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Samson group
集團

Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0731)

Annual Report 2007

Contents

Corporate Information

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 Construction Bank Corporation
CITIC Ka Wah Bank 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
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

3rd Floor, 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

Computershare Hong Kong Investor Services Limited
Rooms 1712–16
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2007 HK$'000	2006 HK$'000
Turnover	3,146,763	3,120,108
Operating profit	112,320	99,692
Finance costs	51,338	53,587
Profit before taxation	59,071	40,703
Profit attributable to equity holders	50,867	30,449

CONSOLIDATED BALANCE SHEET

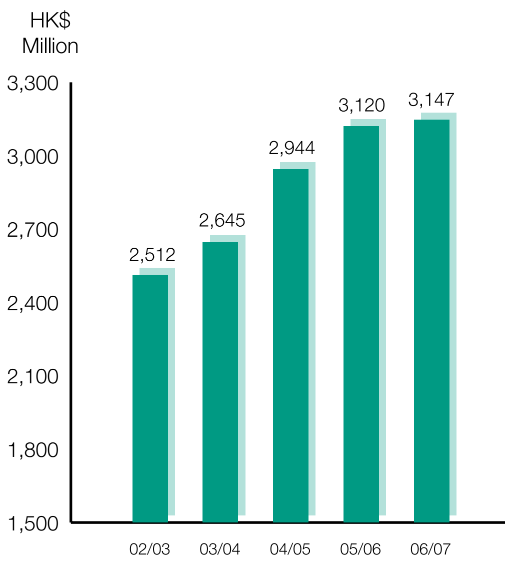
	As at 31 March	
	2007 HK$'000	2006 HK$'000
Non-current assets		
Property, plant and equipment	118,411	81,137
Prepaid premium for land leases	48,785	71,415
Investment property	51,679	—
Intangible asset	32,414	—
Interest in associated companies	57,976	60,682
Deferred tax assets	4,055	2,524
Finance lease receivables	1,518	2,421
	314,838	218,179
Current assets		
Inventories	352,225	337,424
Accounts receivable, deposits and prepayments	1,122,076	1,106,010
Other financial assets at fair value through profit or loss	34,446	24,879
Taxation recoverable	—	1,688
Restricted bank deposits	14,095	33,323
Bank balances and cash	337,529	307,798
	1,860,371	1,811,122
Current liabilities		
Accounts payable and accrued charges	649,967	507,725
Trust receipt loans	389,509	437,204
Taxation payable	2,348	—
Other financial liabilities at fair value through profit or loss	406	703
Borrowings	262,953	221,655
	1,305,183	1,167,287
Net current assets	555,188	643,835
Total assets less current liabilities	870,026	862,014
Financed by:		
Share capital	42,926	42,926
Reserves	646,334	586,751
Proposed final dividend	10,731	4,292
	657,065	591,043
Shareholders' funds	699,991	633,969
Minority interests	6,872	3,930
Total equity	706,863	637,899
Non-current liabilities		
Borrowings	157,159	221,222
Deferred tax liabilities	6,004	2,893
	163,163	224,115
	870,026	862,014

SHARE STATISTICS

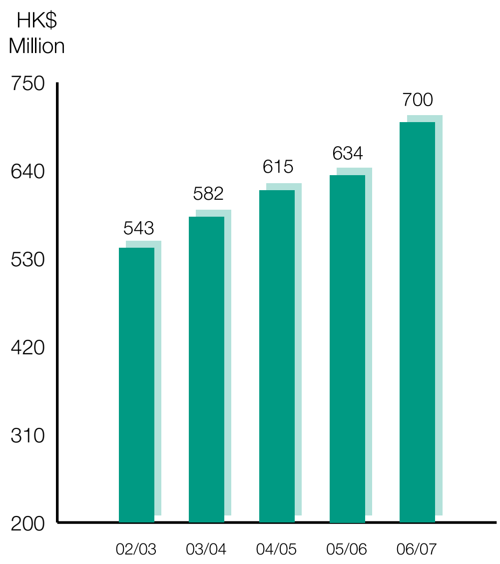
	2007	2006
Earnings per share — basic	HK11.9 CENTS	HK7.1 CENTS
Dividends per share	HK4.0 CENTS	HK2.5 CENTS
Net asset value per share	HK163 CENTS	HK147 CENTS

Financial Highlights

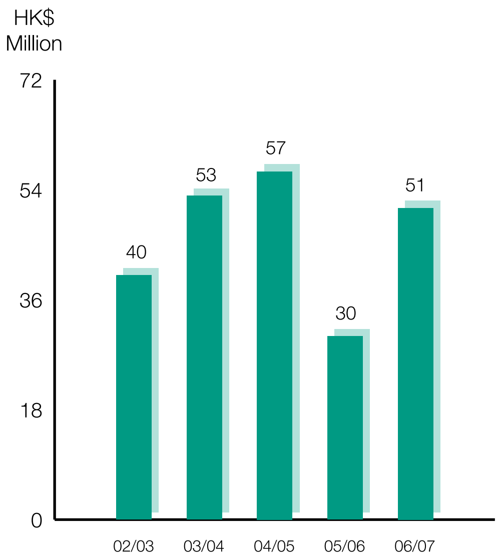
TURNOVER



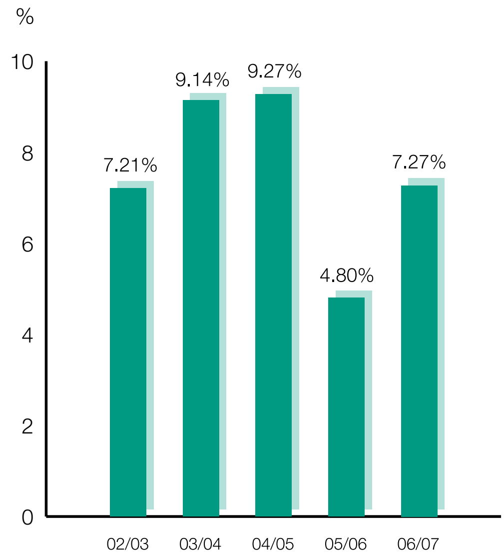
SHAREHOLDERS' FUNDS



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



RETURN ON SHAREHOLDERS' FUNDS



Chairman's Statement

The Economy

During the financial year under review, the economy of Hong Kong and the PRC continued to gain growth momentum. Hong Kong's GDP grew 5.6% in the first quarter of the calendar year of 2007.

As for the PRC, a 10.7% GDP growth was reported for the calendar year of 2006 and an 11.1% growth was recorded in the first quarter of 2007.

The Printing & Publishing Industries

As the global economy continues to grow steadily, the demand for paper products of the printing and publishing industries has also been on the rise. According to the Hong Kong Census and Statistics Department, the total export value of printed matters was HK$17,809 million for the 12 months ended 31 March 2007, an increase of 11.4% when compared to HK$15,989 million for the same period last year. Total import value was HK$10,517 million.

Also braced by a strong economy, the paper industry in the PRC grew rapidly and faster than the country's GDP. According to The PRC Paper Association, the PRC market consumed 66.0 million metric tons of paper in the calendar year of 2006, representing an 11.3% growth against the previous year, while total output of paper products increased by 16.1% to 65.0 million metric tons. Export of paper products also surged by 52.5% to 4.9 million metric tons. The PRC paper product market is expected to continue to grow in 2007. According to the country's Customs Bureau, export of paper products had increased by 53.6% to reach 1.1 million metric tons in the first quarter of 2007.

Operations Review

During the year, both the consumable aeronautic parts business and the logistics services business recorded substantial sales growth. The newly acquired entity, Hypex Holdings Limited ("Hypex") in the business of marine services, has started contributing revenue to the Group. As a result, the Group's overall turnover increased by 0.9% to HK$3,147 million.

The paper business continued to be the Group's core business, accounting for 95% of the Group's total turnover. To improve profitability of the business, the Group has implemented a sales strategy that focuses on serving quality customers instead of merely securing turnover growth. This strategy has strengthened the Group's foundation for healthy growth and shielded the Group's performance to a good extent from the impact of market competition. Although the segment's turnover dropped a slight 2.2%, its profit increased by 22.7% to HK$42.3 million. As for the consumable aeronautic parts and marine services businesses, they both performed satisfactorily with profits reaching HK$2.9 million and HK$7.7 million respectively. The Group's gross profit increased 7.2% to HK$285 million with gross profit margin improved to 9.1% against 8.5% last year. Profit attributable to shareholders increased by 67.0% to approximately HK$50.9 million. Earnings per share were HK11.9 cents (2006: HK7.1 cents).

The Board resolved to pay a final dividend of HK2.5 cents per share for the year. Together with the interim dividend of HK1.5 cents per share already paid, total dividend for the financial year amounted to HK4.0 cents (2006: HK2.5 cents).

During the year under review, the Group continued to strengthen its position in the PRC paper market and actively extended its sales network in newly developed markets in Malaysia and other Asian countries. As a result, Hong Kong and the PRC accounted for 42.3% and 48.9% of the Group's total turnover respectively, while Malaysia and other Asian countries contributed 8.8%, a marked surge from 3% last year.

Apart from strengthening its position as one of the largest paper trading companies in the region, the Group has been successful in diversifying into the consumable aeronautic parts business and logistics service business in recent years. The Group now has an expanded revenue base supported by a host of stable revenue sources. By acquiring Hypex in December 2006, the Group made an entry into the marine services industry. The Group believes that a diverse business portfolio is conducive to the Group's long-term growth and generation of better returns to shareholders.

By business segment, paper products, consumable aeronautic parts, logistics services and marine services accounted for 95.4%, 1.8%, 1.8% and 1.0% of the Group's total turnover respectively.

Paper Business

With the Group focusing effort on selling higher quality products to quality customers, its paper product sales decreased by a slight 2.2% to approximately HK$3,003 million, profit up 22.7% to HK$42.3 million. In volume term, the sales of paper product decreased by 7.0% to 547,699 metric tons.

The paper product sales in the PRC market was HK$1,468 million, making up 48.9% of the Group's total turnover from paper products. The Group has the PRC as a main growth driver of this business. It has made use of its extensive sales network and strong supplier channels to deepen penetration and extend coverage of the PRC market. For the year under review, it sold approximately 18% more local paper products to local customers. Riding on the strong market demand, the Group is confident that sales generated by the PRC market will grow healthily in the coming years.

Paper sales from Hong Kong and other countries accounted for 42.3% and 8.8% respectively of turnover from paper business. The operation in Malaysia registered a net profit of HK$2.6 million, after minority interest adjustment, representing a sharp increase of 76.6% over that of last year's. The Group's paper manufacturing arm, Singapore-listed United Pulp & Paper Company Limited ("UPP"), reported a net loss of S$1.9 million (HK$10.1 million) due to the high fuel prices in the reporting year. In September 2006, UPP has switched from fuel oil to natural gas to provide an alternative source of energy for its production plant. This move resulted in substantial savings for the paper mill from the fourth quarter onwards, and the Group is optimistic that UPP to be profitable again in the year ahead.

Sales contribution by product was maintained at a stable level. Book printing papers and packaging boards accounted for 52% and 38% of the Group's total turnover respectively.

Consumable Aeronautic Parts Business

The Group's strategic move to actively diversify into other businesses in recent years to expand revenue sources has paid off. The consumable aeronautic parts business recorded an increase in revenue of 55.4% to HK$57.5 million with profit up 82.9% against last year to HK$2.9 million, thanks to the Group's dedicated effort in expanding its sales network, which now spans 13 countries, and striving for market recognition of its brand and high quality customer service.

Logistics Services Business

As for the logistics service business, its revenue surged by approximately 3.8 times to HK$57.5 million due to the expansion of the freight forwarding services in Hong Kong, which commenced operation in January 2006. However, the freight forwarding services has yet to mature and it recorded a loss of HK$4.3 million with upfront investment cost taken into account. Profit of transportation services was HK$1.7 million before including the HK$4.9 million fair value gain of the warehouse. Given the continuous growth of the global economy, the Group is hopeful that the new business will see break even in the coming financial year.

By region, Hong Kong and the PRC accounted for 93.4% and 6.6% respectively of the turnover from logistics service business.

Marine Services Business

To broaden its revenue base and gain foothold in the marine services business, the Group acquired 100% equity interest in Hypex at an aggregate consideration of HK$50 million in December 2006. Hypex is an investment holding company and its subsidiaries are in the business of providing corrosion prevention services, comprising blasting (hydro and grit) and painting work, to customers in the marine, oil and gas industries. The principal market of the Hypex Group is Singapore.

The revenue of Hypex increased by 28.0% to HK$74.6 million (S$14.5 million) and profit increased by 14.8% to HK$7.7 million (S$1.5 million), which is 15.4% above the guaranteed profit of S$1.3 million as stipulated in the acquisition agreement. Such satisfactory results were mainly attributable to the expansion of the grit blasting business. The acquisition of Hypex was completed on 1 December 2006 and the share of revenue and profit it contributed to the Group for the year was HK$28 million (S$5.4 million) and HK$7 million (S$1.4 million). The Group believes Hypex has good growth potentials.

Prospects

The problem of excessive supply in the paper market has been improving since the second half of the financial year. At the end of the financial year, the prices of book printing papers and packaging boards had increased by 5% and 10% respectively compared with the levels in September 2006. Paper prices will continue to rise as demand improves.

Increase in consumer spending, industrial output and export sales in the PRC has pushed up demand for containerboard products in the country. Between 2002 and 2006, consumption of containerboard products had consistently exceeded domestic production, with the shortfall in domestic supply met by imports. According to RISI projection, containerboard consumption in the PRC will continue to exceed domestic production in the next 10 years.

To facilitate grasping of emerging business opportunities in the containerboard market, the Group is going to build its first paper mill in Nantong, Jiangsu, the PRC. It has signed a sale and purchase agreement to acquire the entire issued share capital of, and shareholder's loan to, Kingsrich Group Limited ("Kingsrich") in July 2007.

The acquisition will give the Group holding in Jiangsu Yuan Tong Paper Co. Ltd. ("JYTP"). JYTP is a Sino-foreign equity joint venture in the PRC in the business of manufacturing and sales of kraftliner board and corrugated medium. Kingsrich has committed to contribute 99% of the registered capital of JYTP which will be taken up by the Group pursuant to the Agreement. The remaining 1% of the registered capital of JYTP shall be contributed by Jiangsu Nantong Gangzha Economic Development Zone Corp..

JYTP is planning to build a paper mill on a 194,000 sq.m. land in Nantong, Jiangsu, to produce kraftliner board and corrugated medium. The plant is expected to commence trial operation in January 2009 and become fully operational in April 2009. The designed production capacity of the plant is 250,000 tonnes per annum, which include 150,000 tonnes of kraftliner board and 100,000 tonnes of corrugated medium.

The Group currently trades and markets paper products of over 100 brands to more than 1,000 customers, the bulk of which are book printing papers and packaging boards. Kraftlinerboards, testliner boards and corrugated medium only accounted for less than 5% of its paper products sales. With the support of the Group's first own manufacturing facility and an extensive sales network covering Beijing, Chongqing, Foshan, Shanghai, Shenzhen and Wuxi in the PRC, as well as Hong Kong, Singapore, Malaysia and other Asian countries, the Group is confident of expanding its containerboard business in the next few years. By expanding its paper business upstream, the Group will not only be able to expand its branded product portfolio and secure itself with a stable supply source, but also increase its revenue and widen its overall profit margin in the future.

Besides, the Group will continue to focus on developing a network of quality customers and provide quality products and services, so as to strengthen its brand name and boost the profitability of its paper products.

In the coming year, the Group will set up more sales offices in emerging cities in the PRC. Moreover, it will carry on expanding its business in new markets in Asia, such as Malaysia, and allocate more resources to develop its business network and explore more business opportunities in these markets.

Finally, on behalf of the Board, I would like to thank our customers, suppliers, bankers and staff for their support and efforts in the past year.

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 26 July 2007

Sales by Geographical Area

With the boost of the growth in the consumable aeronautic parts and the logistics services businesses as well as the acquisition of marine services business in December 2006, the overall Group's revenue increased slightly by 0.9%. For paper business, with the Group's sales strategy focusing more on quality customers and the profitability of paper products, the Group reported a drop of 2.2% in total sales of paper products to approximately HK$3,003 million. In terms of sales volume, the sales has a drop of 7% to 547,000 metric tonnes. The sales of paper products in the PRC market was HK$1,468 million, accounted for 48.9% of the Group's total revenue from paper products. With its extensive sales network and strong supplier channels in the local paper market, the Group made a 18% growth in the sales of local made paper products to local customers. Apart from the Hong Kong and the PRC market, the sales to Malaysia and other countries accounted for approximately 8.9% of the Group's turnover of paper products.

	2007 HK$'000	2006 HK$'000
Sales to Hong Kong customers	1,323,616	1,502,063
Sales to the PRC customers	1,471,467	1,490,137
Others	351,680	127,908
	3,146,763	3,120,108

In recent years, the Group has diversified into the distribution business of consumable aeronautic parts, logistics services and marine services business. These business segments together contributed approximately HK$143.3 million, 4.6% of the Group's total turnover.

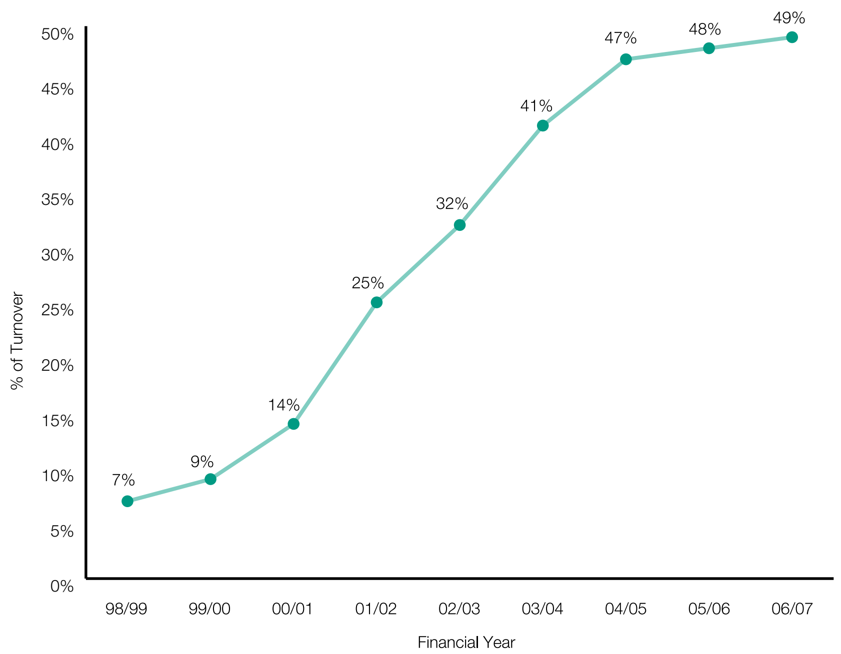
Hong Kong Paper and Board Import/Re-export Statistics (January to December)

(In'000 Metric Tonnes)	2006	2005	+/-
Import	1,344	1,504	-10.6%
Re-export	543	681	-20.3%
Local Consumption	801	823	-2.7%

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

(In'000 Metric Tonnes)	2006	2005	+/-
Newsprint	10	136	-92.6%
Woodfree	450	432	+4.2%
Coated Paper	610	729	-16.3%
Kraft Paper	—	451	-100%
Corrugated Board	1,240	1,007	+23.1%
Duplex Board	730	908	-19.6%
Corrugating Medium	710	885	-19.8%
Others	660	698	-5.4%
	4,410	5,246	-15.9%

Analysis of the PRC's Contribution to the Group's Turnover of Paper Products (%)



Major Product Analysis

As one of the largest paper product traders in Hong Kong, the Group currently maintains a stock of over 100 paper brands. The Group's two main product categories, book printing papers and packaging boards, accounted for 52% and 38% of the Group's turnover of paper products respectively. Sales of book printing papers for the financial year rose by 2% while sales of packaging boards dropped by 14% compared with the previous financial year.

Working Capital and Inventory Management

The Group has continued to maintain prudent working capital management. In view of the implementation of the macroeconomic control policy by the central government to correct imbalances in the PRC economy and customers were caught in the middle of fierce price competition and high operating costs, the Group has adopted tight credit policies to contain the credit risk exposure. Impaired receivable provision before write back of the previous year's impaired receivable of HK$6.2 million was at a level of 0.6% of the sales as compared to 0.3% for the previous year.

As the Group is further penetrating the PRC and overseas market, more stocks are kept at the respective sales locations. As a result, during the year under review, the average stock turnover day stood at 43 days compared with 37 days in the previous year.

Foreign Exchange Risk

The Group's transaction currencies are principally denominated in United States and Hong Kong dollars. This arrangement allows the Group to better contain its currency exchange risks. The Group also 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 2007, bank borrowings in Renminbi amounted to HK$25 million (2006: HK$87.9 million). The majority of the Group's borrowings bear interest costs which are based on floating interest rates.

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 flow generated from operations and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2007, short term deposits plus bank balances and bank borrowings amounted to HK$352 million (including restricted bank deposits of HK$14 million) and HK$797 million respectively.

As at 31 March 2007, the Group's current ratio (current assets divided by current liabilities) stood at 1.43 times (2006: 1.55 times). The gearing ratio, measured on the basis of the Group's long term loans over the Group's shareholders' funds, was 22.5% (2006: 34.9%).

With bank balances and other current assets of HK$1,860 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.

Contingent Liabilities and Charge of Assets

As at 31 March 2007, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amounts of facilities utilized by the subsidiaries as at 31 March 2007 amounted to HK$797 million (2006: HK$880 million).

Certain prepaid premium for land lease and buildings in Hong Kong of the Company's subsidiaries, with a total carrying value of HK$136 million as at 31 March 2007 (2006: HK$120 million) were pledged to banks as securities for bank loans of HK$30 million (2006: HK$43.6 million) and trust receipt loans of HK$170 million (2006: HK$154 million) granted to the Group.

Employees and Remuneration Policies

As at 31 March 2007, the Group employed 934 staff members, 235 of whom are based in Hong Kong and 232 are based in the PRC and 467 are based in other Asian 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, medical insurance and the use of a share option scheme to reward high-caliber staff. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

Corporate Governance

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 year of 2007, 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 of Hong Kong Limited (the "Stock Exchange") (the biographies of the Directors, together with information about the relationship among them, are set out on page 19). 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 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.

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 and the Remuneration Committee are set out below:

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

Note 1: Chairman of Remuneration Committee
Note 2: Chairman of Audit 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 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, established in August 2005, 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 policy 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 (Chairman)
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 salary and bonus 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 13 to the financial statements of this Annual Report.

Nomination of Directors

The Company has not established a nomination committee. The Board as a whole is responsible for approving the appointment of its members and nominating them for election and re-election by the shareholders of the Company. New Directors are sought mainly through referrals or internal promotion. In evaluating whether an appointee is suitable to act as a Director of the Company, the Board will review the independence, professional knowledge, industry experience and personal skills of the appointee as well as personal ethics, integrity and time commitments of the appointee. During the year, there was no nomination of directors to fill board vacancies.

Audit Committee

The Company set up an Audit Committee in December 1998. The Audit Committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The Audit Committee comprises three non-executive Directors, two of them including the Chairman being independent. The current Committee members are:

Mr. Pang Wing Kin, Patrick (Chairman)
Mr. Lau Wang Yip,Eric
Mr. Tong Yat Chong

The Committee members possess diversified industry experience and the Chairman has professional qualifications and experience in financial matters. The Audit Committee met twice during the year, together with senior management and auditors, both internal and external, if considered necessary, to review the Company's internal controls and risk management process, financial reporting and compliance procedures, financial results and reports and to assess the external auditor for re-appointment. The Audit Committee reviews the interim and annual financial statements before submission to the Board for approval. The Group's unaudited interim results and annual audited results for 2007 had been reviewed by the Audit Committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirement and that adequate disclosure had been made.

The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the external auditor and the effectiveness of the audit process. The annual fees for audit and non-audit services are subject to close scrutiny by the Audit Committee. The Audit Committee has recommended to the Board that PricewaterhouseCoopers be re-appointed as the Group's external auditor at the coming Annual General Meeting.

Internal Control and Risk Management

The Board maintains a sound and effective system of internal controls in Samson 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. 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 review the internal controls and evaluates their adequacy, effectiveness and compliance. The team comprises of the 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 2006/2007, the internal audit reports of the Group are 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 2006, the Audit Committee is satisfied that:

— The internal controls and accounting systems of the Group have been functioned effectively. It provides the reasonable assurance that the business risks are detected and monitored. The material assets are protected and the accounts are reliable. It helps to ensure compliance with applicable laws and regulations.

— There is an ongoing basis of identifying and managing the risks existing in the Group.

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 2007/2008 was held on from 5 to 9 February 2007. The scope of the meeting included the following areas:

1. Sales/Product strategy;

2. Market analysis and competitors profile;

3. Purchasing strategy;

4. Customers analysis;

On the other hand, the half-yearly performance review for the year 2006/2007 (i.e. April to August 2006) was conducted in September 2006. The monthly performances 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 are revised when they are 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
Audit services (including interim review)	1,018
(a) Tax compliance services	95
(b) Other assurance services	42

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the year of 2007.

Financial Reporting

The 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 judgments and estimate 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 23.

Communication with Shareholders

The Board and senior management recognise their responsibility to look after the interests of the shareholders of the Company. The Company reports on its financial and operating performance to shareholders through interim and annual reports. At the Annual General Meeting, the shareholders can raise any questions relating to the performance and future direction of the Company with 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.

The Directors submit their report together with the audited accounts for the year ended 31 March 2007.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are trading and marketing of paper products as set out in note 36 to the accounts. The Group's customers are mainly based in Hong Kong. The Group also sells its paper products directly to customers based in 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 accounts.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 24.

The Directors have declared an interim dividend of HK1.5 cents per ordinary share, totalling HK$6,439,000, which was paid on 12 January 2007.

The Directors recommend the payment of a final dividend of HK2.5 cents per ordinary share, totalling HK$10,731,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 28 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK$1,179,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in note 27 to the accounts.

Distributable Reserves

Distributable reserves of the Company at 31 March 2007, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$264,027,000 (2006: HK$257,502,000).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws and there was 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:

	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000
Turnover	2,512,363	2,644,619	2,944,408	3,120,108	3,146,763
Profit attributable to equity holders	39,823	52,781	56,584	30,449	50,867
Total assets	1,571,705	1,810,687	1,974,969	2,029,301	2,175,209
Total liabilities	1,029,089	1,228,866	1,356,449	1,391,402	1,468,346
Total equity	542,616	581,821	618,520	637,899	706,863

Purchase, Sale or Redemption of Securities

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 Options

At the Special General Meeting of the Company held on 26 February 2004, 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 2007, no option has been granted under the Option Scheme. 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 42,925,803 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.

Share Options (continued)

(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 the 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:

(a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;

(b) 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

(c) 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 26 February 2014.

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)
Mr. CHOW Wing Yuen
Ms. SHAM Yee Lan, Peggy
Mr. LEE Yue Kong, Albert

Non-executive Directors
Mr. PANG Wing Kin, Patrick (note)
Mr. LAU Wang Yip, Eric
Mr. TONG Yat Chong (note)
Mr. NG Hung Sui, Kenneth (note)

Note: Independent non-executive Director

Mr. SHAM Kit Ying, Ms. SHAM Yee Lan, Peggy and Mr. LAU Wang Yip, Eric retire in accordance with clause 99 of the Company's Bye-laws and, being eligible, offer themselves for re-election.

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' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, its holding 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.

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 81, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 48 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 50, 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 the son-in-law of Mr. Sham Kit Ying.

Mr. CHOW Wing Yuen, aged 48, 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 29 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 41, is a Director of the Group. Ms. Sham joined the Group in 1989 and is responsible for the Group's overall credit 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 51, 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 24 years of experience in 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 an associate member of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants.

Non-executive Directors

Mr. PANG Wing Kin, Patrick, aged 51, is a qualified accountant and has over 24 years of working experience in the auditing, finance and general management areas. Mr. Pang was appointed independent non-executive Director of the Company in 1995 and is currently the Finance Manager of an international corporation. He is a member of the CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Institute of Internal Auditors of the United Kingdom.

Mr. LAU Wang Yip, Eric, aged 40, 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 49, is a qualified accountant and has over 22 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 40, is a solicitor practicing 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.

Biographical Details of Directors and Senior Management (continued)

Senior Management

Mr. CHU Wai Kwong, aged 50, is a Sales Director, Southern China of Samson Paper (China) Company Limited. Mr. Chu joined the Group in 1976. Mr. Chu has over 21 years of sales experience in the paper distribution industry and is responsible for the purchases of packaging boards and overseeing the general operations in Southern China.

Mr. HOI Tin On, Joseph, aged 45, is the General Manager of High Flyer Logistics (Hong Kong) Limited. He joined the Group in 1990. He has over 21 years of working experience in the paper distribution industry.

Mr. CHAN Kwok Keung, aged 47, is a Sales Director, Northern China of Samson Paper (China) Company Limited. Mr. Chan joined the Group in 1990 and has over 20 years of working experience in the paper distribution industry and is responsible for the purchases of printing paper and overseeing the general operations in Northern 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 2007, 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 were as follows:

(a) Long position in ordinary shares of HK$0.10 each in the Company (the "Shares")

		Number of ordinary shares beneficially held					
	Capacity	Personal interest	Corporate interest	Family interest	Other interest	Total	Percentage
Mr. LEE Seng Jin	Beneficial owner & beneficiary of trust	92,144,000	–	16,712,556	187,820,000 (Note)	296,676,556	69.11%
Ms. SHAM Yee Lan, Peggy	Beneficial owner & beneficiary of trust	572,556	16,140,000	92,144,000	187,820,000 (Note)	296,676,556	69.11%
Mr. CHOW Wing Yuen	Beneficial owner	540,000	–	–	–	540,000	0.13%

Note:

Shares were held by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds all the units in the private unit trust. The objects of the family trust include Mr. Lee Seng Jin and Ms. Sham Yee Lan, Peggy.

Save as disclosed above, as at 31 March 2007, none of the Directors and chief executives had any interests or short positions in the shares or 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 corporations (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.

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

(a) Long position in ordinary shares of HK$0.10 each in the Company (the "Shares") (continued)

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 2007, 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 were 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	187,820,000	43.75%
HSBC International Trustee Limited (note)	187,820,000	43.75%

Note:

Quinselle Holdings Limited holds the 187,820,000 shares in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds all the units in the private unit trust.

Save as disclosed above, the register which was required to be kept under Section 336 of the SFO showed 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 2007.

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

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases

— the largest supplier	6%
— five largest suppliers combined	32%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers.

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.

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.

The Company has been granted a three and half-year revolving credit and term loan facility amounting to HK$300,000,000 in February 2006 which requires that (i) not less than 51% of the issued share capital of the Company is at all times directly or indirectly owned by Quinselle Holdings Limited as trustee for the Private Unit Trust and Mr. Lee Seng Jin and (ii) the majority units in the Private Unit Trust shall at all times be held by HSBC International Trustee Limited as trustee for the Private Family Trust.

Independent Auditors

The accounts 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 July 2007

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SAMSON PAPER HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated accounts of Samson Paper Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 24 to 73, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

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

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 July 2007

Consolidated Profit and Loss Account

For the financial year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5	3,146,763	3,120,108
Cost of sales		(2,861,845)	(2,854,305)
Gross profit		284,918	265,803
Other gains and income	5	24,096	21,205
Selling expenses		(100,168)	(104,024)
Administrative expenses		(83,668)	(74,427)
Other operating expenses		(12,858)	(8,865)
Operating profit	6	112,320	99,692
Finance costs	7	(51,338)	(53,587)
Share of losses of associated companies		(1,911)	(5,402)
Profit before taxation		59,071	40,703
Taxation	8	(7,301)	(8,914)
Profit for the year		51,770	31,789
Attributable to:			
Equity holders of the Company		50,867	30,449
Minority interests		903	1,340
		51,770	31,789
Dividends	10	17,170	10,731
Earnings per share — basic	11	11.9 cents	7.1 cents
Dividends per share			
Interim		1.5 cents	1.5 cents
Proposed final		2.5 cents	1.0 cent
		4.0 cents	2.5 cents

Consolidated Balance Sheet

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	118,411	81,137
Prepaid premium for land leases	15	48,785	71,415
Investment property	16	51,679	—
Intangible asset	17	32,414	—
Interest in associated companies	19	57,976	60,682
Deferred tax assets	29	4,055	2,524
Finance lease receivables	21	1,518	2,421
		314,838	218,179
Current assets			
Inventories	20	352,225	337,424
Accounts receivable, deposits and prepayments	21	1,122,076	1,106,010
Other financial assets at fair value through profit or loss	22	34,446	24,879
Taxation recoverable		—	1,688
Restricted bank deposits	23	14,095	33,323
Bank balances and cash	24	337,529	307,798
		1,860,371	1,811,122
Current liabilities			
Accounts payable and accrued charges	25	649,967	507,725
Trust receipt loans	26	389,509	437,204
Taxation payable		2,348	—
Other financial liabilities at fair value through profit or loss	22	406	703
Borrowings	26	262,953	221,655
		1,305,183	1,167,287
Net current assets		555,188	643,835
Total assets less current liabilities		870,026	862,014
Financed by:			
Share capital	27	42,926	42,926
Reserves	28	646,334	586,751
Proposed final dividend	28	10,731	4,292
		657,065	591,043
Shareholders' funds		699,991	633,969
Minority interests		6,872	3,930
Total equity		706,863	637,899
Non-current liabilities			
Borrowings	26	157,159	221,222
Deferred tax liabilities	29	6,004	2,893
		163,163	224,115
		870,026	862,014

On behalf of the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

Balance Sheet

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Interest in subsidiaries	18	249,897	249,897
Current assets			
Amounts due from subsidiaries	18	143,087	142,656
Dividend receivable from a subsidiary		10,731	4,292
Bank balances and cash	24	12	8
		153,830	146,956
Current liabilities			
Accrued charges		452	122
Taxation payable		29	10
		481	132
Net current assets		153,349	146,824
Total assets less current liabilities		403,246	396,721
Financed by:			
Share capital	27	42,926	42,926
Reserves	28	349,589	349,503
Proposed final dividend	28	10,731	4,292
		360,320	353,795
Shareholders' funds		403,246	396,721

On Behalf on the Board

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

Group

	Attributable to equity holders of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2005	42,926	176,597	395,560	615,083	3,437	618,520
2004–2005 final dividend paid	—	—	(12,878)	(12,878)	—	(12,878)
Profit for the year	—	—	30,449	30,449	1,340	31,789
Asset revaluation reserve transferred to retained earnings	—	(27,237)	27,237	—	—	—
Capital injection by a minority shareholder	—	—	—	—	1,422	1,422
Surplus on properties revaluation, net of tax	—	3,203	—	3,203	—	3,203
Currency translation difference	—	3,926	(556)	3,370	94	3,464
Dividend paid to a minority shareholder	—	—	—	—	(2,363)	(2,363)
Share of reserve of an associated company	—	1,181	—	1,181	—	1,181
2005–2006 interim dividend paid	—	—	(6,439)	(6,439)	—	(6,439)
Reserves	42,926	157,670	429,081	629,677	3,930	633,607
Proposed 2005–2006 final dividend	—	—	4,292	4,292	—	4,292
At 31 March 2006	42,926	157,670	433,373	633,969	3,930	637,899
At 1 April 2006 as per above	42,926	157,670	433,373	633,969	3,930	637,899
2005–2006 final dividend paid	—	—	(4,292)	(4,292)	—	(4,292)
Profit for the year	—	—	50,867	50,867	903	51,770
Capital injection by a minority shareholder	—	—	—	—	2,000	2,000
Surplus on properties revaluation, net of tax	—	12,120	—	12,120	—	12,120
Currency translation difference	—	14,561	—	14,561	39	14,600
Share of reserve of an associated company	—	(795)	—	(795)	—	(795)
2006–2007 interim dividend paid	—	—	(6,439)	(6,439)	—	(6,439)
Reserves	42,926	183,556	462,778	689,260	6,872	696,132
Proposed 2006–2007 final dividend	—	—	10,731	10,731	—	10,731
At 31 March 2007	42,926	183,556	473,509	699,991	6,872	706,863

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Operating activities			
Cash inflow generated from operations	30(a)	212,198	106,418
Interest paid		(51,338)	(53,587)
Hong Kong profits tax paid		974	(11,372)
Overseas taxation paid		(3,002)	(1,801)
Net cash inflow from operating activities		158,832	39,658
Investing activities			
Purchase of property, plant and equipment		(10,597)	(6,241)
Proceeds from disposal of property, plant and equipment		2,477	1,485
Acquisition of a subsidiary	30(c)	(45,998)	—
Capital outlay for finance lease receivables		(3,059)	(5,100)
Capital element received from finance lease receivables		2,890	846
Interest element received from finance lease receivables		597	106
Increase in net derivative financial instruments		(3,315)	(1,095)
Purchase of investments in financial assets		(6,206)	(4,002)
Proceeds from sale of investments in financial assets		299	12,566
Interest received		11,754	13,034
Dividends received from investments in financial assets		931	1,015
Dividends received from an associated company		—	125
Net cash (outflow)/inflow from investing activities		(50,227)	12,739
Financing activities			
Bank loans raised	30(b)	532,595	666,409
Repayment of bank loans	30(b)	(578,457)	(530,779)
Repayment of finance lease liabilities		(4,850)	—
Decrease/(increase) in restricted bank deposits		19,228	(33,323)
Decrease in trust receipt loans		(47,695)	(128,211)
Dividends paid to shareholders		(10,731)	(19,317)
Dividend paid to minority shareholders		—	(2,363)
Capital contribution from minority shareholders of a subsidiary		2,000	1,422
Net cash outflow from financing activities		(87,910)	(46,162)
Effect of changes in exchange rates on bank balances and cash		8,069	4,250
Net increase in bank balances and cash		28,764	10,485
Bank balances and cash at the beginning of the year		307,798	297,313
Bank balances and cash at the end of the year	24	336,562	307,798

1 General information

The principal activity of the Company is investment holding. The principal activity of the subsidiaries are trading and marketing of paper products.

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 primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated accounts are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated accounts have been approved for issue by the Board of Directors on 26 July 2007.

2 Summary of significant accounting policies

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

The preparation of accounts 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 accounts, are disclosed in note 4.

The following standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 April 2006 but are not relevant to or have no significant financial impact to the Group's operation:

Amendment to HKAS 19	Actuarial gains and losses, group plans and disclosures
Amendment to HKAS 39	The fair value option
Amendment to HKAS 21	Net investment in a foreign operation
Amendment to HKAS 39	Cash flow hedge accounting of forecast intragroup transactions
Amendment to HKAS 39 and HKFRS 4	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 6 (Amendment)	Exploration for and evaluation of mineral resources
HK(IFRIC)-Int 4	Determining whether an arrangement contains a lease
HK(IFRIC)-Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC)-Int 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29, financial reporting in hyperinflationary economies

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The following new standards, amendments to standards and interpretations have been issued but are not effective for the current year and have not been early adopted:

HKFRS 7	Financial instruments: disclosures
HKFRS 8	Operating segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	Interim financial reporting and impairment
HK(IFRIC)-Int 11, HKFRS 2	Group and treasury share transactions
HK(IFRIC)-Int 12	Service concession arrangements
Amendment to HKAS 1	Capital disclosures

The Group is in the process of assessing the impact to the Group's accounting policies on the adoption of the above standards and interpretations in future periods.

2.2 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

2 Summary of significant accounting policies (continued)

2.2 Foreign currency translation (continued)

(c) Group companies

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

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

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

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

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

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.

2.3 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, and are tested 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.4 Financial assets

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

(i) 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 classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2 Summary of significant accounting policies (continued)

2.4 Financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

Regular purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all other financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Other financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit and loss account in the period in which they arise.

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

2.5 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit and loss account. Subsequent recoveries of amounts previously written off are credited in the profit and loss account.

2.6 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 profit and loss account over the period of the borrowings using the effective interest method.

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

2 Summary of significant accounting policies (continued)

2.7 Consolidation

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

(a) *Subsidiaries*

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account (note 2.9).

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

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

(b) *Transactions with minority interests*

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

2 Summary of significant accounting policies (continued)

2.7 Consolidation (continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 2.9).

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

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

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

2.8 Property, plant and equipment

Buildings comprise mainly warehouses and offices. Buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Valuations of building inside and outside Hong Kong are valued by external independent valuers and the directors respectively. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

2 Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

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

Buildings	2.5% to 5.9%
Furniture and fixtures	10% to 25%
Machinery and equipment	10% to 20%
Office and computer equipment	10% to 20%
Motor vehicles and vessels	20%
Leasehold improvements	20% or over the unexpired lease period, whichever is shorter

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.3).

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

2.9 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investment in associates and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Company allocates goodwill to each business segment in each country in which it operates (note 2.3).

2.10 Investment property

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. 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 this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers.

2 Summary of significant accounting policies (continued)

2.10 Investment property (continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the accounts.

Subsequent expenditure is charged to the asset's carrying amount 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 costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

2.11 Operating leases (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, 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. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2.13 Cash and cash equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2 Summary of significant accounting policies (continued)

2.14 Employee benefits

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

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

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

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

2.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However 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 substantially 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Revenue recognition

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

2 Summary of significant accounting policies (continued)

2.16 Revenue recognition (continued)

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

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

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

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

2.17 Segment reporting

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

2.18 Finance lease (as lessor)

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

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

2.19 Finance lease (as lessee)

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 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 other short-term and other long-term payables. The interest element of the finance cost is charged to the profit and loss account 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.

2.20 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

2 Summary of significant accounting policies (continued)

2.20 Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax 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.

3 Financial risk management

3.1 Financial risk factors

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

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 co-operation with the Group's operating units.

(a) *Foreign exchange risk*

The Group operates in various Asian countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

(b) *Credit risk*

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

(c) *Liquidity risk*

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

(d) *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 2007, borrowings were primarily at floating rates.

3 Financial risk management (continued)

3.2 Fair value estimation

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

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

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

4 Critical accounting estimates and judgements

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

(a) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant 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.

As at 31 March 2007, the Company has deferred tax assets in the amount of HK$4,055,000. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised for temporary differences arising from impairment provisions taken on inventory and receivables. As discussed in note 29 to the accounts, the State Council in the PRC has yet to issue further detailed measures and regulations which could provide further opportunities for the Group entities to reduce their corporate income tax rate. Should the Group entities be eligible for additional tax incentives, every 1% reduction in tax rate would render a further increase of deferred tax assets in the amount of RMB105,000.

(b) Estimated provision for trade and other receivables

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

4 Critical accounting estimates and judgements (continued)

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

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

(d) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 17).

(e) Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

5 Turnover, other gains and income and segment information

Revenues recognised are as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Turnover — sale of goods	3,146,763	3,120,108
Other gains and income		
Interest income	12,351	13,140
Sales commission	29	1,029
Gain on sale of investments in financial assets	97	1,840
Dividend income — listed investments	931	1,015
Fair value gain on investment property	4,922	—
Others	5,766	4,181
	24,096	21,205

(a) Primary reporting format — Business segments

At 31 March 2007, the Group is organised on a worldwide basis into four main business segments:

(1) Trading and marketing of paper products;

(2) Provision of logistics services;

(3) Trading and marketing of aeronautic parts; and

(4) Provision of marine services to marine, oil and gas industries.

5 Turnover, other gains and income and segment information (continued)

(a) Primary reporting format — Business segments (continued)

The segment results for the year ended 31 March 2007 are as follows:

	Paper HK$'000	Logistics services HK$'000	Aeronautic parts HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Total segment revenue	3,459,882	69,574	57,461	28,405	—	3,615,322
Inter-segment revenue	(456,450)	(12,109)	—	—	—	(468,559)
Revenue	3,003,432	57,465	57,461	28,405	—	3,146,763
Segment result	97,861	2,403	3,658	9,669	(1,271)	112,320
Finance costs (note 7)						(51,338)
Share of losses of associated companies	(1,911)	—	—	—	—	(1,911)
Profit before taxation						59,071
Taxation (note 8)						(7,301)
Profit for the year						51,770

The segment results for the year ended 31 March 2006 are as follows:

	Paper HK$'000	Logistics services HK$'000	Aeronautic parts HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Total segment revenue	3,462,781	14,704	36,988	—	—	3,514,473
Inter-segment revenue	(391,644)	(2,721)	—	—	—	(394,365)
Revenue	3,071,137	11,983	36,988	—	—	3,120,108
Segment result	96,930	1,154	2,029	—	(421)	99,692
Finance costs (note 7)						(53,587)
Share of losses of associated companies	(5,402)	—	—	—	—	(5,402)
Profit before taxation						40,703
Taxation (note 8)						(8,914)
Profit for the year						31,789

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of non-current assets and current assets except deferred tax assets and taxation recoverable.

Segment liabilities comprise accounts payable and accrued charges, trust receipt loans and other financial liabilities at fair value through profit or loss.

5 Turnover, other gains and income and segment information (continued)

(a) Primary reporting format — Business segments (continued)

Capital expenditure comprises additions to property, plant and equipment (note 14) and intangible assets (note 17), including additions resulting from acquisitions through business combinations (note 14, 17 and 30(c)).

The segment assets and liabilities at 31 March 2007 and capital expenditure for the year then ended are as follows:

	Paper HK$'000	Logistics services HK$'000	Aeronautic parts HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Assets	1,876,548	77,478	38,900	76,800	43,452	2,113,178
Associates	57,976	—	—	—	—	57,976
Segment assets	1,934,524	77,478	38,900	76,800	43,452	2,171,154
Segment liabilities	979,679	9,103	13,992	35,074	2,034	1,039,882
Capital expenditure (notes 14 and 30(c))	10,657	6,314	24	74,615	—	91,610

The segment assets and liabilities at 31 March 2006 and capital expenditure for the year then ended are as follows:

	Paper HK$'000	Logistics services HK$'000	Aeronautic parts HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Assets	1,873,441	46,199	33,198	—	11,569	1,964,407
Associates	60,682	—	—	—	—	60,682
Segment assets	1,934,123	46,199	33,198	—	11,569	2,025,089
Segment liabilities	933,121	4,464	8,027	—	20	945,632
Capital expenditure (note 14)	3,326	2,805	110	—	—	6,241

5 Turnover, other gains and income and segment information (continued)

(a) Primary reporting format — Business segments (continued)

Other segment items included in the consolidated profit and loss account are as follows:

	Year ended 31 March 2007					
	Paper HK$'000	Logistics services HK$'000	Aeronautic parts HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Depreciation of property, plant and equipment (note 14)	4,329	1,332	460	1,587	101	7,809
Amortisation of prepaid premium for land leases (note 15)	1,260	304	—	—	62	1,626

	Year ended 31 March 2006					
	Paper HK$'000	Logistics services HK$'000	Aeronautic parts HK$'000	Marine services HK$'000	Unallocated HK$'000	Group HK$'000
Depreciation of property, plant and equipment (note 14)	5,597	767	410	—	101	6,875
Amortisation of prepaid premium for land leases (note 15)	1,167	521	—	—	62	1,750

(b) Secondary reporting format — geographical segments

The Group's four business segments operate in three main geographical areas, even though they are managed on a worldwide basis.

	Group					
	Turnover		Segment assets		Capital expenditure	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Hong Kong	1,323,616	1,502,063	1,200,087	1,363,684	7,068	1,877
The People's Republic of China (the "PRC")*	1,471,467	1,490,137	764,237	583,493	9,872	3,774
Others	351,680	127,908	206,830	77,912	74,670	590
	3,146,763	3,120,108	2,171,154	2,025,089	91,610	6,241

* The People's Republic of China, for the purpose of this report, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan.

6 Operating profit

Operating profit is stated after charging and crediting the following:

	Group	
	2007 HK$'000	2006 HK$'000
Charging		
Depreciation of property, plant and equipment	7,809	6,875
Amortisation of prepaid premium for land leases	1,626	1,750
Loss on disposal of property, plant and equipment	255	229
Operating lease rentals in respect of land and buildings	8,286	19,406
Transportation costs	92,829	30,854
Provision for impairment on inventories	1,648	89
Provision for impairment on receivables	19,611	9,137
Employee benefit expense (note 12)	87,028	73,446
Unrealised losses on investments in financial assets	—	429
Auditor's remuneration	1,151	738
Crediting		
Unrealised gain on investments in financial assets	545	—
Provision for impairment on receivables written back	6,162	2,242

7 Finance costs

	Group	
	2007 HK$'000	2006 HK$'000
Interest on bank borrowings wholly repayable within 5 years	37,333	40,266
Interest on trade credit	14,005	13,321
	51,338	53,587

8 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2007 HK$'000	2006 HK$'000
Hong Kong profits tax		
Current	3,132	6,179
Over provision in previous years	(70)	(107)
	3,062	6,072
Overseas taxation	3,002	1,801
Deferred taxation relating to origination and reversal of temporary differences (note 29)	1,237	1,041
	7,301	8,914

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:

	2007 HK$'000	2006 HK$'000
Profit before taxation	59,071	40,703
Adjustment: Share of losses of associated companies	1,911	5,402
	60,982	46,105
Calculated at a taxation rate of 17.5% (2006: 17.5%)	10,671	8,068
Effect of different taxation rates in other countries	426	(196)
Income not subject to taxation	(4,512)	(771)
Expenses not deductible for taxation purposes	786	1,920
Over provision in previous years	(70)	(107)
Taxation charge	7,301	8,914

9 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of HK$17,256,000 (2006: HK$10,627,000) (note 28).

10 Dividends

	Group	
	2007 HK$'000	2006 HK$'000
Interim — HK$0.015 (2006: HK$0.015) per share	6,439	6,439
Proposed final — HK$0.025 (2006: HK$0.01) per share	10,731	4,292
	17,170	10,731

At a meeting held on 26 July 2007, the Directors proposed a final dividend of HK2.5 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 2008.

11 Earnings per share

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

	Group	
	2007 HK$'000	2006 HK$'000
Profit attributable to equity holders of the Company	50,867	30,449
Weighted average number of ordinary shares in issue	429,258	429,258
Basic earnings per share (HK cent per share)	11.9 cents	7.1 cents

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

12 Employee benefit expense (including Directors' remuneration)

	Group	
	2007 HK$'000	2006 HK$'000
Wages, salaries and bonus	83,781	71,132
Long service payments	(221)	(491)
Contributions to pension scheme	3,468	2,805
	87,028	73,446

13 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 March 2007 is set out below:

	2007					2006
	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000	Total HK$'000
Executive directors						
Sham Kit Ying	—	5,039	500	—	5,539	6,039
Lee Seng Jin	—	3,615	1,800	125	5,540	6,705
Sham Yee Lan, Peggy	—	646	1,000	30	1,676	676
Chow Wing Yuen	—	1,100	372	34	1,506	1,914
Lee Yue Kong, Albert	—	840	604	30	1,474	1,430
Non-executive directors						
Pang Wing Kin, Patrick	80	—	—	—	80	80
Lau Wang Yip, Eric	80	—	—	—	80	80
Tong Yat Chong	100	—	—	—	100	80
Ng Hung Sui, Kenneth	80	—	—	—	80	80

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2006: four) Directors whose emoluments are reflected in the analysis presented above. Last year the emoluments payable to the remaining one individual are as follows:

	2007 HK$'000	2006 HK$'000
Basic salaries, allowances and benefits-in-kind	—	590
Discretionary bonuses	—	212
Contributions to pension scheme	—	24
	—	826

	Number of individuals	
Emolument band	2007	2006
HK$		
0-1,000,000	—	1

14 Property, plant and equipment — Group

	Buildings Inside Hong Kong HK$'000	Buildings Outside Hong Kong HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Total HK$'000
At 1 April 2005								
Cost or valuation	52,825	10,942	5,797	30,745	20,516	10,622	14,541	145,988
Accumulated depreciation	—	—	(5,027)	(26,734)	(11,865)	(10,345)	(12,106)	(66,077)
Net book amount	52,825	10,942	770	4,011	8,651	277	2,435	79,911
Year ended 31 March 2006								
Opening net book amount	52,825	10,942	770	4,011	8,651	277	2,435	79,911
Net exchange difference	—	168	50	75	102	(43)	19	371
Additions	—	—	842	716	2,662	378	1,643	6,241
Revaluation surplus (note 28)	2,844	359	—	—	—	—	—	3,203
Disposals	—	—	(44)	(8)	(1,451)	(42)	(169)	(1,714)
Depreciation	(1,326)	(409)	(299)	(974)	(2,468)	(127)	(1,272)	(6,875)
Closing net book amount	54,343	11,060	1,319	3,820	7,496	443	2,656	81,137
Year ended 31 March 2006								
Cost or valuation	55,669	11,469	6,567	31,533	20,578	10,913	15,796	152,525
Accumulated depreciation	(1,326)	(409)	(5,248)	(27,713)	(13,082)	(10,470)	(13,140)	(71,388)
Net book amount	54,343	11,060	1,319	3,820	7,496	443	2,656	81,137
Year ended 31 March 2007								
Opening net book amount	54,343	11,060	1,319	3,820	7,496	443	2,656	81,137
Net exchange difference	—	300	42	1,238	291	37	103	2,011
Acquired through purchase of a subsidiary (note 30(c))	—	—	2	37,491	4,522	—	180	42,195
Additions	—	6,281	737	623	7,978	380	1,002	17,001
Revaluation surplus (note 28)	12,291	—	—	—	—	—	—	12,291
Transfer to investment property (note 16)	(25,683)	—	—	—	—	—	—	(25,683)
Disposals	—	(671)	—	(1,109)	(940)	—	(12)	(2,732)
Depreciation	(207)	(512)	(458)	(2,209)	(3,184)	(150)	(1,089)	(7,809)
Closing net book amount	40,744	16,458	1,642	39,854	16,163	710	2,840	118,411
Year ended 31 March 2007								
Cost or valuation	41,714	17,385	7,181	69,696	32,129	11,326	17,143	196,574
Accumulated depreciation	(970)	(927)	(5,539)	(29,842)	(15,966)	(10,616)	(14,303)	(78,163)
Net book amount	40,744	16,458	1,642	39,854	16,163	710	2,840	118,411

Buildings situated in Hong Kong and major buildings situated outside Hong Kong were revalued at 31 March 2007 on the basis of open market value carried out by FPDSavills (Hong Kong) Limited, an independent firm of chartered surveyors. The remaining buildings situated outside Hong Kong were revalued at 31 March 2007 by the Directors.

14 Property, plant and equipment — Group (continued)

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

	2007 HK$'000	2006 HK$'000
Cost	46,388	52,903
Accumulated depreciation	(11,418)	(12,932)
Net book amount	34,970	39,971

The analysis of the cost or valuation at 31 March 2007 of the above assets is as follows:

	Buildings Inside Hong Kong HK$'000	Buildings Outside Hong Kong HK$'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
At cost	—	—	7,181	69,696	32,129	11,326	17,143	137,475
At valuation	41,714	17,385	—	—	—	—	—	59,099
	41,714	17,385	7,181	69,696	32,129	11,326	17,143	196,574

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

	Buildings Inside Hong Kong HK$'000	Buildings Outside Hong Kong HK$'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
At cost	—	—	6,567	31,533	20,578	10,913	15,796	85,387
At valuation	55,669	11,469	—	—	—	—	—	67,138
	55,669	11,469	6,567	31,533	20,578	10,913	15,796	152,525

At 31 March 2007, buildings situated in Hong Kong with carrying value amounted to approximately HK$40,744,000 (2006: HK$54,343,000) were pledged as securities for bank borrowings made available to the Group (note 33).

As at 31st March 2007, the aggregate net book amount of plant and machinery held by the Group under finance leases was HK$11,651,000 (2006: nil). The net book amount of motor vehicles held by the Group under finance leases was HK$4,903,000 (2006: nil).

15 Prepaid premium for land leases

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

	Group	
	2007 HK$'000	2006 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	43,390	65,882
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	5,395	5,533
	48,785	71,415
At 1 April	71,415	73,098
Exchange differences	70	67
Transfer to investment property (note 16)	(21,074)	—
Amortisation	(1,626)	(1,750)
At 31 March	48,785	71,415

At 31 March 2007, prepaid premium for land leases situated in Hong Kong with carrying value amounted to approximately HK$43,390,000 (2006: HK$65,882,000) was pledged as securities for bank borrowings made available to the Group (note 33).

16 Investment property

	Group	
	2007 HK$'000	2006 HK$'000
At 1 April	—	—
Transfer from property, plant and equipment (note 14)	25,683	—
Transfer from prepaid premium for land leases (note 15)	21,074	—
Fair value gain	4,922	—
At 31 March	51,679	—

The investment property was revalued at 31 March 2007 by independent, professionally qualified valuers FPDSavills (Hong Kong) Limited. Valuations were based on current prices in an active market for the properties.

The Group's interest in investment property at its book value is analysed as follows:

	2007 HK$'000	2006 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	51,679	—
	51,679	—

At 31 March 2007, the investment property situated in Hong Kong with carrying value amounted to approximately HK$51,679,000 (2006: nil) was pledged as a security for bank borrowings made available to the Group (note 33).

17 Intangible asset

	Group HK$'000
At 1 April 2006	—
Acquisition of a subsidiary (note 30(c))	32,414
At 31 March 2007	32,414
At 31 March 2007	
Cost or valuation	32,414
Net book amount	32,414

Goodwill amount of HK$32,414,000 is generated from the acquisition of Hypex Holdings Limited during the year. Goodwill is allocated to the Group's marine services unit according to business segment.

In accordance to HKAS 36 "Impairment of Assets", 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. The growth rate does not exceed the long-term average growth rate for the marine services business in which the CGU operates.

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

Gross margin	39%
Growth rate	5%
Discount rate	10%

The Directors are of the opinion that there was no impairment of goodwill as at 31 March 2007.

18 Interest in subsidiaries

	Company	
	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost (note (a))	249,897	249,897
Amounts due from subsidiaries (note (b))	143,087	142,656

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 March 2007 are set out in note 36 to the accounts.

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

19 Interest in associated companies

	Group	
	2007 HK$'000	2006 HK$'000
At 1 April	60,682	65,621
Share of associates' results		
— loss before taxation	(1,911)	(5,292)
— taxation	—	(110)
— dividend paid	—	(125)
	58,771	60,094
Exchange difference	(795)	588
At 31 March	57,976	60,682

Interest in associated companies at 31 March 2007 include goodwill of HK$3,890,000 (2006: HK$3,890,000).

Details of the Group's principal associated companies are as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Loss HK$'000	Interest held %	Principal activity
2007								
United Pulp & Paper Company Limited (note i) (Listed in Singapore)	22,192,000 shares of S$0.25 each	Singapore	693,646	338,756	420,396	(10,148)	18.97%	Manufacture and sale of paper and paper products
2006								
United Pulp & Paper Company Limited (note i) (Listed in Singapore)	22,192,000 shares of S$0.25 each	Singapore	650,413	306,867	361,614	(27,323)	19.02%	Manufacture and sale of paper and paper products

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

(ii) The above table lists out the principal associated company of the Company as at 31 March 2007 which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the Directors, result in particulars of excessive length.

20 Inventories

	Group 2007 HK$'000	Group 2006 HK$'000
Merchandise	352,225	337,424

As at 31 March 2007, inventories of the Group are stated at cost less provision for impairment on inventories. The inventories for the Group are stated after a provision for impairment on inventories of approximately HK$13,209,000 (2006: HK$11,561,000).

21 Accounts receivable, deposits and prepayments

	Group 2007 HK$'000	Group 2006 HK$'000
Trade receivable — net	962,301	1,018,608
Other receivable, deposits and prepayments	156,870	85,569
Finance lease receivables	4,423	4,254
	1,123,594	1,108,431
Finance lease receivables — non current portion	(1,518)	(2,421)
	1,122,076	1,106,010

21 Accounts receivable, deposits and prepayments (continued)

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

The ageing analysis of trade receivables is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Current to 60 days	693,075	641,357
61 to 90 days	134,820	171,060
Over 90 days	134,406	206,191
	962,301	1,018,608

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

Finance lease receivables

	Group	
	2007 HK$'000	2006 HK$'000
Non-current		
Finance leases — gross receivables	1,583	2,691
Unearned finance income	(65)	(270)
	1,518	2,421
Current		
Finance leases — gross receivables	3,246	2,225
Unearned finance income	(341)	(392)
	2,905	1,833

	Group	
	2007 HK$'000	2006 HK$'000
Gross receivables from finance leases:		
Not later than 1 year	3,246	2,225
Later than 1 year and not later than 5 years	1,583	2,691
	4,829	4,916
Unearned future finance income on finance leases	(406)	(662)
Net investment in finance leases	4,423	4,254
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	2,905	1,833
Later than 1 year and not later than 5 years	1,518	2,421
	4,423	4,254

22 Investment in financial assets/(liabilities)

	Group 2007 HK$'000	Group 2006 HK$'000
Other financial assets at fair value through profit or loss		
Listed securities, at fair value:		
Listed shares in Hong Kong	—	297
Listed shares outside Hong Kong	21,690	14,802
Bonds listed outside Hong Kong	7,940	7,982
	29,630	23,081
Derivative financial instruments	4,816	1,798
	34,446	24,879
Derivative financial liabilities	(406)	(703)
	34,040	24,176

23 Restricted bank deposits

	Group 2007 HK$'000	Group 2006 HK$'000
Pledged as securities for banking facilities	14,095	33,323

Restricted bank deposits earn interest at a fixed rate of 2.07% per annum (2006: 2.07% per annum).

24 Bank balances and cash

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Cash at bank and in hand	257,012	179,111	12	8
Short-term bank deposits	80,517	128,687	—	—
	337,529	307,798	12	8

The effective interest rate on short-term bank deposits was 5.16% per annum (2006: 3.2% per annum); these deposits have an average maturity of 14 days (2006: 14 days).

Cash and cash equivalents and bank overdrafts include the following for the purpose of the consolidated cash flow statement:

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Cash and cash equivalents	337,529	307,798	12	8
Bank overdrafts (note 26)	(967)	—	—	—
	336,562	307,798	12	8

25 Accounts payable and accrued charges

	Group	
	2007 HK$'000	2006 HK$'000
Trade and bills payables	543,748	459,129
Accrued expenses and other payables	93,809	37,718
Loan from a minority shareholder	1,563	—
Amount due to related companies	10,847	10,878
	649,967	507,725

At 31 March 2007, the ageing analysis of trade and bills payables was as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Current to 60 days	444,611	266,991
61 to 90 days	12,578	101,485
Over 90 days	86,559	90,653
	543,748	459,129

26 Borrowings

	Group 2007 HK$'000	Group 2006 HK$'000
Non-current		
Bank loans — unsecured	131,212	190,909
Bank loans — secured (note 33)	19,063	30,313
Finance lease liabilities	6,884	—
	157,159	221,222
Current		
Trust receipt loans — unsecured	219,527	283,359
Trust receipt loans — secured (note 33)	169,982	153,845
Bank loans — unsecured	245,022	208,322
Bank loans — secured (note 33)	11,250	13,333
Bank overdrafts (note 24)	967	—
Finance lease liabilities	5,714	—
	652,462	658,859
Total borrowings	809,621	880,081

At 31 March 2007, the Group's bank loans and overdrafts and trust receipt loans were repayable as follows:

	Group			
	Bank loans and overdrafts		Trust receipt loans	
	2007	2006	2007	2006
Within one year	257,239	221,655	389,509	437,204
In the second year	100,947	87,614	—	—
In the third to fifth years inclusive	49,328	133,608	—	—
	407,514	442,877	389,509	437,204

The effective interest rate at the balance sheet date on bank loans, bank overdrafts and trust receipt loans was 5.3% per annum (2006: 5.5% per annum).

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

26 Borrowings (continued)

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

	Group	
	2007 HK$'000	2006 HK$'000
Hong Kong dollar	770,731	776,465
PRC Renminbi	25,325	87,893
Malaysian Ringgit	—	10,118
Singapore dollar	967	—
US dollar	—	5,605
	797,023	880,081

Finance lease liabilities

	2007 HK$'000	2006 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	5,876	—
Later than 1 year but not later than 5 years	7,266	—
Later than 5 years	178	—
	13,320	—
Future finance charges on finance leases	(722)	—
Present value of finance lease liabilities	12,598	—

	2007 HK$'000	2006 HK$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	5,714	—
Later than 1 year but not later than 5 years	6,714	—
Later than 5 years	170	—
	12,598	—

At the balance sheet date, the carrying amount of finance lease liabilities approximate its fair value.

The effective borrowing rates range from 2.2% to 7.23% per annum.

27 Share capital

	Number of shares of HK$0.10 each		Share capital	
	2007	2006	2007	2006
			HK$'000	HK$'000
Authorised:				
At the beginning and the end of year	800,000,000	800,000,000	80,000	80,000
Issued and fully paid:				
At the beginning and the end of year	429,258,039	429,258,039	42,926	42,926

The shareholders of the Company adopted a share option scheme to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 March 2007 and 2006, no share option was granted or outstanding.

28 Reserves

Group

	Share premium HK'000	Assets revaluation reserve HK'000	Capital reserve (note a) HK'000	Exchange fluctuation reserve HK'000	Retained earnings HK'000	Total HK'000
At 1 April 2005	96,293	50,442	33,311	(3,449)	395,560	572,157
2004–2005 final dividend paid	—	—	—	—	(12,878)	(12,878)
Profit for the year	—	—	—	—	30,449	30,449
Asset revaluation reserve transferred to retained earnings	—	(27,237)	—	—	27,237	—
Surplus on properties revaluation (note 14)	—	3,203	—	—	—	3,203
Currency translation difference	—	—	—	3,926	(556)	3,370
Share of reserve of an associated company	—	—	—	1,181	—	1,181
2005–2006 interim dividend paid	—	—	—	—	(6,439)	(6,439)
Reserves	96,293	26,408	33,311	1,658	429,081	586,751
Proposed 2005–2006 final dividend	—	—	—	—	4,292	4,292
At 31 March 2006	96,293	26,408	33,311	1,658	433,373	591,043
At 1 April 2006, as per above	96,293	26,408	33,311	1,658	433,373	591,043
2005–2006 final dividend paid	—	—	—	—	(4,292)	(4,292)
Profit for the year	—	—	—	—	50,867	50,867
Surplus on properties revaluation (note 14)	—	12,291	—	—	—	12,291
Revaluation — tax (note 29)	—	(171)	—	—	—	(171)
Currency translation difference	—	—	—	14,561	—	14,561
Share of reserve of an associated company	—	—	—	(795)	—	(795)
2006–2007 interim dividend paid	—	—	—	—	(6,439)	(6,439)
Reserves	96,293	38,528	33,311	15,424	462,778	646,334
Proposed 2006–2007 final dividend	—	—	—	—	10,731	10,731
At 31 March 2007	96,293	38,528	33,311	15,424	473,509	657,065

28 Reserves (continued)

Company

	Share premium HK'000	Contributed surplus (note b) HK'000	Retained earnings HK'000	Total HK'000
At 1 April 2005	96,293	249,697	16,495	362,485
2004–2005 final dividend paid	—	—	(12,878)	(12,878)
2005–2006 interim dividend paid	—	—	(6,439)	(6,439)
Profit for the year (note 9)	—	—	10,627	10,627
Reserves	96,293	249,697	3,513	349,503
Proposed 2005–2006 final dividend	—	—	4,292	4,292
At 31 March 2006	96,293	249,697	7,805	353,795
At 1 April 2006 as per above	96,293	249,697	7,805	353,795
2005–2006 final dividend paid	—	—	(4,292)	(4,292)
2006–2007 interim dividend paid	—	—	(6,439)	(6,439)
Profit for the year (note 9)	—	—	17,256	17,256
Reserves	96,293	249,697	3,599	349,589
Proposed 2005–2006 final dividend	—	—	10,731	10,731
At 31 March 2007	96,293	249,697	14,330	360,320

(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 net asset value 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.

29 Deferred Taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

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

	Group	
	2007 HK$'000	2006 HK$'000
At 1 April	(369)	672
Deferred taxation charged to profit and loss account (note 8)	(1,237)	(1,041)
Tax charged directly to equity (note 28)	(171)	—
Acquisition of a subsidiary (note 30(c))	(172)	—
At 31 March	(1,949)	(369)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has no material unrecognised tax losses as at 31 March 2007 and 2006.

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

Deferred tax assets

	Group					
	Provisions		Tax losses (note)		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
At 1 April	—	1,406	2,524	2,638	2,524	4,044
Credited/(charged) to profit and loss account	—	(1,406)	1,531	(114)	1,531	(1,520)
At 31 March	—	—	4,055	2,524	4,055	2,524

29 Deferred Taxation (continued)

Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Fair value gains		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
At 1 April	2,893	3,372	—	—	2,893	3,372
Charged directly to equity (note 28)	—	—	171	—	171	—
Acquisition of a subsidiary (note 30(c))	172	—	—	—	172	—
Charged/(credited) to profit and loss account	1,971	(479)	797	—	2,768	(479)
At 31 March	5,036	2,893	968	—	6,004	2,893

The amounts shown in the balance sheet include the following:

	Group	
	2007 HK$'000	2006 HK$'000
Deferred tax assets to be recovered after more than 12 months	4,055	2,524
Deferred tax liabilities to be settled after more than 12 months	(6,004)	(2,893)
	(1,949)	(369)

Note:

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The new CIT Law increases the corporate income tax rate for foreign invested enterprises from 15% to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying value of deferred tax assets has been increased by RMB 1,046,000 for the year ended 31 March 2007.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

30 Consolidated cash flow statement

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

	Group	
	2007 HK$'000	2006 HK$'000
Operating profit	112,320	99,692
Depreciation of property, plant and equipment	7,809	6,875
Amortisation of prepaid premium for land leases	1,626	1,750
Fair value gain on investment property	(4,922)	—
Loss on disposal of property, plant and equipment	255	229
Realised gains on sale of investments in financial assets	(97)	(1,840)
Unrealised (gains)/losses on investments in financial assets	(545)	429
Interest income	(12,351)	(13,140)
Dividend income	(931)	(1,015)
Operating profit before working capital changes	103,164	92,980
(Increase)/decrease in inventories	(13,424)	16,017
Decrease/(increase) in accounts receivable, deposits and prepayments	12,513	(32,833)
Increase in accounts payable and accrued charges	100,791	26,885
Effect of change in exchange rate	9,154	3,369
Net cash inflow generated from operations	212,198	106,418

(b) Analysis of changes in financing during the year

	Group	
	Bank loans	
	2007 HK$'000	2006 HK$'000
At 1 April	442,877	303,210
Acquisition of a subsidiary (note 30(c))	4,828	—
Bank loans raised	532,595	666,409
Repayment of bank loans	(578,457)	(530,779)
Effect of change in exchange rate	4,704	4,037
At 31 March	406,547	442,877

(c) Business combinations — Group

On 1 December 2006, the Group acquired 100% of the issued share capital of Hypex Holdings Limited, which is an investment holding company for a group of subsidiaries which provide marine services to shipyards in Singapore. The acquired business contributed revenues of HK$28,405,000 and net profit of HK$6,975,000 to the Group for the period from 1 December 2006 to 31 March 2007. If the acquisition had occurred on 1 April 2006, revenue and profit for the year to the Group would have been HK$74,600,000 and HK$7,727,000 respectively.

30 Consolidated cash flow statement (continued)

(c) Business combinations — Group (continued)

Details of net assets acquired and goodwill are as follows:

	Fair value HK$'000
Property, plant and equipment (note 14)	42,195
Inventories	1,377
Accounts receivable, deposits and prepayments	27,507
Cash and cash equivalents	207
Accounts payable and accrued charges	(41,451)
Borrowings (note 30(b))	(4,828)
Bank overdrafts	(984)
Finance lease liabilities	(11,044)
Deferred tax liabilities (note 29)	(172)
Fair value of net assets acquired	12,807
Goodwill	32,414
Total consideration	45,221

Analysis of consideration

	HK$'000
Consideration	50,000
Loan to a subsidiary	(4,779)
Cash paid	45,221

Analysis of the net cash outflow in respect of the acquisition of the subsidiary:

	HK$'000
Cash paid for consideration	45,221
Cash and cash equivalents acquired	(207)
Bank overdrafts	984
	45,998

At the date of acquisition, the fair value of net assets acquired was close to their carrying amount.

There was no acquisition in the year ended 31 March 2006.

31 Bank guarantees

At 31 March 2007, the Company continued to provide corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of facilities utilised by the subsidiaries as at 31 March 2007 amounted to HK$797,023,000 (2006: HK$880,081,000).

32 Commitments

(a) Capital commitments

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

	Group	
	2007 HK$'000	2006 HK$'000
Property, plant and equipment, contracted but not provided for	1,500	—
Intangible assets, contracted but not provided for	3,832	—
	5,332	—

(b) As at 31 March 2007, a wholly-owned subsidiary of the Company had commitment in respect of the injection of capital into certain subsidiaries in the PRC amounted to approximately HK$90,754,000 (2006: HK$50,546,000).

(c) Operating lease commitments

At 31 March 2007, the future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Not later than one year	7,382	2,034
Later than one year but not later than five years	5,717	4,574
	13,099	6,608

33 Charge of assets

At 31 March 2007, trust receipt loans of HK$169,982,000 (2006: HK$153,845,000) and bank loans of HK$30,313,000 (2006: HK$43,646,000) were secured by legal charges on the Group's properties in Hong Kong with net book amount of approximately HK$135,813,000 (2006: approximately HK$120,225,000) (notes 14, 15 and 16).

34 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	
		2007	2006
		HK$'000	HK$'000
(a)	Sale to and purchase from related parties		
	(i) Sales to associated companies	—	9,440
	(ii) Purchases from associated companies	78,728	182,574
	(iii) Purchase of machinery from associated company	—	131
	(iv) Rental income from an associated company	266	—

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

		Group	
		2007	2006
		HK$'000	HK$'000
(b)	Year-ended balances arising from sales/purchases of goods/services		
	Payables to associated companies	12,626	10,878
	Receivables from associated companies	8,975	—

Amounts due are unsecured, interest free and repayable on demand.

(c) Key management compensation
Details of key management compensation are set out in note 13 to the account.

35 Ultimate holding company

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

36 Particulars of principal subsidiaries

Name of subsidiary	Country place incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding 2007 & 2006	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 investment
Burotech Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	100	Printing and sales of computer forms and trading of commercial paper products
* Foshan NanHai JiaLing Paper Company Limited**	The People's Republic of China	Registered capital HK$81,380,000	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	Export trading of paper products to the PRC
Global Century Investments Limited	British Virgin Islands	1 ordinary shares of US$1 each	100	Property holding
High Flyer Logistics (Hong Kong) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100	Logistics services
* Shenzhen High Flyer International Transportation Co. Ltd.**	The People's Republic of China	Registered capital RMB10,000,000	80.4	Container transport services
* Hypex Holdings Limited **	Singapore	2 ordinary shares of US$1 each	100	Marine services to shipyards
* Prosperous Consolidation & Warehouse (HK) Co Ltd **	Hong Kong	1,000 ordinary shares of HK$1 each	75	Consolidation & warehouse services

36 Particulars of principal subsidiaries (continued)

Name of subsidiary	Country place incorporation	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding 2007 & 2006	Nature of business
* Prosperous Transportation (HK) Co Ltd.**	Hong Kong	2,000,000 ordinary shares of HK$1 each	75	Transportation services
Samson Paper Company Limited	Hong Kong	100 ordinary shares of HK$10 each	100	Trading of paper products
		2,850,000 non-voting shares of HK$10 each	100	
* Samson Paper (Beijing) Company Limited **	The People's Republic of China	Registered capital HK$16,380,000	100	Trading of paper products
* Samson Paper (China) Company Limited	Hong Kong	1,000 ordinary shares of HK$10 each	100	Investment holding
* Samson Paper (M) Sdn. Bhd.**	Malaysia	2,250,000 ordinary shares of RM1 each	75.69	Manufacturing & trading of paper products
* Samson Paper (Shanghai) Company Limited **	The People's Republic of China	Registered capital RMB61,650,000	100	Trading of paper products
* Samson Paper (Shenzhen) Company Limited **	The People's Republic of China	Registered capital HK$17,000,000	100	Trading of paper products
Shun Hing Paper Company	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	
United Aviation (Singapore) Pte. Ltd.**	Singapore	1 ordinary shares of US$1 each	100	Trading of aeronautical parts

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

** Foreign investment enterprises.

36 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.

37 Subsequent event

On 13 July 2007, a subsidiary of the Company entered into a Sale and Purchase Agreement for the acquisition by the subsidiary of the entire issued share capital of, and shareholder's loan to, Kingsrich Group Limited ("Kingsrich") for an aggregate consideration of HK$7,997,568.

江蘇遠通紙業有限公司 (Jiangsu Yuan Tong Paper Co. Ltd.) ("JYTP"), a company incorporated in the PRC with limited liability which is owned as to 99% by Kingsrich and 1% by江蘇省南通港閘經濟開發區總公司(Jiangsu Nantong Gangzha Economic Development Zone Corp.), will build its first Greenfield paper mill in Nantong, Jiangsu, the PRC. The paper mill will have a planned annual capacity of 250,000 MT per annum. It will be focused on producing kraftliner board and testliner board in the initial stage, and extend its production to high performance corrugating medium at a later stage. It is expected to begin trial run in January 2009 and become fully operational in April 2009. The registered capital of JYTP is US$30,000,000. Pursuant to the terms of the approval of the relevant approving authority, 20% of the registered capital of JYTP shall be contributed within 90 days of the date of issue of its business licence (i.e. by 26 June 2007) and the remaining 80% shall be contributed within two years.

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