

I Principal accounting policies

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

(a) Basis of preparation

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

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies detailed below.

Notes to the Accounts

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

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

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

I Principal accounting policies (continued)

(b) Consolidation (continued)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

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

(c) Fixed assets

Leasehold land and buildings are stated at cost or valuation.

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

Other fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

I Principal accounting policies (continued)

(d) Investments in securities

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

(e) Inventories

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

(f) Accounts receivable

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

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(h) Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(j) Revenue recognition

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

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

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

I Principal accounting policies (continued)

(k) Translation of foreign currencies

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

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

- (ii) Forward foreign exchange contracts purchased by the Group to hedge against the Group's foreign currency liabilities are used to translate the foreign currency liabilities at the forward foreign exchange contract rates. Discount or premium upon the purchase of contracts is taken to the consolidated profit and loss account.

(l) Retirement benefit costs

The Group participates in the Mandatory Provident Fund scheme (the "MPF Scheme"). Under the MPF Scheme, both the Group and its employees are required to contribute 5% of the employees' relevant income. The mandatory contributions required to be made by each of the Group and an employee are capped at HK\$1,000 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

The Group also makes voluntary contributions to the MPF Scheme, which represents the difference between the capped amount and 5% of the employees' monthly basic salaries. The percentage of voluntary contributions vested in the employees is subject to their years of services with the Group.

The Group's contributions to the MPF Scheme are charged to profit and loss account as incurred. The assets of the MPF Scheme are also held separately from those of the Group in funds under control of an independent trustee.

(m) Borrowing costs

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

(n) Operating leases

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

I Principal accounting policies (continued)

(o) Segment reporting

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

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

(p) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 18, this change has resulted in an increase in opening retained earnings at 1 April 2000 by HK\$6,004,000 which is the reversal of the provision for 1999-2000 proposed final dividend previously recorded as a liability as at 31 March 2000 although not declared until after the balance sheet date.

2 Turnover, revenue and segment information

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Turnover – sale of goods	2,117,592	2,538,064
Other revenues		
Interest income	6,395	11,413
Sales commission	712	652
	7,107	12,065
Total revenues	2,124,699	2,550,129

2 Turnover, revenue and segment information (continued)

Primary reporting format – business segments

As stated in note 1(o) to these accounts, the Group has determined that business segments be presented as the primary reporting format. However, the Group only has one business segment which comprises trading and marketing of paper products and an analysis of the Group's turnover, contribution, assets and liabilities by business segments is therefore not presented.

Secondary reporting format – geographical segments

	Group							
	Turnover		Segment results		Total assets		Capital expenditure	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,595,602	2,189,671	50,389	93,692	908,403	1,180,891	4,223	1,857
Mainland China	521,990	348,393	17,409	12,646	363,951	164,885	877	13,536
	<u>2,117,592</u>	<u>2,538,064</u>	<u>67,798</u>	<u>106,338</u>	<u>1,272,354</u>	<u>1,345,776</u>	<u>5,100</u>	<u>15,393</u>

3 Operating profit

	Group	
	2002	2001
	HK\$'000	HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Gain on disposal of fixed assets	–	666
Provision for doubtful debts written back	333	2,173
Provision for slow moving inventories written back	668	–
	<u> </u>	<u> </u>
Charging		
Auditors' remuneration	500	500
Depreciation of fixed assets	12,466	11,771
Operating lease rentals in respect of land and buildings	11,184	10,969
Provision for slow moving inventories	–	4,335
Provision for doubtful debts	14,413	8,569
Staff costs (including directors' remuneration)	61,965	61,415
Retirement benefit costs (note 9)	2,153	1,414
Realised losses on disposal of other investments	243	–
Unrealised losses on other investments	700	–
	<u> </u>	<u> </u>

4 Finance costs

Finance costs comprise the following:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans	25,927	46,262
Interest on trade credit	14,483	34,431
	<u>40,410</u>	<u>80,693</u>

5 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax – current	4,518	3,820
Overprovision in previous years	(873)	(1,008)
	<u>3,645</u>	<u>2,812</u>
Mainland China taxation	–	266
Deferred taxation (note 20)	(127)	1,058
	<u>3,518</u>	<u>4,136</u>

There was no material unprovided deferred taxation for the year.

6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$6,533,000 (2001: HK\$12,622,000, as restated (note 18)).

7 Dividends

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interim – HK\$0.005 (2001: HK\$0.015) per share paid on 18 January 2002	2,146	6,439
Proposed final – HK\$0.01 (2001: Nil) per share	4,293	–
	<u>6,439</u>	<u>6,439</u>

Notes:

- (a) The previously recorded final dividend proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31 March 2000 was HK\$6,004,000. Under the Group's new accounting policy as described in note 1(p), the dividend has been written back against opening reserves as at 1 April 2000 and was now charged in the year ended 31 March 2001 the year in which the dividend was proposed.
- (b) At a meeting held on 22 July 2002 the directors declared a final dividend of HK\$0.01 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2003.

8 Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$23,870,000 (2001: HK\$21,509,000) and on the weighted average number of 429,258,039 shares (2001: 411,778,587 shares) in issue during the year.

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

9 Retirement benefit costs

Contribution totalling HK\$50,000 (2001: Nil) were payable to the MPF Scheme at the year end and are included in other payables.

10 Directors' and senior management's emoluments

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Fees	160	160
Basic salaries, housing allowances, other allowances and benefits in kind	11,504	11,519
Discretionary bonuses	1,550	2,895
Contribution to retirement scheme	227	342
	13,441	14,916

Directors' fees were paid to the two independent non-executive Directors. The non-executive Director has waived her emoluments in respect of the years ended 31 March 2002 (2001: Nil).

The emoluments of the Directors fell within the following bands:

Emolument bands HK\$	Number of directors	
	2002	2001
0 – 1,000,000	6	4
1,000,001 – 1,500,000	1	3
1,500,001 – 2,000,000	–	–
4,000,001 – 4,500,000	–	–
4,500,001 – 5,000,000	2	1
5,000,001 – 5,500,000	–	1
	9	9

- (b) The five highest paid individuals of the Group for both years were Directors of the Company. The details of their remunerations have been disclosed above.
- (c) During the year, no amounts have been paid in respect of directors' or past directors' pension or for any compensation to directors or past directors in respect of loss of office (2001: Nil).

II Fixed assets – Group

	Leasehold land and buildings		Furniture and fixtures	Machinery and equipment	Motor vehicles and vessels	Leasehold improvements	Office and computer equipment	Total
	in Hong Kong HK\$'000	outside Hong Kong HK\$'000						
Cost or valuation								
At 1 April 2001	148,000	9,356	4,527	26,007	9,932	9,917	10,608	218,347
Additions	–	–	76	927	1,257	483	2,357	5,100
Disposals	–	–	(7)	–	(321)	–	(32)	(360)
At 31 March 2002	148,000	9,356	4,596	26,934	10,868	10,400	12,933	223,087
Accumulated depreciation								
At 1 April 2001	8,708	126	3,476	22,349	4,807	6,564	5,702	51,732
Charge for the year	4,354	205	435	1,266	1,930	2,119	2,157	12,466
Disposals	–	–	(7)	–	(43)	–	(31)	(81)
At 31 March 2002	13,062	331	3,904	23,615	6,694	8,683	7,828	64,117
Net book value								
At 31 March 2002	134,938	9,025	692	3,319	4,174	1,717	5,105	158,970
At 31 March 2001	139,292	9,230	1,051	3,658	5,125	3,353	4,906	166,615

The analysis of the cost or valuation at 31 March 2002 of the above assets is as follows:

At cost	–	9,356	4,596	23,940	10,868	10,400	12,933	72,093
At 1989 Directors' valuation	–	–	–	2,994	–	–	–	2,994
At 1999 professional Valuation	148,000	–	–	–	–	–	–	148,000
	148,000	9,356	4,596	26,934	10,868	10,400	12,933	223,087

- (a) Leasehold land and buildings situated in Hong Kong were revalued by FPDSavills (Hong Kong) Limited, an independent firm of professional valuers, on an open market value basis on 31 March 1999. In the opinion of the Directors, there was no material difference in respect of the fair value of the land and buildings as at 31 March 2002 if a professional valuation was made on that date.

11 Fixed assets – Group (continued)

The carrying amount of the leasehold land and buildings situated in Hong Kong would have been HK\$96,486,000 (2001: HK\$99,904,000) had they been stated at cost less accumulated depreciation.

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
In Hong Kong, held on		
Leases of between 10 to 50 years	134,938	139,292
Outside Hong Kong, held on		
Leases of over 50 years	719	731
Leases of between 10 to 50 years	8,306	8,499
	<u>143,963</u>	<u>148,522</u>

- (b) At 31 March 2002, the leasehold land and buildings in Hong Kong were pledged to banks as securities for bank loans and certain trust receipt loans granted to the Group (note 24).
- (c) Machinery and equipment held by Burotech Limited, a subsidiary, at 31 July 1989 were valued by the Directors of the Group at 30 August 1989 by reference to a valuation report prepared by American Appraisal Limited on a fair market value basis on 30 August 1989. Surplus arising on the revaluation was taken directly to the assets revaluation reserve. Effective from 1 April 1995 no further revaluation have been carried out. The Group places reliance on paragraph 80 of the Hong Kong Statement of Standard Accounting Practice No.17 which provides exemption from the need to make regular revaluations for such assets.

The machinery and equipment would have no carrying value (2001: Nil) had they been stated at cost less accumulated depreciation.

12 Investments in subsidiaries

		Company	
		2002	2001
		HK\$'000	HK\$'000
Unlisted shares, at cost	(a)	249,897	249,897
Amounts due from subsidiaries	(b)	142,500	142,413
		<u>392,397</u>	<u>392,310</u>

- (a) Particulars of the Company's principal subsidiaries at 31 March 2002 are set out in note 26 to the accounts.
- (b) The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months from the balance sheet date.

13 Inventories

		Group	
		2002	2001
		HK\$'000	HK\$'000
Merchandise		278,729	226,907
Raw materials		974	1,490
Work in progress		45	40
Finished goods		166	192
		<u>279,914</u>	<u>228,629</u>

At 31 March 2002, the carrying amount of inventories that are carried at net realisable value is nil (2001: HK\$1,037,000).

14 Accounts receivable, deposits and prepayments

At 31 March 2002, included in accounts receivable, deposits and prepayments are trade debtors of HK\$659,544,000 (net of provision) (2001: HK\$710,176,000) and their ageing analysis is as follows:

		Group	
		2002	2001
		HK\$'000	HK\$'000
Current to 60 days		439,398	434,685
61 to 90 days		120,538	123,060
Over 90 days		99,608	152,431
		<u>659,544</u>	<u>710,176</u>

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

15 Other investments

	Group	
	2002 HK\$'000	2001 HK\$'000
Listed securities, at fair value:		
Listed shares in Hong Kong	1,854	–
Listed shares outside Hong Kong	2,719	–
Bonds listed outside Hong Kong	19,314	–
	<u>23,887</u>	<u>–</u>
Market value at 31 March	<u>23,887</u>	<u>–</u>

16 Accounts payable and accrued charges

At 31 March 2002, included in accounts payable and accrued charges are trade creditors of HK\$126,154,000 (2001: HK\$191,130,000) and their ageing analysis is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Current to 60 days	103,015	152,001
61 to 90 days	19,647	27,142
Over 90 days	3,492	11,987
	<u>126,154</u>	<u>191,130</u>

17 Share capital

	Number of shares of HK\$0.10 each		Share capital	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Authorised:				
At the beginning and the end of year	<u>800,000,000</u>	<u>800,000,000</u>	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:				
At the beginning of year	429,258,039	400,258,039	42,926	40,026
Issued during the year	–	29,000,000	–	2,900
At the end of year	<u>429,258,039</u>	<u>429,258,039</u>	<u>42,926</u>	<u>42,926</u>

18 Reserves

Group

	Share premium HK\$'000	Assets revaluation HK\$'000	Capital reserve (Note a) HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2000, as previously reported	76,128	62,742	33,311	(142)	242,418	414,457
Effect of adopting SSAP9 (revised) (note 1(p))	–	–	–	–	6,004	6,004
At 1 April 2000, as restated	76,128	62,742	33,311	(142)	248,422	420,461
Net proceeds from issue of ordinary shares	20,165	–	–	–	–	20,165
Exchange difference	–	–	–	16	–	16
Profit for the year 1999-2000 final	–	–	–	–	21,509	21,509
dividend paid	–	–	–	–	(6,004)	(6,004)
2000-2001 interim dividend paid (note 7)	–	–	–	–	(6,439)	(6,439)
At 31 March 2001	96,293	62,742	33,311	(126)	257,488	449,708
At 1 April 2001	96,293	62,742	33,311	(126)	257,488	449,708
Profit for the year 2001-2002 interim	–	–	–	–	23,870	23,870
dividend paid	–	–	–	–	(2,146)	(2,146)
Reserves	96,293	62,742	33,311	(126)	274,919	467,139
Proposed final dividend	–	–	–	–	4,293	4,293
At 31 March 2002	96,293	62,742	33,311	(126)	279,212	471,432

18 Reserves (continued)

Company

	Share premium HK\$'000	Contributed surplus (Note b) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2000, as previously reported	76,128	249,697	2,910	328,735
Effect of adopting SSAP9 (revised)				
1999-2000 final dividend receivable (note 18(c))	–	–	(6,004)	(6,004)
1999-2000 final dividend proposed (note 1(p))	–	–	6,004	6,004
At 1 April 2000, as restated	76,128	249,697	2,910	328,735
Net proceeds from issue of ordinary shares	20,165	–	–	20,165
Profit for the year (note 6)				
As previously reported	–	–	6,618	6,618
1999-2000 final dividend received from a subsidiary	–	–	6,004	6,004
As restated	–	–	12,622	12,622
1999-2000 final dividend paid	–	–	(6,004)	(6,004)
2000-2001 interim dividend paid (note 7)	–	–	(6,439)	(6,439)
At 31 March 2001	96,293	249,697	3,089	349,079
At 1 April 2001	96,293	249,697	3,089	349,079
Profit for the year (note 6)	–	–	6,533	6,533
2001-2002 interim dividend paid	–	–	(2,146)	(2,146)
Reserves	96,293	249,697	3,183	349,173
Proposed final dividend	–	–	4,293	4,293
At 31 March 2002	96,293	249,697	7,476	353,466

18 Reserves (continued)

Notes:

- (a) The capital reserve of the Group represents the difference between the nominal value of the shares issued by Samson Paper (BVI) Limited and the nominal value of the share capital of those companies forming the Group pursuant to a group reorganisation in 1995.
- (b) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its component of reserves of the underlying subsidiaries.
- (c) Following the adoption of the revised SSAP9, the opening retained earnings of the Company at 1 April 2000 has decreased by HK\$6,004,000 which is the reversal of the 1999-2000 final dividend receivable from a subsidiary previously recorded as an asset at 31 March 2000 although not received until after the balance sheet date.

19 Bank loans

	Group	
	2002 HK\$'000	2001 HK\$'000
Bank loans		
Secured (note 24)	34,960	40,000
Unsecured	141,943	79,860
	<u>176,903</u>	<u>119,860</u>
Less: Amount repayable within one year classified under current liabilities	(134,846)	(59,400)
	<u>42,057</u>	<u>60,460</u>

At 31 March 2002, the Group's bank loans were repayable as follows:

	Bank loans	
	2002 HK\$'000	2001 HK\$'000
Within one year	134,846	59,400
In the second year	21,404	18,403
In the third to fifth years inclusive	20,653	42,057
	<u>176,903</u>	<u>119,860</u>

At 31 March 2002, trust receipt loans amounted to HK\$417,597,000 (2001: HK\$516,480,000) were repayable within one year from the balance sheet date.

20 Deferred taxation

	Group	
	2002	2001
	HK\$'000	HK\$'000
At the beginning of year	1,571	513
Transfer from profit and loss account (note 5)	(127)	1,058
At the end of year	1,444	1,571

Deferred taxation was provided for in respect of accelerated depreciation allowances.

The revaluation of leasehold land and buildings does not constitute a timing difference for deferred taxation purpose as realisation of the revaluation reserve would not result in taxation liability.

21 Notes to the consolidated cash flow statement

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Operating profit	67,798	106,338
Depreciation of fixed assets	12,466	11,771
Gain on disposal of fixed assets	–	(666)
Realised losses on disposal of other investments	243	–
Unrealised losses on other investments	700	–
(Increase)/decrease in inventories	(51,285)	107,503
Decrease/(increase) in accounts receivable, deposits and prepayments	74,529	(29,551)
Decrease in accounts payable and accrued charges	(56,334)	(77,824)
Interest income	(6,395)	(11,413)
Net cash inflow from operating activities	41,722	106,158

21 Notes to the consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Group					
	Share capital including premium		Bank loans		Trust receipt loans	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At the beginning of year	139,219	116,154	119,860	44,683	516,480	610,471
Issue of ordinary shares, net of expenses	–	23,065	–	–	–	–
Increase in bank loans	–	–	141,583	119,860	–	–
Repayment of bank loans	–	–	(84,540)	(44,683)	–	–
Net cash outflow from financing	–	–	–	–	(98,883)	(93,991)
At the end of year	139,219	139,219	176,903	119,860	417,597	516,480

22 Contingent liabilities

At 31 March 2002, the Company provided corporate guarantees on the banking facilities granted to three subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2002 amounted to HK\$594,500,000 (2001: HK\$636,340,000).

23 Commitments

(a) Operating lease commitments

At 31 March 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2002 HK\$'000	Restated 2001 HK\$'000
Not later than one year	5,194	8,908
Later than one year and not later than five years	247	2,569
	5,441	11,477

(b) Capital commitments

At 31 March 2002, the Group had no material contracted capital commitments (2001: HK\$591,000 in respect of acquisition of motor vehicles).

(c) Forward exchange contracts

At 31 March 2002, the Group had outstanding forward foreign exchange contracts to purchase American Dollars and Euro amounted to an aggregate of HK\$26,462,000 (2001: HK\$30,604,000).

24 Charge of assets

At 31 March 2002, trust receipt loans of HK\$174,886,000 (2001: HK\$224,597,000) and bank loans of HK\$34,960,000 (2001: HK\$40,000,000) were secured by legal charges on the Group's properties in Hong Kong (note 11(b)).

25 Ultimate holding company

The Directors regards Caewern Holdings Limited, a company incorporated in the Channel Islands, as being the ultimate holding company.

26 Particulars of principal subsidiaries

Name of subsidiary	Country/ place of incorporation	Issued and fully paid up share capital/ registered capital	Percentage holding		Nature of business
			2002	2001	
Shares held directly:					
* Samson Paper (BVI) Limited	British Virgin Islands	Ordinary shares HK\$110,000	100	100	Investment holding
Shares held indirectly:					
Boardton Consultants Limited	Hong Kong	Ordinary shares HK\$10,000	100	100	Property holding
Burotech Limited	Hong Kong	Ordinary shares HK\$4,000,000	100	100	Printing and sale of computer forms and trading of commercial paper products
Foundation Paper Company Limited	Hong Kong	Ordinary shares HK\$1,000,000	100	100	Export trading of paper products to Mainland China
* Global Century Investments Limited	British Virgin Islands	Ordinary shares US\$1	100	100	Property holding
Samson Paper (China) Company Limited	Hong Kong	Ordinary shares HK\$10,000	100	100	Investment holding

26 Particulars of principal subsidiaries (continued)

Name of subsidiary	Country/ place of incorporation	Issued and fully paid up share capital/ registered capital	Percentage holding		Nature of business
			2002	2001	
Shares held indirectly (continued):					
Samson Paper Company Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$28,500,000	100	100	Trading of paper products
Shun Hing Paper Company Limited	Hong Kong	Ordinary HK\$760,000 Non-voting HK\$240,000	100	100	Trading of paper products
* Sino Development (Tianjin) International Trading Co. Ltd.**	The People's Republic of China	Registered capital US\$300,000	100	100	Trading of paper products in Mainland China
* Sky (Shenzhen) International Trading Co. Ltd.**	The People's Republic of China	Registered capital US\$640,000	100	100	Trading of paper products in Mainland China
* Star Vision Investments Limited	British Virgin Islands	Ordinary shares US\$1	100	—	Investment holding

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

** Foreign investment enterprises

All subsidiaries operate in Hong Kong except otherwise stated.

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

27 Approval of accounts

The accounts were approved by the board of Directors on 22 July 2002.