

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 2002:

SSAP I (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

Except for certain presentation changes which have been made upon the adoption of SSAP I (revised) and SSAP 15 (revised), the adoption of the above new/revised SSAPs had no significant impact on the accounts. The 2002 comparative figures present herein have incorporated the effect of the adoption of new/revised SSAPs.

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 company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power; has the power to govern the financial and operating policies; to cast majority of votes at the meetings of the board of directors; 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 unamortised goodwill or goodwill taken to reserves 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 if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

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

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

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

(d) 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.

I Principal accounting policies (continued)

(d) Fixed assets (continued)

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) Provisions

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

(j) 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.

I Principal accounting policies (continued)

(k) Revenue recognition

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

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

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

(l) Translation of foreign currencies

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

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

(m) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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.

I Principal accounting policies (continued)

(n) Borrowing costs

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

(o) 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.

(p) Contingent liabilities

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

(q) 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.

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	
	2003	2002
	HK\$'000	HK\$'000
Turnover - sale of goods	2,512,363	2,117,592
Other revenues		
Interest income	4,286	6,395
Sales commission	458	712
	<u>4,744</u>	<u>7,107</u>
Total revenues	<u>2,517,107</u>	<u>2,124,699</u>

2 Turnover, revenue and segment information (continued)

Primary reporting format - business segments

As stated in note 1(q) 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	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,711,461	1,595,602	61,007	50,389	1,045,537	908,403	3,428	4,223
Mainland China	800,902	521,990	27,232	17,409	524,539	363,951	1,566	877
	<u>2,512,363</u>	<u>2,117,592</u>	<u>88,239</u>	<u>67,798</u>	<u>1,570,076</u>	<u>1,272,354</u>	<u>4,994</u>	<u>5,100</u>

3 Operating profit

	Group	
	2003	2002
	HK\$'000	HK\$'000

Operating profit is stated after crediting and charging the following:

Crediting

Gain on disposal of fixed assets	28	–
Provision for doubtful debts written back	3,707	333
Provision for slow moving inventories written back	–	668
	<u> </u>	<u> </u>

Charging

Depreciation of fixed assets	11,351	12,466
Operating lease rentals in respect of land and buildings	10,388	11,184
Provision for slow moving inventories	3,353	–
Provision for doubtful debts	10,255	14,413
Staff costs (including directors' remuneration) (note 9)	71,993	61,965
Realised (gains)/losses on disposal of other investments	(780)	243
Unrealised losses on other investments	810	700
Auditors' remuneration	500	500
	<u> </u>	<u> </u>

4 Finance costs

Finance costs comprise the following:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans	29,020	25,927
Interest on trade credit	10,408	14,483
	<u>39,428</u>	<u>40,410</u>

5 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on profits assessable elsewhere has been calculated at the applicable rates of taxation prevailing in the countries in which the Group and the associated companies operate, based on existing legislation, interpretation and practices in respect thereof.

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax – current	10,079	4,518
Overprovision in previous years	(675)	(873)
	<u>9,404</u>	<u>3,645</u>
Mainland China taxation	27	–
Deferred taxation (note 21)	393	(127)
	<u>9,824</u>	<u>3,518</u>
Share of taxation attributable to:		
Associated companies	10	–
	<u>9,834</u>	<u>3,518</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\$13,046,000 (2002: HK\$6,533,000)(note 19).

7 Dividends

	Group	
	2003 HK\$'000	2002 HK\$'000
Interim – HK\$0.01 (2002: HK\$0.005) per share paid on 17 January 2003	4,293	2,146
Proposed final – HK\$0.02 (2002: HK\$0.01) per share	8,585	4,293
	<u>12,878</u>	<u>6,439</u>

Note:

At a meeting held on 17 July 2003 the Directors declared a final dividend of HK2.0 cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2004.

8 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$39,123,000 (2002: HK\$23,870,000) and on the weighted average number of 429,258,039 ordinary shares (2002: 429,258,039 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 Staff costs

	Group	
	2003 HK\$'000	2002 HK\$'000
Wages and salaries	66,760	59,812
Long services payments	3,303	–
Pension costs – defined contribution plans	1,930	2,153
	<u>71,993</u>	<u>61,965</u>

10 Directors' and senior management's emoluments

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Fees	160	160
Basic salaries, housing allowances, other allowances and benefits in kind	10,491	11,504
Discretionary bonuses	3,820	1,550
Contribution to retirement scheme	204	227
	14,675	13,441

Directors' fees were paid to the two Independent non-executive Directors.

The emoluments of the Directors fell within the following bands:

	Number of directors	
	2003	2002
Emolument bands HK\$		
0 – 1,000,000	5	6
1,000,001 – 1,500,000	2	1
1,500,001 – 2,000,000	1	–
4,500,001 – 5,000,000	–	2
5,000,001 – 5,500,000	2	–
	10	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 (2002: Nil).

II Fixed assets – Group

	Leasehold land in Hong Kong HK\$'000	and buildings outside Hong Kong 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	Total HK\$'000
Cost or valuation								
At 1 April 2002	148,000	9,356	4,596	26,934	10,868	10,400	12,933	223,087
Additions	–	–	964	1,031	2,025	130	844	4,994
Revaluation (note 19)	(1,600)	–	–	–	–	–	–	(1,600)
Disposals	–	–	(2)	–	(212)	–	(85)	(299)
At 31 March 2003	146,400	9,356	5,558	27,965	12,681	10,530	13,692	226,182
Accumulated depreciation								
At 1 April 2002	13,062	331	3,904	23,615	6,694	8,683	7,828	64,117
Charge for the year	4,353	205	515	1,179	2,005	914	2,180	11,351
Disposals	–	–	(2)	–	(212)	–	(85)	(299)
At 31 March 2003	17,415	536	4,417	24,794	8,487	9,597	9,923	75,169
Net book value								
At 31 March 2003	128,985	8,820	1,141	3,171	4,194	933	3,769	151,013
At 31 March 2002	134,938	9,025	692	3,319	4,174	1,717	5,105	158,970
The analysis of the cost or valuation at 31 March 2003 of the above assets is as follows:								
At cost	–	9,356	5,558	24,971	12,681	10,530	13,692	76,788
At 1989 Directors' valuation	–	–	–	2,994	–	–	–	2,994
At 2003 professional valuation	146,400	–	–	–	–	–	–	146,400
	146,400	9,356	5,558	27,965	12,681	10,530	13,692	226,182

- (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 2003.

The carrying amount of the leasehold land and buildings situated in Hong Kong would have been HK\$92,133,000 (2002: HK\$96,486,000) had they been stated at cost less accumulated depreciation.

11 Fixed assets – Group (continued)

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	128,985	134,938
Outside Hong Kong, held on:		
Leases of over 50 years	708	719
Leases of between 10 to 50 years	8,112	8,306
	137,805	143,963

- (b) At 31 March 2003, 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 25).
- (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 (2002: Nil) had they been stated at cost less accumulated depreciation.

12 Investments in subsidiaries

		Company	
		2003	2002
		HK\$'000	HK\$'000
Unlisted shares, at cost	(a)	249,897	249,897
Amounts due from subsidiaries	(b)	142,588	142,500
		392,485	392,397

- (a) Particulars of the Company's principal subsidiaries at 31 March 2003 are set out in note 28 to the accounts.
- (b) The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months from the balance sheet date.

13 Interests in associated companies

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	61,327	–
Goodwill on acquisition of associated company less amortisation	6,381	–
	<u>67,708</u>	<u>–</u>
Investments at cost :		
Listed overseas shares	67,334	–
Unlisted shares	640	–
	<u>67,974</u>	<u>–</u>
Market value of listed shares	<u>37,948</u>	<u>–</u>

The following is the details of the principal associated companies at 31 March 2003:

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

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

14 Inventories

	Group	
	2003	2002
	HK\$'000	HK\$'000
Merchandise	246,411	278,729
Raw materials	3,686	974
Work in progress	20	45
Finished goods	365	166
	<u>250,482</u>	<u>279,914</u>

At 31 March 2003, no inventories were carried at net realisable value (2002: Nil).

15 Accounts receivable, deposits and prepayments

At 31 March 2003, included in accounts receivable, deposits and prepayments are trade debtors of HK\$787,979,000 (net of provision) (2002: HK\$659,544,000) and their ageing analysis is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Current to 60 days	553,753	439,398
61 to 90 days	136,215	120,538
Over 90 days	98,011	99,608
	<u>787,979</u>	<u>659,544</u>

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

16 Other investments

	Group	
	2003	2002
	HK\$'000	HK\$'000
Listed securities, at fair value:		
Listed shares in Hong Kong	630	1,854
Listed shares outside Hong Kong	734	2,719
Bonds listed outside Hong Kong	7,218	19,314
	<u>8,582</u>	<u>23,887</u>
Market value at 31 March	<u>8,582</u>	<u>23,887</u>

17 Accounts payable and accrued charges

At 31 March 2003, included in accounts payable and accrued charges are trade creditors of HK\$208,078,000 (2002: HK\$126,154,000) and their ageing analysis is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 60 days	156,775	103,015
61 to 90 days	35,735	19,647
Over 90 days	15,568	3,492
	208,078	126,154

18 Share capital

	Number of shares of HK\$0.10 each		Share capital	
	2003	2002	2003 HK\$'000	2002 HK\$'000
Authorised:				
At the beginning and the end of year	800,000,000	800,000,000	80,000	80,000
Issued and fully paid:				
At the beginning and the end of year	429,258,039	429,258,039	42,926	42,926

Pursuant to a share option scheme ("the Scheme") approved at a special general meeting of the Company held on 8 November 1995, the Directors may, at their discretion, invite employees and Directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. As at 31 March 2003, no option has been granted under the Scheme.

19 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 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 2001–2002 final dividend	–	–	–	–	4,293	4,293
At 31 March 2002	96,293	62,742	33,311	(126)	279,212	471,432
At 1 April 2002	96,293	62,742	33,311	(126)	279,212	471,432
2001–2002 final dividend paid	–	–	–	–	(4,293)	(4,293)
Profit for the year	–	–	–	–	39,123	39,123
Deficit on revaluation of properties	–	(1,600)	–	–	–	(1,600)
Exchange differences	–	–	–	(766)	–	(766)
2002–2003 interim dividend paid	–	–	–	–	(4,293)	(4,293)
Reserves	96,293	61,142	33,311	(892)	301,164	491,018
Proposed 2002–2003 final dividend	–	–	–	–	8,585	8,585
At 31 March 2003	96,293	61,142	33,311	(892)	309,749	499,603

19 Reserves (continued)

Company

	Share premium HK\$'000	Contributed surplus (Note b) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2001	96,293	249,697	3,089	349,079
Profit for the year	–	–	6,533	6,533
2001–2002 interim dividend paid	–	–	(2,146)	(2,146)
Reserves	96,293	249,697	3,183	349,173
Proposed 2001–2002 final dividend	–	–	4,293	4,293
At 31 March 2002	96,293	249,697	7,476	353,466
At 1 April 2002	96,293	249,697	7,476	353,466
2001–2002 final dividend paid	–	–	(4,293)	(4,293)
Profit for the year (note 6)	–	–	13,046	13,046
2002–2003 interim dividend paid	–	–	(4,293)	(4,293)
Reserves	96,293	249,697	3,351	349,341
Proposed 2002–2003 final dividend	–	–	8,585	8,585
At 31 March 2003	96,293	249,697	11,936	357,926

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.

20 Bank loans

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank loans		
Secured (note 25)	62,890	34,960
Unsecured	169,684	141,943
	<u>232,574</u>	<u>176,903</u>
Less: Amount repayable within one year classified under current liabilities	(179,837)	(134,846)
	<u>52,737</u>	<u>42,057</u>

At 31 March 2003, the Group's bank loans were repayable as follows:

	Bank loans	
	2003 HK\$'000	2002 HK\$'000
Within one year	179,837	134,846
In the second year	38,153	21,404
In the third to fifth years inclusive	14,584	20,653
	<u>232,574</u>	<u>176,903</u>

At 31 March 2003, trust receipt loans amounted to HK\$546,050,000 (2002: HK\$417,597,000) were repayable within one year from the balance sheet date.

21 Deferred taxation

	Group	
	2003 HK\$'000	2002 HK\$'000
At the beginning of year	1,444	1,571
Transfer from profit and loss account (note 5)	393	(127)
At the end of year	<u>1,837</u>	<u>1,444</u>

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.

22 Consolidated cash flow statement

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Operating profit	88,239	67,798
Amortisation of goodwill	709	–
Depreciation of fixed assets	11,351	12,466
Gain on disposal of fixed assets	(28)	–
Realised (gains)/losses on disposal of other investments	(780)	243
Unrealised losses on other investments	810	700
Interest income	(4,286)	(6,395)
Operating profit before working capital changes	96,015	74,812
Decrease/(increase) in inventories	29,432	(51,285)
(Increase)/decrease in accounts receivable, deposits and prepayments	(133,529)	74,529
Increase/(decrease) in accounts payable and accrued charges	81,967	(56,334)
Increase/(decrease) in trust receipt loans	128,453	(98,883)
Net cash inflow/(outflow) generated from operations	202,338	(57,161)

(b) Analysis of changes in financing during the year

	Group	
	Bank borrowings	
	2003 HK\$'000	2002 HK\$'000
At the beginning of year	176,903	119,860
Increase in bank loans	469,640	141,583
Repayment of bank loans	(413,969)	(84,540)
At the end of year	232,574	176,903

23 Contingent liabilities

At 31 March 2003, 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 2003 amounted to HK\$778,624,000 (2002: HK\$594,500,000).

24 Commitments

(a) Operating lease commitments

At 31 March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Not later than one year	9,434	5,194
Later than one year and not later than five years	12,538	247
	<u>21,972</u>	<u>5,441</u>

(b) Capital commitments

Capital commitments for property, plant and equipment:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contracted but not provided for	312	–
	<u>312</u>	<u>–</u>

25 Charge of assets

At 31 March 2003, trust receipt loans of HK\$175,289,000 (2002: HK\$174,886,000) and bank loans of HK\$62,890,000 (2002: HK\$34,960,000) were secured by legal charges on the Group's properties in Hong Kong (note 11(b)).

26 Related party transactions

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Purchase from associated companies	149,238	–

27 Ultimate holding company

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

28 Particulars of principal subsidiaries

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

28 Particulars of principal subsidiaries (continued)

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

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

** Foreign investment enterprises

28 Particulars of principal subsidiaries (continued)

All subsidiaries operate in Hong Kong except otherwise stated.

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

29 Subsequent events

In April 2003, the Group obtained a 3-year HK\$260,000,000 revolving credit and term loan facility.

30 Approval of accounts

The accounts were approved by the board of Directors on 17 July 2003.