values of the Group's investment properties and non-current assets held for sale are measured at fair value hierarchy Level 2 as at 31 March 2017.

14 Investment Properties (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 March 2017 and 2016 by independent professionally qualified valuer, Savills Valuation and Professional Services Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. The department reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every year, in line with the Group's annual reporting date. As at 31 March 2017 and 2016, the fair values of the properties have been determined by Savills Valuation and Professional Services Limited.

At each financial year end, the finance department:

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

Valuation techniques

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

15 Intangible Assets

	Computer software HK\$'000	Goodwill HK\$'000	Total HK\$'000
At 1 April 2015			
Cost	9,253	36,912	46,165
Accumulated amortisation	(4,377)	—	(4,377)
Net book amount	4,876	36,912	41,788
Year ended 31 March 2016			
Opening net book amount	4,876	36,912	41,788
Exchange differences	(13)	800	787
Additions	—	—	—
Disposal	—	—	—
Amortisation (note 6)	(957)	—	(957)
Closing net book amount	3,906	37,712	41,618
At 31 March 2016			
Cost	9,231	37,712	46,943
Accumulated amortisation	(5,325)	—	(5,325)
Net book amount	3,906	37,712	41,618
Year ended 31 March 2017			
Opening net book amount	3,906	37,712	41,618
Exchange differences	(12)	(1,323)	(1,335)
Additions	43	—	43
Amortisation (note 6)	(965)	—	(965)
Closing net book amount	2,972	36,389	39,361
At 31 March 2017			
Cost	9,246	36,389	45,635
Accumulated amortization	(6,274)	—	(6,274)
Net book amount	2,972	36,389	39,361

Amortisation of HK\$965,000 (2016: HK\$957,000) is included in administrative expenses.

The Group completed its annual impairment test for goodwill allocated to the Group's cash generating unit ("CGU") by comparing their recoverable amount to their carrying amount as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

Notes to the Consolidated Financial Statements

15 Intangible Assets (continued)

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

	2017	2016
Gross margin	30%	30%
Growth rate	0%	0%
Discount rate	8%	8%

The goodwill is associated with marine services business in Singapore.

The directors are of the opinion that there was no impairment of goodwill as at 31 March 2017 and 2016.

16 Available-for-sale Financial Assets

	2017 HK\$'000	2016 HK\$'000
At 1 April	5,732	4,953
Net change in fair value transferred to equity (note 27)	134	779
At 31 March	<u>5,866</u>	<u>5,732</u>

Available-for-sale financial assets include the following:

	2017 HK\$'000	2016 HK\$'000
Unlisted securities:		
– Insurance policy	4,697	4,563
– Other investment	<u>1,169</u>	<u>1,169</u>
	<u>5,866</u>	<u>5,732</u>

As at 31 March 2017 and 2016, the available-for-sale financial assets are denominated in US\$.

17 Non-current Deposits and Prepayments

The balance represents rental deposits paid and prepayment for machinery.

18 Property under Development

	2017 HK\$'000	2016 HK\$'000
At 1 April	60,968	—
Additional	5,099	—
Exchange differences	(3,638)	—
Reclassified from property, plant and equipment (note 12)	25,340	44,196
Reclassified from land use rights (note 13)	12,052	16,772
	<u>99,821</u>	<u>60,968</u>
At 31 March	<u>99,821</u>	<u>60,968</u>

Properties under development comprise:

	2017 HK\$'000	2016 HK\$'000
Nantong, PRC		
— Land use rights	27,843	16,772
— Construction cost and capitalised expenditure	71,978	44,196
	<u>99,821</u>	<u>60,968</u>

As at 31 March 2017, the properties under development are expected to be completed and recovered after one year.

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

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19 Inventories

	2017 HK\$'000	2016 HK\$'000
Merchandise and finished goods	561,615	432,036
Raw materials	211,929	178,336
	<u>773,544</u>	<u>610,372</u>

The cost of inventories are recognised as expenses and included in cost of sales amounted to HK\$4,531,533,000 (2016: HK\$4,382,911,000) (note 6), and reversal of provision for inventories obsolescence of HK\$6,099,000 (2016: HK\$9,305,000) are included in "other operating expenses" for the year ended 31 March 2017.

As at 31 March 2017, the inventories of the Group are stated after a provision for impairment on inventories of approximately HK\$14,027,000 (2016: HK\$20,210,000).

20 Accounts and Other Receivables

	2017 HK\$'000	2016 HK\$'000
Accounts and bills receivable — net of provision	1,255,015	1,370,261
Other receivables, deposits and prepayments	450,829	651,633
	<u>1,705,844</u>	<u>2,021,894</u>

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

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

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

	2017 HK\$'000	2016 HK\$'000
Current to 60 days	1,066,100	1,120,722
61 to 90 days	90,253	116,879
Over 90 days	98,662	132,660
	<u>1,255,015</u>	<u>1,370,261</u>

20 Accounts and Other Receivables (continued)

Accounts receivable that are less than 90 days past due relate to a large number of diversified customers who have had no recent history of default. Based on past experience, the directors were of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. As at 31 March 2017, accounts receivable of HK\$45,975,000 (2016: HK\$106,290,000) were past due but not impaired. These related to a number of independent customers who have had no recent history of default. The aging analysis of these accounts receivable is as follows:

	Group	
	2017 HK\$'000	2016 HK\$'000
Past due by:		
91–120 days	9,181	36,812
Over 120 days	36,794	69,478
	45,975	106,290

As at 31 March 2017, accounts receivable of HK\$89,473,000 (2016: HK\$99,400,000) were considered impaired. The individual impaired receivable mainly related to customers which are in unexpected difficult economic situations. It was assessed that a portion of the receivable is expected to be recovered.

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

	2017 HK\$'000	2016 HK\$'000
At 1 April	99,400	85,087
Exchange differences	(4,357)	(3,299)
Written back of provision for receivables (note 6)	(12,850)	(15,726)
Provision for impairment on receivables (note 6)	7,280	33,338
	89,473	99,400

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

21 Financial Assets at Fair Value through Profit or Loss

	2017 HK\$'000	2016 HK\$'000
Listed equities outside Hong Kong, at fair value	913	637

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

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

22 Restricted Bank Deposits

	2017 HK\$'000	2016 HK\$'000
Bank deposits pledged as securities for bills payables (note 33)	139,348	166,181

Restricted bank deposits earn interest at a fixed rate of 1.43% per annum (2016: 2.63% per annum).

The restricted bank deposits are denominated in RMB.

23 Bank Balances and Cash

	2017 HK\$'000	2016 HK\$'000
Cash at bank and on hand	339,260	283,398
Short-term bank deposits	118,691	76,068
	<u>457,951</u>	<u>359,466</u>

The effective interest rate on short-term bank deposits was 1.23% per annum (2016: 0.57% per annum). These deposits had an average maturity of three months or less (2016: three months or less).

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

	2017 HK\$'000	2016 HK\$'000
Bank balances and cash	457,951	359,466
Bank overdrafts (note 25)	(2,681)	(2,652)
	<u>455,270</u>	<u>356,814</u>

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

24 Accounts and Other Payables

	2017 HK\$'000	2016 HK\$'000
Accounts and bills payable	1,325,959	1,236,617
Accruals and other payables	196,961	226,546
	<u>1,522,920</u>	<u>1,463,163</u>
Less: non-current portions:		
Accounts and other payables (note (a))	(198,348)	(71,140)
	<u>1,324,572</u>	<u>1,392,023</u>

Note:

- (a) As at 31 March 2017, trade payable of HK\$105,474,000 (2016: HK\$69,216,000) were unsecured, interest-bearing at 4.7% per annum and repayable twelve months after balance sheet date. The remaining balances of HK\$92,291,000 (2016: HK\$1,924,000) were unsecured, interest-free and were repayable twelve months after the balance sheet date.

As at 31 March 2017, rental deposit received of HK\$583,000 (2016: HK\$1,924,000) is not repayable within one year.

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

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

	2017 HK\$'000	2016 HK\$'000
Current to 60 days	646,261	913,964
61 to 90 days	127,377	161,266
Over 90 days	552,321	161,387
	<u>1,325,959</u>	<u>1,236,617</u>

25 Borrowings

	2017 HK\$'000	2016 HK\$'000
Non-current		
Bank loans — unsecured	728,909	783,947
Bank loans — secured (note 33)	5,736	15,405
Finance lease liabilities	4,011	4,667
	<u>738,656</u>	<u>804,019</u>
Total non-current borrowings		
Current		
Trust receipt loans — unsecured	687,718	786,670
Trust receipt loans — secured (note 33)	121,971	98,953
	<u>809,689</u>	<u>885,623</u>
Bank loans — unsecured	494,486	488,480
Bank loans — secured (note 33)	28,859	17,697
Bank overdrafts (note 23)	2,681	2,652
Finance lease liabilities	2,083	1,636
	<u>528,109</u>	<u>510,465</u>
Total current borrowings	<u>1,337,798</u>	<u>1,396,088</u>
Total borrowings	<u>2,076,454</u>	<u>2,200,107</u>

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

	Bank overdrafts		Bank loans		Trust receipt loans	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Within one year	2,681	2,652	523,345	506,177	809,689	885,623
In the second year	—	—	479,394	413,952	—	—
In the third to fifth years inclusive	—	—	251,054	380,215	—	—
Over 5 years	—	—	4,197	5,185	—	—
	<u>2,681</u>	<u>2,652</u>	<u>1,257,990</u>	<u>1,305,529</u>	<u>809,689</u>	<u>885,623</u>

25 Borrowings (continued)

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

	2017 HK\$'000	2016 HK\$'000
HK\$	1,944,202	2,016,027
RMB	85,538	123,376
US\$	31,919	44,030
SG\$	8,561	9,122
MYR	6,234	7,552
	<u>2,076,454</u>	<u>2,200,107</u>

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans range from 2.3% to 5.2% per annum (2016: 2.0% to 5.8% per annum).

The carrying amounts of bank loans, bank overdrafts and trust receipt loans approximate their fair values.

The Group has undrawn borrowing facilities of HK\$2,003,657,000 (2016: HK\$1,715,833,000) as at 31 March 2017. All of the Group's facilities are at floating rates and subject to periodic renewal.

Finance lease liabilities

	2017 HK\$'000	2016 HK\$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	2,206	1,890
Later than 1 year but not later than 5 years	4,201	4,814
Later than 5 years	—	347
	<u>6,407</u>	<u>7,051</u>
Future finance charges on finance leases	(313)	(748)
	<u>6,094</u>	<u>6,303</u>

25 Borrowings (continued)

Finance lease liabilities (continued)

	2017 HK\$'000	2016 HK\$'000
The present value of finance lease liabilities was as follows:		
Not later than 1 year	2,083	1,636
Later than 1 year and no later than 5 years	1,791	4,413
Later than 5 years	2,220	254
	<u>6,094</u>	<u>6,303</u>

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

The effective interest rates at the balance sheet date ranged from 4.6% to 6.6% per annum (2016: 3.9% to 6.5% per annum).

26 Share Capital

	Number of shares of HK\$0.10 each		Share capital	
	2017	2016	2017 HK\$'000	2016 HK\$'000
Authorised:				
Ordinary shares				
At beginning and end of the year	1,456,913,987	1,456,913,987	145,691	145,691
Convertible non-voting preference shares				
At beginning and end of the year	143,086,013	143,086,013	14,309	14,309
Total	<u>1,600,000,000</u>	<u>1,600,000,000</u>	<u>160,000</u>	<u>160,000</u>
Issued and fully paid:				
Ordinary shares				
At beginning and end of the year	1,141,075,827	1,141,075,827	114,108	114,108
Convertible non-voting preference shares				
At beginning and end of the year	132,064,935	132,064,935	13,207	13,207
Total	<u>1,273,140,762</u>	<u>1,273,140,762</u>	<u>127,315</u>	<u>127,315</u>

Note:

On 27 October 2008, 143,086,013 convertible non-voting preference shares ("CP shares") of HK\$0.10 each were issued at HK\$0.70 each and a total consideration of HK\$100,160,000 was received. The rights, privileges and restrictions of the CP shares are set out below:

Dividend

The holders of CP shares shall have the same right to dividend payment as to the holders of ordinary shares.

26 Share Capital (continued)

Conversion

Each holder of CP share shall be entitled to convert its shares into fully paid ordinary shares of HK\$0.10 each in the capital of the Company on the basis of one ordinary share for every CP share. Unless previously redeemed, cancelled or converted, each holder of CP shares will be entitled to convert in respect of the whole or any part of its CP shares into fully paid ordinary shares on the basis of one ordinary share for every CP share at any time after the date of issue of the CP Shares upon the giving of a Conversion Notice. If the Continuing Notice is served before 31 March 2009, the relevant CP shares will not be subject to mandatory conversion.

At the end of business on 31 March 2009, unless previously redeemed, purchased and cancelled, converted or that a Continuing Notice has been served and delivered to the Company, all CP shares will be mandatorily converted into ordinary shares by the Company. The dividend entitlement attaching to any CP shares will cease to apply with effect from the date of conversion. Ordinary shares arising on conversion shall rank *pari passu* in all respects with ordinary shares, including the rights to receive any dividends and other distributions declared. So long as the Company remains listed in Hong Kong, those holders of the CP shares will not exercise their right to convert the CP shares into ordinary shares of the Company unless at least 25% of the Company's total issued share capital that are listed on the Hong Kong Stock Exchange will at all times be held by the public.

Voting rights

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

Transferability

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

Redemption

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

During the years ended 31 March 2017 and 2016, no convertible non-voting preference shares were converted.

26 Share Capital (continued)

Share option scheme

At the Special General Meeting of the Company held on 18 September 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 March 2017, no option was granted under the Option Scheme. A summary of the terms and conditions of the Option Scheme are set out below.

- (1) *Purpose*
The purpose of the Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").
- (2) *Participants*
All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.
- (3) *Maximum number of shares*
The number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum number of share available for issue under the Option Scheme is nil as at the date of this report.
- (4) *Maximum entitlement of each Participant*
The maximum number of shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the Shares in issue as at the date of grant.
- (5) *Time of exercise of option*
An option may be exercised in accordance with the terms of the Option Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed a period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the Option Scheme
- (6) The eligible person shall pay HK\$1.0 to the Company in consideration of the grant of an option upon acceptance of the grant of option.
- (7) *Exercise price*
The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and iii) the nominal value of a share on the date of grant.
- (8) *Remaining life of the Option Scheme*
The Option Scheme will remain in force until 17 September 2025.

27 Reserves

	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve (note a) HK\$'000	Exchange reserve HK\$'000	Statutory reserve (note b) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2015	161,262	289,550	201,994	171,970	9,694	871,561	1,706,031
Profit for the year	—	—	—	—	—	46,675	46,675
Revaluation of available-for-sale financial assets (note 16)	—	779	—	—	—	—	779
Currency translation differences	—	—	—	(139,592)	—	—	(139,592)
2014–2015 final dividend paid	—	—	—	—	—	(31,829)	(31,829)
2015–2016 interim dividend paid	—	—	—	—	—	(5,092)	(5,092)
Transfer from/(to) statutory reserve	—	—	—	—	242	(242)	—
At 31 March 2016	161,262	290,329	201,994	32,378	9,936	881,073	1,576,972
	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve (note a) HK\$'000	Exchange reserve HK\$'000	Statutory reserve (note b) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2016	161,262	290,329	201,994	32,378	9,936	881,073	1,576,972
Profit for the year	—	—	—	—	—	84,714	84,714
Revaluation of land and building, net of tax	—	36,593	—	—	—	—	36,593
Revaluation of available-for-sale financial assets (note 16)	—	134	—	—	—	—	134
Currency translation differences	—	—	—	(140,822)	—	—	(140,822)
2015–2016 final dividend paid	—	—	—	—	—	(8,275)	(8,275)
2016–2017 interim dividend paid	—	—	—	—	—	(5,092)	(5,092)
Transfer from/(to) statutory reserve	—	—	—	—	5,934	(5,934)	—
At 31 March 2017	161,262	327,056	201,994	(108,444)	15,870	946,486	1,544,224

Notes:

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

Notes to the Consolidated Financial Statements

28 Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2016: 16.5%).

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

	2017 HK\$'000	2016 HK\$'000
At 1 April	(84,348)	(91,972)
Credited/(charged) to consolidated statement of profit or loss (note 8)	1,503	5,104
Charged to consolidated statement of comprehensive income	(7,740)	—
Exchange difference	2,581	2,520
At 31 March	<u>(88,004)</u>	<u>(84,348)</u>

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

Deferred tax assets

	Provisions		Tax losses		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
At 1 April	8,148	6,511	2,894	3,255	11,042	9,766
Charged to consolidated statement of profit or loss (note 8)	(3,803)	2,168	(38)	(322)	(3,841)	1,846
Exchange difference	(372)	(531)	(7)	(39)	(379)	(570)
At 31 March	<u>3,973</u>	<u>8,148</u>	<u>2,849</u>	<u>2,894</u>	<u>6,822</u>	<u>11,042</u>

Deferred tax liabilities

	Accelerated tax depreciation		Fair value gains		Others		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
At 1 April	(40,635)	(45,961)	(32,032)	(32,682)	(22,723)	(23,095)	(95,390)	(101,738)
Credited to consolidated statement of profit or loss (note 8)	4,885	3,258	459	—	—	—	5,344	3,258
Charged to consolidated statement of comprehensive income	—	—	(7,740)	—	—	—	(7,740)	—
Exchange difference	1,964	2,068	996	650	—	372	2,960	3,090
At 31 March	<u>(33,786)</u>	<u>(40,635)</u>	<u>(38,317)</u>	<u>(32,032)</u>	<u>(22,723)</u>	<u>(22,723)</u>	<u>(94,826)</u>	<u>(95,390)</u>

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

	2017 HK\$'000	2016 HK\$'000
Deferred tax assets to be recovered after more than 12 months	6,822	8,983
Deferred tax liabilities to be settled after more than 12 months	<u>(94,826)</u>	<u>(93,331)</u>
	<u>(88,004)</u>	<u>(84,348)</u>

29 Derivative Financial Instruments

Derivative financial instruments represent an interest rate swap entered into by the Group. The notional principal amount of the outstanding interest rate swap contract as at 31 March 2016 was HK\$20,000,000. As at 31 March 2016, the interest rate under the interest rate swap was 1.73% per annum.

30 Consolidated Statement of Cash Flows

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

	2017 HK\$'000	2016 HK\$'000
Operating profit	201,943	151,321
Depreciation of property, plant and equipment	66,238	72,114
Amortisation of land use rights	4,223	5,010
Amortisation of intangible assets	965	957
Fair value gains on investment properties	(34,800)	(50,200)
Gains on disposal of property, plant and equipment (note c)	(336)	(292)
Realised and unrealised (gains)/loss on derivative financial instruments	—	(238)
Realised and unrealised losses/(gains) on investments in financial assets at fair value through profit or loss	(276)	149
(Reversal of provision)/provision for trade receivables, net (note 20)	(5,570)	17,612
Reversal of provision for inventories obsolescence (note 19)	(6,099)	(9,305)
Interest income (note 5)	(4,853)	(7,507)
	<hr/>	<hr/>
Operating profit before working capital changes	221,435	179,621
(Increase)/decrease in inventories	(187,891)	122,544
Increase in properties under development	(5,099)	—
Decrease/(increase) in trade and other receivables	261,695	(99,797)
Increase/(decrease) in trade and other payables	130,824	(132,245)
	<hr/>	<hr/>
Net cash generated from operations	420,964	70,123

(b) Analysis of changes in financing during the year

	Bank loans	
	2017 HK\$'000	2016 HK\$'000
At 1 April	1,305,529	1,384,492
Exchange differences	(9,380)	1,358
Bank loans raised	350,000	459,135
Repayment of bank loans	(388,159)	(539,456)
	<hr/>	<hr/>
At 31 March	1,257,990	1,305,529

30 Consolidated Statement of Cash Flows (continued)

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

	2017 HK\$'000	2016 HK\$'000
Net book amount	1,622	24,999
Gains on disposal of property, plant and equipment (note 5)	336	292
	<u>1,958</u>	<u>25,291</u>

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

	2017 HK\$'000	2016 HK\$'000
Net book amount	4,378	—
Gains on disposal of land use rights	—	—
	<u>4,378</u>	<u>—</u>

31 Bank Guarantees

At 31 March 2017, the Company continues to provide corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2017 amounted to HK\$2,070,360,000 (2016: HK\$2,193,804,000).

32 Commitments

(a) Capital commitments

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

	2017 HK\$'000	2016 HK\$'000
Contracted but not provided for Property, plant and equipment	<u>117,575</u>	<u>115,599</u>

(b) Operating lease commitments

The Group leases certain premises under non-cancellable operating lease agreements. The lease terms are mainly between one and four years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	2017 HK\$'000	2016 HK\$'000
Not later than one year	28,550	39,547
Later than one year and not later than five years	12,370	40,459
Later than five years	2,641	1,755
	<u>43,561</u>	<u>81,761</u>

32 Commitments (continued)

(c) Operating lease receivable

The Group leases out various warehouses under non-cancellable operating lease agreements. The lease terms are between one to five years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	2017 HK\$'000	2016 HK\$'000
Not later than one year	17,136	18,858
Later than one year and not later than five years	791	16,897
	<u>17,927</u>	<u>35,755</u>

33 Charge of Assets

At 31 March 2017, trust receipt loans of HK\$121,971,000 (2016: HK\$98,953,000) and bank loans of HK\$34,595,000 (2016: HK\$33,102,000) are secured by legal charges on the Group's land and buildings and investment properties with aggregate net book amount of HK\$636,833,000 (2016: HK\$575,436,000) (notes 12 and 14).

At 31 March 2017, bills payables of HK\$286,604,000 (2016: HK\$596,000,000) are secured by restricted bank deposits of HK\$139,348,000 (2016: HK\$166,181,000) (note 22).

34 Related Party Transactions

Related parties refer to entities in which the Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. A summary of significant related party transactions, which are carried out in the normal course of the Group's business, are as follows:

(a) Purchases from a related party

	2017 HK\$'000	2016 HK\$'000
Purchase of merchandise from an investee company	<u>647,334</u>	<u>443,989</u>

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

34 Related Party Transactions (continued)

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

	2017 HK\$'000	2016 HK\$'000
Payables to an investee company	<u>423,997</u>	<u>169,165</u>

As at 31 March, accounts payable of HK\$331,706,000 were unsecured, interest-free and were repayable with credit period of 90 days. The remaining balances of HK\$92,291,000 were unsecured, interest-free and were repayable twelve months after the balance sheet date (note 24).

The carrying amounts are denominated in RMB (2016: same).

(c) Sales to a related party

	2017 HK\$'000	2016 HK\$'000
Sale of merchandise to an investee company	<u>71,354</u>	<u>6,253</u>

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

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

	2017 HK\$'000	2016 HK\$'000
Receivables from an investee company	<u>—</u>	<u>6,253</u>

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

The carrying amounts are denominated in RMB (2016: same).

(e) Key management compensation

Details of key management compensation are set out in notes 11 and 38 to the consolidated financial statements.

35 Ultimate Holding Company

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

36 Particulars of Principal Subsidiaries

Name of subsidiar(ies)	Place(s) of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding(s) (%)		Nature of business
			2017	2016	
Shares held directly:					
¹ Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK\$1 each	100	100	Investment holding in Hong Kong
Shares held indirectly:					
Burotech Limited	Hong Kong	4,000,000 ordinary shares of HK\$1 each	100	100	Printing and sales of computer forms and trading of commercial paper products in Hong Kong
¹ Foshan NanHai JiaLing Paper Company Limited ²	The PRC	Registered capital HK\$81,380,000	100	100	Processing and trading of paper products in the PRC
Foundation Paper Company Limited	Hong Kong	10,000 ordinary shares of HK\$100 each	100	100	Export trading of paper products to the PRC
¹ Global Century Investments Limited	British Virgin Islands	1 ordinary share of US\$1	100	100	Property holding in the PRC
High Flyer International Limited	Hong Kong	1,000,000 ordinary shares of HK\$1 each	100	100	FMCG business, leasing of investment property and logistics services in Hong Kong
¹ Hypex Holdings Limited	British Virgin Islands	2 ordinary shares of US\$1 each	100	100	Investment holding in Singapore
¹ Samson Paper (Beijing) Company Limited ²	The PRC	Registered capital HK\$46,380,000	100	100	Trading of paper products in the PRC
Samson Paper (China) Company Limited	Hong Kong	1,000 ordinary shares of HK\$10 each	100	100	Investment holding in Hong Kong
¹ Samson Paper (M) Sdn. Bhd.	Malaysia	7,500,000 ordinary shares of RM1 each	100	100	Trading of paper products in Malaysia
¹ Samson Paper (Shanghai) Company Limited ²	The PRC	Registered capital RMB61,650,000	100	100	Trading of paper products in the PRC

36 Particulars of Principal Subsidiaries (continued)

Name of subsidiar(ies)	Place(s) of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding(s) (%)		Nature of business
			2017	2016	
Shares held indirectly (continued):					
¹ Samson Paper (Shenzhen) Company Limited ²	The PRC	Registered capital HK\$48,300,000	100	100	Trading of paper products in the PRC
Samson Paper Company Limited	Hong Kong	10 ordinary shares of HK\$100 each 285,000 non-voting shares of HK\$100 each	100	100	Trading of paper products in Hong Kong
¹ Shenzhen High Flyer International Transportation Co. Ltd. ²	The PRC	Registered capital RMB10,000,000	80.4	80.4	Container transport services in the PRC
Shun Hing Paper Company Limited	Hong Kong	7,600 ordinary shares of HK\$100 each 2,400 non-voting shares of HK\$100 each	100	100	Trading of paper products in Hong Kong
¹ SJ (China) Company Limited (formerly known as "Universal Pulp and Paper (Jiangsu) Co. Ltd.") ²	The PRC	Registered capital US\$60,000,000	100	100	Property development, manufacturing & trading of paper products in the PRC
United Aviation (Singapore) Pte. Ltd.	Singapore	2 ordinary shares of US\$1 each	100	100	Trading of aeronautical parts in Singapore
¹ Universal Pulp and Paper (Shangdong) Co. Ltd. ²	The PRC	Registered capital US\$97,418,900	79.9	79.9	Manufacturing & trading of paper products in the PRC

¹ The statutory financial statements of these subsidiaries were not audited by PricewaterhouseCoopers.

² Foreign investment enterprises.

All subsidiaries operate in Hong Kong unless otherwise stated. All of the subsidiaries established in the PRC are limited liability companies.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group.

37 Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

	Note	As at 31 March 2017 HK\$'000	2016 HK\$'000
Assets			
Non-current assets			
Investments in subsidiaries		249,897	249,897
Current assets			
Amounts due from subsidiaries		319,299	303,284
Bank balances and cash		83	83
		319,382	303,367
Current liabilities			
Accruals		312	427
Net current assets			
		319,070	302,940
Total assets less current liabilities			
		568,967	552,837
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		127,315	127,315
Reserves	(a)	441,652	425,522
Total equity			
		568,967	552,837

The balance sheet of the Company was approved by the Board of Directors on 26 June 2017 and was signed on its behalf.

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

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

(a) Reserve movement of the Company

	Share premium HK\$'000	Contributed surplus (note) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2015	161,262	249,697	37,898	448,857
Profit for the year	—	—	13,586	13,586
2014–2015 final dividend paid	—	—	(31,829)	(31,829)
2015–2016 interim dividend paid	—	—	(5,092)	(5,092)
At 31 March 2016	161,262	249,697	14,563	425,522
At 1 April 2016	161,262	249,697	14,563	425,522
Profit for the year	—	—	29,497	29,497
2015–2016 final dividend paid	—	—	(8,275)	(8,275)
2016–2017 interim dividend paid	—	—	(5,092)	(5,092)
At 31 March 2017	161,262	249,697	30,693	441,652

Note: The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its component of reserves of the underlying subsidiaries.

38 Benefits and Interests of Directors

(a) Directors' emoluments

The remuneration of every director for the year ended 31 March 2017 is set out below:

	2017					2016	
	Fee HK\$'000	Salary HK\$'000	Allowances in excess of actual expenses HK\$'000	Estimated money value of benefits received other than in cash HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000	Total HK\$'000
<i>Executive Directors</i>							
Sham Kit Ying	—	1,800	839	3,240	—	5,879	5,879
Lee Seng Jin	—	4,947	240	1,080	178	6,445	6,534
Sham Yee Lan, Peggy	—	852	108	—	51	1,011	1,011
Chow Wing Yuen	—	1,298	26	—	92	1,416	1,416
Lee Yue Kong, Albert	—	804	—	336	44	1,184	1,184
<i>Non-executive Directors</i>							
Pang Wing Kin, Patrick	160	—	—	—	—	160	160
Lau Wang Yip, Eric	160	—	—	—	—	160	160
Tong Yat Chong	160	—	—	—	—	160	160
Ng Hung Sui, Kenneth	160	—	—	—	—	160	160

During the year, no emoluments were waived by the directors future emoluments, and no amounts are paid to any of the directors as inducement to join the Group or as compensation for loss of office.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 March 2017 and 2016.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 March 2017 and 2016.

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

During the years ended 31 March 2017 and 2016, no consideration was paid by the company to third parties for making available directors' services.

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

During the years ended 31 March 2017 and 2016, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31 March 2017 and 2016 or at any time during the years ended 31 March 2017 and 2016.

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2016: five) directors whose emoluments are reflected in the analysis presented above.

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