2016 Annual Report

森信 Samson group 集團

Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

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

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business

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

Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
6 Front Street
Hamilton
Bermuda

Hong Kong Share Registrar and Transfer Office

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

Financial Highlights

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Revenue	5,000,852	5,277,933
Operating profit	151,321	245,300
Finance costs	71,601	92,708
Profit before taxation	79,720	152,592
Profit attributable to owners of the Company	46,675	114,225

CONSOLIDATED BALANCE SHEET

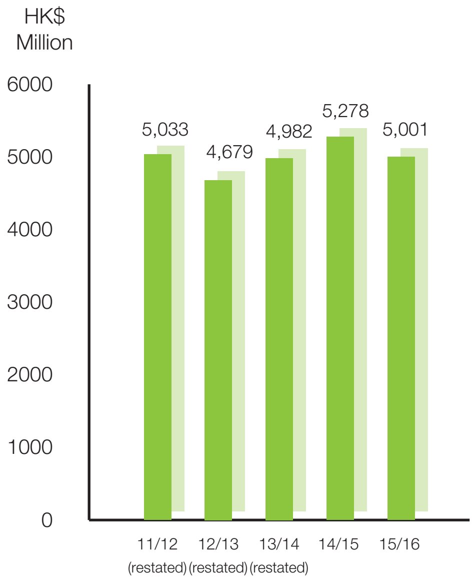
	As at 31 March	
	2016	2015
	HK$'000	HK$'000
Non-current assets	2,476,938	2,528,480
Current assets	3,221,356	3,355,423
Current liabilities	2,841,683	2,938,488
Shareholders' funds	1,704,287	1,833,346
Non-current liabilities	968,490	933,182

SHARE STATISTICS

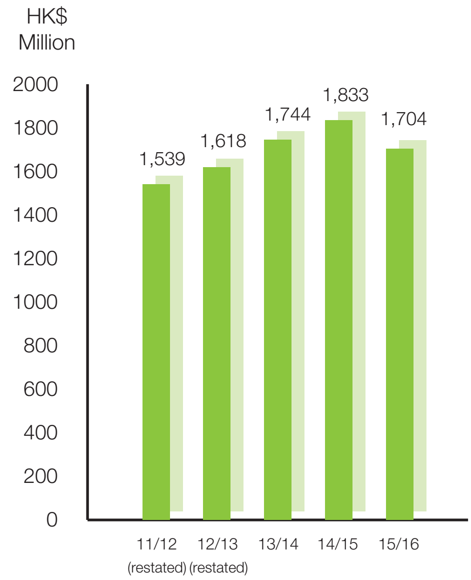
Earnings per share — basic	HK3.75 CENTS	HK9.86 CENTS
Earnings per share — diluted	HK3.67 CENTS	HK8.97 CENTS
Dividends per share	HK1.05 CENTS	HK2.90 CENTS
Net asset value per ordinary share	HK149 CENTS	HK161 CENTS

Financial Highlights

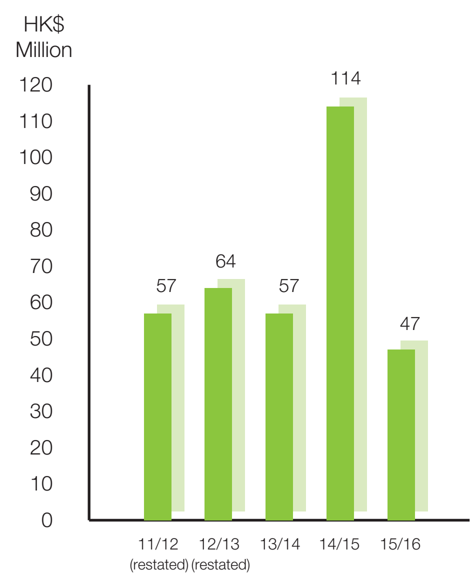
REVENUE



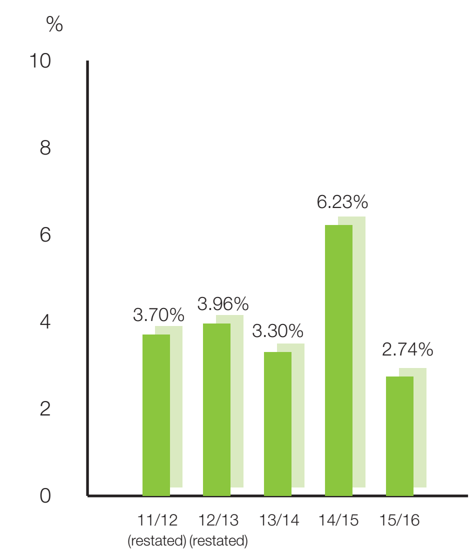
SHAREHOLDERS' FUNDS



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



RETURN ON SHAREHOLDERS' FUNDS



Chairman's Statement

The Economy

For the financial year under review, the United States was staying on a path of moderate growth while other major countries' economies, including Eurozone and China, were still facing uncertainties and slowdown. The gross domestic product growth in China, the world's second-largest economy, has continuously decelerated, reaching 6.7% in the first quarter of 2016 from 6.9% for the year of 2015, the slowest pace in 25 years. Over-capacity across heavy industries, rising bad loans among corporates and weak export environment were crimping investment and production.

In Hong Kong, the territory's economy experienced a modest growth, with 0.8% growth in real GDP in the first quarter of 2016, which is slightly slower than the 1.9% growth in the immediately preceding quarter. Slowdown in the mainland economy has caused impacts on Hong Kong economic growth. Owing to a stronger HK dollar, which is pegged to the US dollar, the Hong Kong's export performance and retail sales were adversely affected.

The Paper Industry

For the financial year under review, paper and board prices were mostly stagnant and low in the market as the downstream demand for certain grades of paper products has remained weak amid the lackluster China economy. To tackle oversupply and the ensuing stagnant pricing, mills curtailed production to lock in price hikes in the second half of the year. The efforts have brought market prices for certain grades of paper products up for small hikes and kept prices of paper products relatively steady. Banks continued to tighten their credits on customers in order to limit their high bad debt exposure. This caused fierce competition for orders from good quality customers, leading to lower profit margin when securing business.

Overview of Operations

Financial Performance

Amid the relatively stagnant operating situation, Samson Group (the "Group"), coupled with the flexible sales strategies, has adopted more prudent and stringent approach on selection of customers to prevent an increase in credit exposure while seeking higher profitability. As a result, the growth of the Group's businesses was slowed down. During the year under review, the Group's turnover decreased slightly by 5.2% to approximately HK$5,000,852,000. In terms of sales volume, it was slightly up by 0.2%. The gross profit was approximately HK$481,618,000 with a 2.2% increase in the gross profit margin to 9.6%. Notwithstanding the strong performance of paper manufacturing segment, profit for the financial year under review decreased by 55.9% to approximately HK$54,361,000 as compared with last year as a result of the significant reduction in the fair value gains attributable to the investment properties in the year under review from approximately HK$121,300,000 to approximately HK$50,200,000, and even after taking into account the startup loss of approximately HK$25,815,000 from the newly established retail business. Before accounting for the fair value gains attributable to the investment properties, the impact of the startup loss incurred in developing the Group's retail business and the net impairment on account receivables, the profit for the financial year under review would be approximately HK$47,680,000 with an increase of 1.03 times as compared with last year. Profit attributable to the owners of the Company was recorded at approximately HK$46,675,000 (2014/2015: HK$114,225,000) and the basic earnings per share were HK3.8 cents (2014/2015: HK9.9 cents).

The Board has recommended the payment of a final dividend of HK0.65 cent per share. Together with an interim dividend of HK0.4 cent per share already paid, total dividend for the year will amount to HK1.05 cents per share, translating to a dividend payment ratio of approximately 29%.

Under the current economic headwind and the volatile market environment, the Group strives to preserve an appropriate level of cash reserves to strengthen the working capital position, while dedicating to maintain a healthy financial status to maximize flexibility for the future development of the Group. As at 31 March 2016, the Group had cash and bank balance (including restricted bank deposit) of approximately HK$525,647,000 with a gearing ratio at level of 47.0%. This enables the Group to lower interest costs by 22.8% to HK$71,601,000. During the year under review, we continued to exercise a stringent credit policy and reduce the level of inventory amid the uncertain market condition. The turnover days for debtors and stock were in total shortened by 9 days. In view of the tight credit policy adopted by banks to contain their credit exposure and the volatility of the market, the provision for impairment of receivables made were HK$33,338,000, representing 0.7% of the Group's total revenue before taking into account the write back of the provision for impairment of receivables of HK$15,726,000.

Paper Business

In response to the relatively stagnant operating environment and increased focus on the creditability of customers, the Group has taken more cautious sales and procurement strategies for the business for the financial year under review. The growth of the business has slowed down. Even with a sales growth of 12.4% in paper manufacturing segment, the Group's paper product business recorded a decrease of 6.3% in turnover from approximately HK$5,098,745,000 to approximately HK$4,779,292,000. In volume terms, the sales tonnage has a slightly increase of 0.2% to 1,084,600 metric tonnes. The operating profit was approximately HK$128,675,000.

For paper trading business, the Group reported a drop of 10.3% in turnover of approximately HK$3,751,901,000, ascribing to the conservative sales approach in paying more attention on the creditability of customers while the sales tonnage fell 6.6%. Turnover from paper trading business in the PRC market decreased 9.8% to approximately HK$2,690,877,000 with a drop of 6.1% in volume facing a fierce competitive market in China while the Hong Kong market recorded a turnover of approximately HK$745,810,000, slipped by 15.7% compared to last year. As for other Asian countries, the business has been stabilized with its sales decreasing slightly by 0.6% to approximately HK$315,214,000 but with a 4.6% growth in sales tonnage.

For paper manufacturing business, the segment's turnover rose 5.5%, including inter-segment revenue, to approximately HK$1,046,485,000 with a growth of 10.8% in the sales tonnage. With its well established customer base and competitive quality of paper products recognized by customers in the region, the segment maintained steady performance in the face of weak China economic performance. Operating profit was at approximately HK$74,222,000 with operating profit margin stood at 7.1%.

Property Development and Investment

For the financial year under review, the segment generated stable rental income from the investment properties with an aggregate fair value of approximately HK$515,500,000. The total rental income of the Group rose significantly by 17.8% to approximately HK$17,819,000. The segment provides a continuous and steady inflow of revenue to the Group. A fair value gain attributable to the investment properties in the aggregate amount of approximately HK$50,200,000 was also recorded. Under the PRC government policy of upgrading and restructuring industries and increasing the level of urbanization, the Nantong local authority has granted the necessary approval for the Group to conduct property management, real estate development and real estate agency services to develop a site in a prime business location in Nantong, Jiangsu province with an aggregate area of approximately 300 mu, which has been owned by the Group since 2007, as an integrated business park. The park is designed to comprise multiple buildings tailored to accommodate a variety of businesses in an integrated setting with supporting facilities. The land is ready for development as pre-construction works have all been completed. The Group has also engaged professional surveyors for the land planning and development of the land which has already been underway. The Group is planning to develop two third of the land area in stages for sale. As a result, the costs incurred and recorded by the Group as property and land use rights in previous years were reclassified to properties under development under current assets in the Group's consolidated balance sheet, which amounted to approximately HK$60,968,000.

Other Businesses

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

The aeronautic parts and services business and marine services business recorded turnover of approximately HK$53,736,000 and HK$56,910,000 respectively during the year under review.

During the year under review, the Group expanded the retail business network from 7 to 14 stores, which achieved gains in market share. In view of the competitive local retail environment, the management adopted innovative strategies to conquer market challenges such as optimizing the store layout to improve the shopping experience of the customers, restructuring product mix through broadening the product categories into non-food products to attract customers, and implementing a new ERP system to streamline back-end and frontline workflows. An extensive training program has been implemented to enhance the merchandise management and operation discipline in order to restructure the categories and to improve service standard to customers. Furthermore, the Group's procurement team has been actively establishing new business opportunities with overseas consumer products' suppliers to widen category selections and further expand the scope of sales and margin. The segment's revenue rose 1.11 times from approximately HK$43,227,000 to approximately HK$91,302,000 due to expanded market share, but the challenging market conditions, especially in the second half of the year, led to the same store sales decreased by 14.7% as compared to last year. The gross profit margin of store sales slightly improved by 0.9 percentage point for the financial year under review. Since the segment was not only developing at the initial infrastructure building stage, but also operating in a slackened retail business environment, the Group recorded an operating loss of approximately HK$25,815,000 for the segment for the financial year under review, in which a significant amount of costs was incurred in developing infrastructures such as ERP computer system as well as hiring management resources to expand the workforce of relevant departments.

Prospects

Looking ahead, the macro economy is expected to be challenging and China's economy still faces downward pressure but improvement has been reflected in recent data such as PMI and trade export figures. The government will adopt pre-emptive policy adjustments to strive to maintain economic growth within a reasonable range of 6.5% to 7.0% for 2016 and excessive industrial overcapacity will be trimmed down through pressing ahead with "supply-side reforms". Despite financial market fluctuations and geopolitical issues, China is working towards its plan to rebalance from investment and manufacturing–driven growth to a model based on expanding services and consumer spending.

After the elimination of outdated production capacities and implementation of stringent environmental protection policies, the imbalance of supply and demand situation is gradually easing. In the long run, paper prices will be stabilized and gradually recover in an upward trend direction once the market demand picks up. In view of the banks' tight credit policy on customers, the Group continues to adopt a flexible, appropriate and cautious approach on sales and procurement in developing the paper business while monitoring closely the creditability of customers. At the same time, the Group will further enhance the competitiveness of paper business through consolidating units of operation, streamlining workflows, establishing effective cost controls and making capital investments on machineries and power plant facilities.

The property development and investment segment is one of the Group's business segment. To pursue growth on such businesses, the Group has been providing further resources and efforts on the Nantong business park project. The Group has in place a dedicated and specialized project development team to oversee both the development and marketing activities in order to tailor the design and features of the park directly with potential buyers, who would have been secured before the construction of the units commences. The potential buyers will make progressive payments over the construction period which will also ease the cash flow spending of the Group. Phase I of the construction works is planned to commence in the second half of 2016. It is expected that the project will provide a steady boost of revenue from the property sales and service fees income to the Group. This further enhances the profitability as well as operating cash flow of the Group to support the continued and sustained development of new development projects for the Group.

Although the market is expected to remain challenging in the coming years, the Group strives to find synergies across the Group's different business units, with a special emphasis on providing wide variety of caring, energetic, trustworthy, healthy and value for money products to Hong Kong consumers. The retail business will strengthen the range of choices of the products sold through direct sourcing from overseas with a higher proportion of unique products to sharpen its presence in brands and business. Under the local rental environment, particular attention will be focused on the store consolidation opportunities. Meanwhile, the retail business will broaden the product range, streamline logistics and costs and improve the store location in 2016 to attract customers to support steady and healthy growth in sales and margin.

Appreciation

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

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 27 June 2016

Turnover by Geographical Area

For the financial year under review, the Group registered a turnover of approximately HK$5,000.8 million, which decreased by 5.3% compared to last year.

Under the cautious sales and procurement strategies adopted for the paper business, even with a strong growth in the business of paper manufacturing segment, turnover of paper business recorded a decrease of 6.3% to approximately HK$4,779.3 million. In volume terms, the total sales tonnage of paper business in all geographical regions increased slightly by 0.2% to 1,084,600 metric tonnes. Sales in the PRC reported a decrease of 4.6% to HK$3,718.3 million, making up 77.8% of the Group's total revenue from paper products. Sales of paper products in Hong Kong contributed 15.6% while those in Malaysia and other countries contributed the remaining 6.6% of the Group's revenue from paper business.

In addition to the paper business, the Group engaged in the property development and investment, the retail business, the distribution business of consumable aeronautic parts and provision of related services and marine services business. These business segments together contributed approximately HK$219.7 million, 4.4% (2015: HK$ 175 million, 3.3%) of the Group's total revenue.

	2016 HK$ million	2015 HK$ million	% change
Hong Kong			
Paper trading	745.8	885.0	–15.7%
Rental services	17.8	15.1	17.9%
Retail business	91.3	43.2	111.3%
The PRC			
Paper trading	2,690.9	2,982.9	–9.8%
Paper manufacturing	1,027.4	913.8	12.4%
Logistics services	1.8	4.2	–57.1%
Singapore			
Marine services	56.9	66.0	–13.8%
Aeronautic parts and services	53.7	50.7	5.9%
Other regions			
Paper trading	315.2	317.1	–0.6%
Total revenue	5,000.8	5,278.0	–5.3%

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

(in '000 Metric Tonnes)	2015	2014	+/–
Import	619	700	–11.6%
Re-export	133	162	–17.9%
Local consumption	484	538	–10.0%

Turnover by Geographical Area (continued)

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

(in '000 Metric Tonnes)	2015	2014	+/–
Newsprint	60	50	20.0%
Woodfree	370	310	19.4%
Coated paper	340	340	—%
Corrugated board	1,050	1,060	–0.9%
Duplex board	610	640	–4.7%
Corrugating medium	90	50	80.0%
Others	350	370	–5.4%
	2,870	2,820	1.8%

Major Product Analysis

As a national paper distributor in the Mainland China and one of the largest paper traders in Hong Kong, the Group currently maintains a stock of over 100 paper brands. The Group's two main product categories, book printing papers and packaging boards, accounted for 41.2% and 48.4% of the Group's turnover of paper products respectively. For the year under review, under the severe market conditions, sales of book printing papers and sales of packaging boards decreased by 5.1% and 5.3% respectively.

Working Capital and Inventory Management

Amid the challenging operating environment, the management continued to take a prudent approach on the selection of customers and cautiously assessed the creditability of customers. In addition, the management made additional effort on monitoring the performance of customers. The Group's effort has attained fruitful results, which enables the Group to shorten the collection period by 3 days and has a write back of impaired receivable provision of HK$15.7 million for the year under review. This further indicates that the Group's operation control and policy is able to fend off the volatile market situation. As a part of risk management, the Group continued to have credit insurance coverage on the accounts receivable of paper business in Hong Kong and the PRC. However, for prudent accounting purpose, the Group continued to take conservative approach to make provision for doubtful debts to cover the credit exposure. Impaired receivable provision of HK$33.3million was made, which is at 0.7% of the Group's total revenue in view of the adverse market condition.

To maintain a strong working capital position and minimize the risk exposure of the value of stocks against paper price, the Group has kept a low level of stocks at HK$610.4 million as at 31 March 2016 with the turnover days being shortened by 6 days.

Employees and Remuneration Policies

As at 31 March 2016, the Group employed 1,737 staff members, 151 of whom are based in Hong Kong and 1,286 are based in the PRC and 300 are based in other countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. Remuneration policies are reviewed regularly to ensure that the Group is offering competitive employment packages. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund and medical insurance. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

Liquidity and Financial Resources

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flows generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 31 March 2016, short term deposits plus bank balances amounted to HK$526 million (2015: HK$629 million) (including restricted bank deposits of HK$166 million (2015: HK$218 million)) and bank borrowings amounted to HK$2,200 million (2015: HK$2,148 million).

The Group continues to implement prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2016, the Group's gearing ratio was 47.0% (2015: 43.0%), calculated as net debt divided by total capital. Net debt of HK$1,674 million (2015: HK$1,519 million) is calculated as total borrowings of HK$2,200 million (2015: HK$2,148 million) (including trust receipt loans, short term and long term borrowings, finance lease obligations and bank overdraft) less cash on hand and restricted deposits of HK$526 million (2015: HK$629 million). Total capital is calculated as total equity of HK$1,888 million (2015: HK$2,012 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.13 times (2015: 1.14 times).

With bank balances and other current assets amounted to HK$3,221 million (2015: HK$3,355 million) as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital for its present requirement.

Foreign Exchange Risk

The Group's transaction currencies are principally denominated in Renminbi, United States dollar and Hong Kong dollar. The Group hedged its position with foreign exchange contracts and options when considered necessary. The Group has continued to obtain Renminbi loans which provide a natural hedge against currency risks. As at 31 March 2016, bank borrowings in Renminbi amounted to HK$123 million (2015: HK$340 million). The remaining borrowings are mainly in Hong Kong dollar. The majority of the Group's borrowings bear interest costs which are based on floating interest rates. The Group has entered an interest rate swap contract, the notional principal amount of the outstanding interest rate swap contract as at 31 March 2016 was HK$20,000,000 (2015: HK$20,000,000).

Contingent Liabilities and Charge of Assets

As at 31 March 2016, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2016 amounted to HK$2,194 million (2015: HK$2,139 million).

Certain land and buildings, investment properties and non-current assets held for sale of the Company's subsidiaries, with a total carrying value of HK$575 million as at 31 March 2016 (2015: HK$519 million) were pledged to banks as securities for bank loans of HK$33 million (2015: HK$51 million) and trust receipt loans of HK$99 million (2015: HK$117 million) granted to the Group.

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 financial year of 2016, the Company has met the Code Provisions set out in the Code except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's bye-laws.

Board of Directors

The Board currently comprises five executive and four non-executive Directors of whom three are independent as defined by the Stock Exchange. (The biographies of the Directors, together with information about the relationship among them, are set out on page 22). Independent non-executive Directors are one-third of the Board. Under the Company's bye-laws, every Director is subject to retirement by rotation at least once every three year. One-third of the Directors, who have served the longest on the Board, must retire from office at each Annual General Meeting and their re-election is subject to a vote of shareholders.

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

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

Directors' Training and Professional Development

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

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

During the year ended 31 March 2016, the Company has organized training sessions provided by external professional firm to the Board.

Board of Directors (continued)

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

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

Note 1: Chairman of Remuneration Committee
Note 2: Chairman of Audit Committee
Note 3: Chairman of Nomination Committee

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

Chairman and Chief Executive Officer

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

Non-executive Directors

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

Remuneration of Directors

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

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

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

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

The Directors' emoluments paid or payable to the Directors during the year are set out on an individual and named basis, in note 39 to the accounts of this Annual Report.

Pursuant to B.1.5 of the Corporate Governance Code, the remuneration of the members of the Senior Management (including executive directors) by band for the year ended 31 March 2016 is set out below:

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

Nomination Committee

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

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

Audit Committee

The audit committee of the Company (the "Committee") comprises two independent non-executive Directors of the Company, namely Mr. Pang Wing Kin, Patrick and Mr. Tong Yat Chong and one non-executive Director of the Company, namely Mr. Lau Wang Yip, Eric. The principal activities of the Committee include the review and supervision of the Group's financial reporting process and internal controls. The Committee has met with the senior management of the Company and the Company's external auditor to review the final results for the year ended 31 March 2016 before recommending them to the Board for approval.

Company Secretary

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the board chairman and the chief executive. During the year 2015/2016, the company secretary has taken no less than 15 hours of relevant professional training.

Internal Control and Risk Management

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

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

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

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

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

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

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 2016/2017 was held in February 2016. The scope of the meeting included the following areas:

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

On the other hand, the half-yearly performance review for the year 2015/2016 (i.e. April to September 2015) was conducted in October 2015. The monthly performance reviews for the same year were carried out as well. It is important to monitor results and progress against the budget. Revenue and expenditures were compared with the budget and projections were revised when considered necessary.

Auditor's Remuneration

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

Service	Fee charged HK$'000
(a) Audit services	2,650
(b) Non-audit services (note)	82

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

Model Code for Securities Transactions

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

Financial Reporting

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

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

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

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 28.

Communication with Shareholders

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

Shareholders' Rights

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

Changes in Constitutional Documents

There is no significant change in the Company's constitutional documents during the year ended 31 March 2016. These documents are published on the website of the Company and the Stock Exchange.

Environment

In the global trend of environmental protection and public consciousness, protecting environment is no longer a matter of a nation, but has been sublimated into every corporation, every families and even everyone. Being one of corporations, the Group commits to protect the environment continually.

Throughout the years, China, being a developing country, has been actively balancing rapid development and sustainable environmental protection in which optimizing manufacturing industries plays a significant role. In 2015, the PRC government has implemented several environmental protection measures such as the new Environmental Protection Law and the Action Plan for Water Pollution Prevention and Control — "Water Ten Plan". To achieve sustainable development, the Group has strong governance practices in place such as pollution minimization ,waste reduction and efficient energy utilization, while working diligently to ensure compliance with applicable relevant regulations and standards. At the beginning of 2016, we have launched a project of improvement of power plant facility to raise its efficiency at lowering carbon dioxide emissions.

With continuous efforts, the Group's manufacturing business has won several prestigious awards from Shandong Province, including "Leading Unit in Revitalization of Industrial Restructuring" in May 2015, "Leading unit in energy saving" and "Environment-Friendly Enterprise" in September 2015, and "Leading unit in Environmental Protection Work for the District" in March 2016.

The Group's trading business has continuously received "Chain-of-Custody" certification by not only using FSC-approved paper internally, but introducing to our business partners and customers and encouraging them to be environmental-friendly . In addition, one of our group companies is awarded of 2015 Carbon Care® Label from Caron Care Asia by undertaking an advanced and complexed evaluation process to ensure carbon emissions are in control and monitored. It also affirms the Group's efforts to promote a low-carbon environment. We committed to implement actively in building an environmental-friendly business in order to make the business successful and sustainable.

Human Resource Management

Staff is one of the cornerstones of a business. The Group highly emphasizes the importance of staff and respects them regardless of their duties and positions. The Group enhances the developments of its staff by building capability, promoting talents and inspiring excellence. With the core value, fairness and esteem which the management has been consistently focusing and enforcing on, the Group devotes vigorously in optimizing working environment, improving remuneration system, as well as stimulating and supporting personal development.

In addition to developing staff's professional knowledge, the Group vigorously pursues to maintain the staff's sense of belonging and create a pleasant working and living environment. Dormitory fully furnished with recreational and fitness facilities is provided in the Group's manufacturing site for employees whose home is not nearby. Team-building and outdoor recreational activities, sports competitions, work competency exercises , in-house seminars and annual dinner functions are to be held frequently.

In addition, the management exerts high attention on staff's job satisfaction and loyalty. The Group believes that fluent communication would create higher performance and team work in the means of providing interactive channels to improve communications between management and staff at all levels.

Contributions to Society

Harmonious society is one prerequisite for a stable development of a business. Today, the Group can be a multinational-business group is not only because of the contribution of staff, but mainly because of this harmonious society. Over the years, regarding the contributions to society, the Group has been committed to participate in various charitable activities, and in 2015, the Group got an award of "Zaozhuang Charity Award (the most donation enterprise)" from Shandong Province.

The Directors submit their report together with the audited accounts for the year ended 31 March 2016.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing, trading and marketing of paper products, property development as well as leasing of investment properties as set out in note 37 to the accounts. The Group also engages in trading of consumable aeronautic parts and provision of related services, provision of logistic services and marine services and retail business. The Group's customers are mainly based in Hong Kong and the PRC.

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

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 30.

The Directors have declared an interim dividend of HK0.4 cent per share, totalling HK$5,092,000, which was paid on 8 January 2016.

The Directors recommend the payment of a final dividend of HK0.65 cent per share, totalling HK$8,275,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 28 and note 38 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK$1,065,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 12 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 2016, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$264,260,000 (2015: HK$287,596,000).

Pre-emptive Rights

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

Five Year Financial Summary

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

	2012 HK$'000 (restated)	2013 HK$'000 (restated)	2014 HK$'000 (restated)	2015 HK$'000	2016 HK$'000
Revenue (note)	5,033,421	4,678,519	4,982,417	5,277,933	5,000,852
Profit attributable to owners of the Company	56,710	63,661	57,196	114,225	46,675
Total assets	5,276,147	5,246,166	5,599,964	5,883,903	5,698,294
Total liabilities	3,632,517	3,520,754	3,686,361	3,871,670	3,810,173
Total equity	1,643,630	1,725,412	1,913,603	2,012,233	1,888,121

Note: To conform to the current year's presentation, rental income HK$8,397,000, HK$8,684,000 and HK$13,300,000 respectively for the financial years 2012, 2013 and 2014, has been reclassified from "Other gains and income, net" to "Revenue".

Purchase, Sale or Redemption of Shares

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

Share option scheme

At the Special General Meeting of the Company held on 18 September 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 March 2016, no option was granted under the Option Scheme. A summary of the terms and conditions of the Option Scheme are set out below.

(1) *Purpose*

The purpose of the Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

(2) *Participants*

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

(3) *Maximum number of shares*

The number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum number of share available for issue under the Option Scheme is nil as at the date of this report.

Purchase, Sale or Redemption of Shares (continued)

Share option scheme (continued)

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

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

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

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

(8) *Remaining life of the Option Scheme*
The Option Scheme will remain in force until 17 September 2025.

Directors

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

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

Non-executive Director
Mr. LAU Wang Yip, Eric

Independent non-executive Directors
Mr. PANG Wing Kin, Patrick
Mr. TONG Yat Chong (note)
Mr. NG Hung Sui, Kenneth

Note: Mr. CHOW Wing Yuen, Mr. LEE Yue Kong, Albert and Mr. TONG Yat Chong 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 90, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 57 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 59, is the Deputy Chairman and Chief Executive Officer of the Group. Mr. Lee is responsible for the formulation of the Group's corporate strategies and development. He joined the Group in 1997. He is the husband of Ms. Sham Yee Lan, Peggy and a son-in-law of Mr. Sham Kit Ying.

Mr. CHOW Wing Yuen, aged 57, 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 38 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 50, is a Director of the Group. Ms. Sham joined the Group in 1989 and is responsible for the Group's overall credit and administrative management. Ms. Sham is the wife of Mr. Lee Seng Jin and a daughter of Mr. Sham Kit Ying.

Mr. LEE Yue Kong, Albert, aged 60, 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 33 years of experience in the finance, auditing and accounting fields. Prior to joining the Group in June 1997, Mr. Lee was an independent non-executive Director of the Company. He is 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 60, is a qualified accountant and has over 33 years of working experience in the auditing, finance and general management areas. Mr. Pang is currently a financial consultant to an Australian company which has investment in China. Mr. Pang was appointed independent non-executive Director of the Company in 1995. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Mr. LAU Wang Yip, Eric, aged 49, 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.

Biographical Details of Directors and Senior Management (continued)

Non-executive Directors (continued)

Mr. TONG Yat Chong, aged 59, is a qualified accountant and has over 31 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 49, is a solicitor practising in Hong Kong. He was appointed independent non-executive Director of the Company in 2005 and is currently a partner of a local law firm. Mr. NG holds a Bachelor's degree in Laws and has been admitted as a solicitor in Hong Kong. He was also admitted as a solicitor in England and Wales and as a legal practitioner in Tasmania, Australia. He was appointed as a Notary Public of Hong Kong on 3 April 2008.

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

Senior Management

Mr. CHAN Kwok Keung, aged 56, is a Sales Director of Samson Paper (China) Company Limited. He joined the Group in 1990 and has over 29 years of working experience in the paper distribution industry and is responsible for the procurement of paper products and overseeing the general operations in China.

Mr. CHU Wai Kwong, aged 59, is a Sales Director of Samson Paper (China) Company Limited. He joined the Group in 1976. He has over 29 years of sales experience in the paper distribution industry and is responsible for the development of specialty paper and products and its operation in China.

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

As at 31 March 2016, the interests and short positions of each Director and Chief Executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(a) Long position in shares of the Company

Ordinary shares of HK$0.10 each

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

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 shares of the Company (continued)

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

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

Save as disclosed above, as at 31 March 2016, none of the Directors and Chief Executives had any interests or short positions in the shares, underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

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

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

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

At 31 March 2016, the interests and short positions of the shareholders other than a Director or Chief Executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO are as follows:

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

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

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

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

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

Save as disclosed above, the register which is required to be kept under Section 336 of the SFO shows that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 March 2016.

Public Float

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

Management Contracts

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

Major Customers and Suppliers

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

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

Related Party Transactions and Continuing Connected Transactions

Details on related party transactions for the year are set out in note 35 to the consolidated accounts. Details of any related party transaction which constitute continuing connected transaction not exempted under Rule 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are disclosed below.

Continuing connected transactions

On 25 July 2013, Samson Paper Company Limited (a subsidiary of the Company) and DaiEi Papers (H.K.) Limited (a subsidiary of Kokusai-Pulp and Paper Company Limited ("KPP")) entered into the master agreement (the "KPP Master Agreement") pursuant to which the Group and KPP and its subsidiaries ("KPP Group") may sell and purchase the paper products to and from each other. As KPP and its subsidiaries (being associates of KPP) are connected persons of the Group by virtue of KPP's 22.30% interest as a substantial shareholder in Mission Sky Group Limited (a subsidiary of the Company), the supply and purchase transactions with KPP Group under the KPP Master Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the financial year ended 31 March 2016, the actual amount of sale and purchase transactions were HK$1,145.5 million in respect of the total purchases by the Group from KPP Group and approximately HK$26.8 million in respect of the total sales to KPP Group by the Group. Of such purchase transactions, approximately HK$444 million was purchased from Keishin Papers Trade (Shanghai) Company Limited, a subsidiary of KPP, which is a related party of the Group under the relevant Hong Kong Accounting Standards and a connected person of the Group under the Listing Rules. Such related party transactions, which also constituted continuing connected transactions, were also disclosed on page 85 of this Annual Report under note 35 to the consolidated financial statement.

Annual review of continuing connected transactions

The independent non-executive directors of the Company have reviewed the aforesaid continuing connected transactions for the year ended 31 March 2016 (the "Transactions") and confirmed that the Transactions were entered into:

(i) In the ordinary and usual course of business of the Group;

(ii) On normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) In accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.

Independence of Independent Non-executive Directors

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

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

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

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

Independent Auditor

The 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, 27 June 2016

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

We have audited the consolidated financial statements of Samson Paper Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 30 to 91, which comprise the consolidated balance sheet as at 31 March 2016, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

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

pwc

羅兵咸永道

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2016

Consolidated Profit and Loss Account

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	5,000,852	5,277,933
Cost of sales		(4,519,234)	(4,780,503)
Gross profit		481,618	497,430
Fair value gains on investment properties	5	50,200	121,300
Other gains and income, net	5	32,008	27,420
Selling expenses		(198,313)	(185,391)
Administrative expenses		(203,375)	(207,797)
Other operating expenses		(10,817)	(7,662)
Operating profit	6	151,321	245,300
Finance costs	7	(71,601)	(92,708)
Profit before taxation		79,720	152,592
Taxation	8	(25,359)	(29,256)
Profit for the year		54,361	123,336
Attributable to:			
— Owners of the Company		46,675	114,225
— Non-controlling interests		7,686	9,111
		54,361	123,336
Earnings per share			
Basic	10	HK3.8 cents	HK9.9 cents
Diluted	10	HK3.7 cents	HK9.0 cents
Dividends	9	13,367	36,921

The notes on pages 37 to 91 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	54,361	123,336
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Currency translation differences	(142,331)	(7,618)
Revaluation of available-for-sale financial assets	779	(537)
Other comprehensive loss for the year, net of tax	(141,552)	(8,155)
Total comprehensive (loss)/income for the year	(87,191)	115,181
Attributable to:		
— Owners of the Company	(92,138)	106,293
— Non-controlling interests	4,947	8,888
Total comprehensive (loss)/income for the year	(87,191)	115,181

The notes on pages 37 to 91 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	12	1,755,225	1,841,074
Land use rights	13	143,266	166,105
Investment properties	14	515,500	465,300
Intangible assets	15	41,618	41,788
Available-for-sale financial assets	16	5,732	4,953
Non-current deposits and prepayments	17	6,614	5,715
Deferred tax assets	29	8,983	3,545
		2,476,938	2,528,480
Current assets			
Properties under development	19	60,968	—
Inventories	20	610,372	721,431
Accounts and other receivables	21	2,021,894	1,998,650
Financial assets at fair value through profit or loss	22	637	786
Taxation recoverable		1,838	913
Restricted bank deposits	23	166,181	218,000
Bank balances and cash	24	359,466	411,270
		3,221,356	3,351,050
Non-current assets held for sale	18	—	4,373
		3,221,356	3,355,423
Current liabilities			
Accounts and other payables	25	1,392,023	1,571,600
Trust receipt loans	26	885,623	752,466
Taxation payable		53,517	32,617
Derivative financial instruments	30	55	293
Borrowings	26	510,465	581,512
		2,841,683	2,938,488
Net current assets		379,673	416,935
Total assets less current liabilities		2,856,611	2,945,415

	Note	2016 HK$'000	2015 HK$'000
Financed by:			
Share capital	27	127,315	127,315
Reserves	28	1,576,972	1,706,031
		1,704,287	1,833,346
Non-controlling interests		183,834	178,887
Total equity		1,888,121	2,012,233
Non-current liabilities			
Accounts and other payables	25	71,140	23,808
Borrowings	26	804,019	813,857
Deferred tax liabilities	29	93,331	95,517
		968,490	933,182
		2,856,611	2,945,415

The notes on pages 37 to 91 are an integral part of these consolidated financial statements.

The financial statements on pages 30 to 91 were approved by the Board of Directors on 27 June 2016 and were signed on its behalf.

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Attributable to owners of the Company					
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 2014	127,315	841,656	774,633	1,743,604	169,999	1,913,603
Comprehensive income						
Profit for the year	—	—	114,225	114,225	9,111	123,336
Other comprehensive loss						
Currency translation differences	—	(7,395)	—	(7,395)	(223)	(7,618)
Revaluation of available-for-sale financial assets	—	(537)	—	(537)	—	(537)
Total other comprehensive loss, net of tax	—	(7,932)	—	(7,932)	(223)	(8,155)
Total comprehensive (loss)/income	—	(7,932)	114,225	106,293	8,888	115,181
Transactions with owners in their capacity as owners						
Transfer to statutory reserve	—	746	(746)	—	—	—
2013–2014 final dividend paid	—	—	(11,459)	(11,459)	—	(11,459)
2014–2015 interim dividend paid	—	—	(5,092)	(5,092)	—	(5,092)
Total transactions with owners in their capacity as owners	—	746	(17,297)	(16,551)	—	(16,551)
Balance at 31 March 2015	127,315	834,470	871,561	1,833,346	178,887	2,012,233

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

The notes on pages 37 to 91 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Operating activities			
Cash generated from operations	31(a)	70,123	259,903
Interest paid		(71,601)	(96,153)
Hong Kong profits tax paid		(5,008)	(7,109)
Overseas taxation paid		(5,480)	(5,051)
Net cash (used in)/generated from operating activities		(11,966)	151,590
Investing activities			
Purchase of property, plant and equipment		(125,397)	(104,368)
Purchase of land use rights		(5,482)	(17,385)
Purchase of intangible assets		—	(87)
Proceeds from disposal of property, plant and equipment	31(c)	25,291	2,390
Proceeds from disposal of leasehold land and land use rights	31(c)	—	3,071
Decrease in non-current deposits and prepayment		(899)	15,688
Interest received		7,507	8,880
Net cash used in investing activities		(98,980)	(91,811)
Financing activities			
Net increase in bank borrowings	31(b)	459,135	1,600,753
Repayment of bank loans	31(b)	(539,456)	(1,620,132)
Repayment of financial lease liabilities		(2,272)	(2,614)
Increase in trust receipt loans		133,157	113,013
Decrease/(increase) in restricted bank deposits		51,819	(12,107)
Dividends paid to shareholders		(36,921)	(16,551)
Net cash generated from financing activities		65,462	62,362
Net (decrease)/increase in cash and cash equivalents		(45,484)	122,141
Cash and cash equivalents at beginning of the year		408,968	287,303
Effect of changes in exchange rates on cash and cash equivalents		(6,670)	(476)
Cash and cash equivalents at end of the year	24	356,814	408,968

The notes on pages 37 to 91 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 27 June 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants "HKICPA". The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties, available-for-sale financial assets and financial assets/liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

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

(a) New and Amended Standards adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning 1 April 2015 but have no significant impact to the Group's results and financial positions:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs — 2010–2012 Cycle, on HKFRS 8, "Operating segments", HKAS 16, "Property, plant and equipment" and HKAS 38, "Intangible assets" and HKAS 24, "Related party disclosures".

Amendments from annual improvements to HKFRSs — 2011–2013 Cycle, on HKFRS 3, "Business combinations", HKFRS 13, "Fair value measurement'" and HKAS 40, "Investment property".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *New Standards and Interpretations not yet adopted.*
A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2015 and have not been applied in preparing these consolidated financial statements.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investments entities applying the consolidation exception	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKAS 1	The disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual Improvements Project	Annual improvement 2014 cycle	1 January 2016
HKFRS 16	Leases	1 January 2019
HKFRS 9	Financial instruments	1 January 2018

The Group has commenced an assessment of the impact of the above new and amended standards and interpretations and considers that they will not have any significant impact on the results of the Group's operations and financial position. The Group plans to adopt the above new and amended standard and interpretations when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combinations*

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2.2.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation

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

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

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

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

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

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

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

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Construction-in-progress

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

2.6 Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

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

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

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

2.7 Investment properties

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets

2.8.1 Classification

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

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

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

(b) *Loans and receivables*

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

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

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

2.8.2 Recognition and measurement

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

2.8.2 Recognition and measurement (continued)

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

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

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

2.8.3 Offsetting

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

2.9 Derivative financial instruments

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

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

2.10 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of financial assets

(a) *Assets carried at amortised cost*

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

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

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

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

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

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

2.12 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amounts are to be recovered principally through sale transactions and sales are considered highly probable. It is stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Properties under development

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

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

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

2.14 Inventories

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

2.15 Accounts and other receivables

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

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

2.16 Cash and cash equivalents

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

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated 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 twelve months after the end of the reporting period.

2.18 Borrowing costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Accounts payables

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

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

2.20 Share capital

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

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

2.21 Revenue recognition

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

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

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

Service income is recognised when the relevant services are rendered.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Segment reporting

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

2.23 Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Retirement benefit obligations*

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

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

(c) *Bonus plan*

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

2.24 Leases (as lessee)

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

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

Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Leases (as lessor)

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

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

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

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

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

2.26 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

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

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

(c) Offsetting

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

2.27 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) *Cash flow interest-rate risk*

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

The Group's interest-rate risk arises from bank borrowings. As at 31 March 2016 and 2015, borrowings are primarily at floating interest rates. In order to manage the cash flow interest-rate risk, the Group sometimes enters into interest rate swap.

At 31 March 2016, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been HK$6,665,000 (2015: HK$6,412,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

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

The Company has no significant concentrations of credit risk. The carrying amounts of bank balances and balances with group companies included in the balance sheet represent the Company's maximum exposure to credit risk in relation to its financial assets.

As at 31 March 2016, management does not expect any major impairment on receivables from group companies.

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facilities (note 26) and bank balances and cash (note 24)) on the basis of expected cash flow.

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 March 2016					
Term loans subject to a repayment on demand clause	140,000	—	—	—	—
Derivative financial instruments	—	55	—	—	—
Other bank borrowings[1]	—	374,288	432,331	408,351	7,487
Trust receipt loans[1]	—	889,977	—	—	—
Accounts and other payables[1]	—	1,360,438	71,400	—	—
Finance lease liabilities[1]	—	1,890	1,943	2,871	347
At 31 March 2015					
Term loans subject to a repayment on demand clause	86,379	—	—	—	—
Derivative financial instruments	—	293	—	—	—
Other bank borrowings[1]	—	501,425	204,265	658,074	8,917
Trust receipt loans[1]	—	756,692	—	—	—
Accounts and other payables	—	1,571,600	23,808	—	—
Finance lease liabilities[1]	—	2,765	2,583	3,259	507

[1] The amounts include interest payable.

The Company provides corporate guarantees as disclosed in note 32.

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 March 2016	142,072	—	—
At 31 March 2015	87,839	—	—

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

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

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

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

	2016 HK$'000	2015 HK$'000
Total borrowings (note 26)	2,200,107	2,147,835
Less: Cash, bank balances and restricted deposits	(525,647)	(629,270)
Net debt	1,674,460	1,518,565
Total equity	1,888,121	2,012,233
Total capital	3,562,581	3,530,798
Gearing ratio	47.0%	43.0%

3.3 Fair value estimation

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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

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

The following table presents the Group's assets/(liabilities) that were measured at fair value at 31 March 2015.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
— Trading securities	786	—	—	786
Available-for-sale financial assets				
— Insurance policy	—	—	4,440	4,440
— Other investment	—	—	513	513
	—	—	4,953	4,953
Derivative financial instruments				
— Interest rate swap	—	(293)	—	(293)
	786	(293)	4,953	5,446

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Current and deferred income taxes

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

(b) Estimated provision for accounts and other receivables

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

(c) Estimated write-downs of inventories to net realisable 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) Useful lives and residual values of property, plant and equipment and impairment assessment 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.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. The calculations require the use of judgements and estimates.

(e) Estimated impairment of goodwill

The Group tests annually whether goodwill has suggested any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates (note 15).

(f) Estimated valuation of investment properties

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

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

5 REVENUE, OTHER GAINS AND INCOME, NET AND SEGMENT INFORMATION

Revenue recognised is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Sale of goods	4,924,330	5,192,659
Leasing of investment properties	17,818	15,123
Provision of services	58,704	70,151
	5,000,852	5,277,933
Fair value gains on investment properties (note 14)	50,200	121,300
Other gains and income, net		
Interest income	7,507	8,880
Sales of scrap materials	8,043	4,317
Realised and unrealised (losses)/gains on investments in financial assets at fair value through profit or loss	(149)	60
Gain on disposal of property, plant and equipment	292	970
Gain on disposal of land use rights	—	2,321
Others	16,315	10,872
	32,008	27,420

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from the perspective of the business activities. The chief operating decision-maker assesses the performance of the operating segments based on a measure of segment profit/loss without allocation of finance costs which is consistent with that in the financial statements.

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

(1) Paper trading: trading and marketing of paper products;

(2) Paper manufacturing: manufacturing of paper products in Shandong, the PRC;

(3) Property development and investment: developing properties for sale and leasing of investment properties; and

(4) Others: including trading and marketing of aeronautic parts and provision of related services and the provision of marine services to marine, oil and gas industries and retail business.

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

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

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

5 REVENUE, OTHER GAINS AND INCOME, NET AND SEGMENT INFORMATION (continued)

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

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

5 REVENUE, OTHER GAINS AND INCOME, NET AND SEGMENT INFORMATION (continued)

The segment information for the year ended and as at 31 March 2015 is restated as follows:

	Paper trading HK$'000	Paper manufacturing HK$'000	Property development and investment HK$'000	Others HK$'000	Total HK$'000
Total segment revenue	4,278,526	992,101	17,483	171,533	5,459,643
Inter-segment revenue	(93,544)	(78,338)	(2,360)	(7,468)	(181,710)
Revenue from external customers	4,184,982	913,763	15,123	164,065	5,277,933
Reportable segment results	45,921	85,109	135,036	(8,598)	257,468
Corporate expenses					(12,168)
Operating profit					245,300
Finance costs					(92,708)
Profit before taxation					152,592
Taxation					(29,256)
Profit for the year					123,336
Other items for the year ended 31 March 2015					
Interest income	7,969	876	—	35	8,880
Depreciation of property, plant and equipment	11,109	48,345	—	9,547	69,001
Amortisation of land use rights	857	3,597	—	74	4,528
Amortisation of intangible assets	847	49	—	60	956
Fair value gains on investment properties	—	—	121,300	—	121,300
Capital expenditure	9,833	108,168	—	12,838	130,839
Reportable segment assets	2,905,710	2,329,508	467,865	176,048	5,879,131
Taxation recoverable					913
Deferred tax assets					3,545
Corporate assets					314
Total assets					5,883,903
Reportable segment liabilities	2,070,963	240,349	2,890	33,497	2,347,699
Taxation payable					32,617
Deferred tax liabilities					95,517
Corporate liabilities					1,395,837
Total liabilities					3,871,670

5 REVENUE, OTHER GAINS AND INCOME, NET AND SEGMENT INFORMATION (continued)

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

	Revenue		Non-current assets[1]	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Hong Kong	854,931	943,379	600,488	570,403
The PRC[2]	3,720,059	3,900,855	1,796,038	1,882,127
Singapore	110,646	116,638	57,995	57,786
Korea	276,797	271,776	2,159	2,539
Malaysia	37,788	41,527	11,268	12,072
USA	631	3,758	7	8
	5,000,852	5,277,933	2,467,955	2,524,935

1 Non-current assets excluded deferred tax assets.

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

6 OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2016 HK$'000	2015 HK$'000
Charging		
Cost of inventories sold	4,382,911	4,631,225
Depreciation of property, plant and equipment	72,114	69,001
Amortisation of land use rights	5,010	4,528
Amortisation of intangible assets	957	956
Operating lease rentals in respect of land and buildings:		
— Minimum lease payment	41,756	28,797
— Contingent rent	159	209
Transportation costs	79,867	70,915
Provision for impairment on receivables	33,338	10,193
Employee benefit expenses	134,686	128,263
Auditor's remuneration		
— Audit services	3,173	3,237
— Non-audit services	82	83
Crediting		
Gains on disposal of property, plant and equipment	292	970
Gain on disposal of land use rights	—	2,321
Write-back of provision for inventories	9,305	13,046
Write-back of provision for receivables	15,726	1,005

7 FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank borrowings wholly repayable within 5 years	64,814	78,075
Interest on finance lease obligations wholly repayable within 5 years	286	267
Interest on trade credit facilities	14,237	17,811
	79,337	96,153
Less: amounts capitalised in property, plant and equipment	(7,736)	(3,445)
	71,601	92,708

The weighted average interest rate on the above capitalised borrowings is approximately 4.6% per annum (2015: 6.3% per annum).

8 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2016 HK$'000	2015 HK$'000
Hong Kong profits tax	6,009	5,282
Overseas taxation	24,479	16,667
Over-provision in previous years	(25)	(911)
Deferred taxation relating to origination and reversal of temporary differences	(5,104)	8,218
	25,359	29,256

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:

	2016 HK$'000	2015 HK$'000
Profit before taxation	79,720	152,592
Calculated at a taxation rate of 16.5% (2015: 16.5%)	13,154	25,178
Effect of different taxation rates in other countries	9,178	7,240
Income not subject to taxation	(16,913)	(22,884)
Expenses not deductible for taxation purposes	13,838	14,370
Tax losses not recognized	6,127	5,725
Over-provision in previous years	(25)	(911)
Recognition of previously unrecognised temporary differences	—	538
	25,359	29,256

8 TAXATION (continued)

According to the New Corporate Income Tax Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at rate of 10% for other foreign investors. Deferred income tax liabilities have not been recognised for withholding tax that would be payable on the distributable retained profits amounting to HK$17,304,000 (2015: HK$15,448,000) of the Company's subsidiaries in the Mainland China earned after 1 January, 2008. Such amounts are not intended to be distributed in the foreseeable future to the group companies outside of the Mainland China.

Deferred income tax assets are recognised for tax losses carrying forwards to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 March 2016, the Group did not recognise deferred income tax assets of HK$27,806,000 (2015: HK$21,679,000) in respect of losses of approximately HK$148,794,000 (2015: HK$135,199,000). Tax losses amounting to approximately HK$31,458,000 (2015: HK$29,721,000) will be expired up to year 2021 (2015: 2020), while the remaining balance can be carried forward indefinitely.

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

	2016			2015		
	Before tax HK$'000	Deferred tax (charge)/ credit HK$'000	After tax HK$'000	Before tax HK$'000	Deferred tax (charge)/ credit HK$'000	After tax HK$'000
Currency translation differences	(142,331)	—	(142,331)	(7,618)	—	(7,618)
Revaluation of available-for-sale financial assets	779	—	779	(537)	—	(537)
Other comprehensive loss	(141,552)	—	(141,552)	(8,155)	—	(8,155)

9 DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim — HK$0.004 (2015: HK$0.004) per ordinary share	4,564	4,564
Interim — HK$0.004 (2015: HK$0.004) per preference share	528	528
Proposed final — HK$0.0065 (2015: HK$0.025) per ordinary share	7,417	28,527
Proposed final — HK$0.0065 (2015: HK$0.025) per preference share	858	3,302
	13,367	36,921

At a meeting held on 27 June 2016, the directors proposed a final dividend of HK$0.0065 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2017.

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company less preference dividends of HK$42,845,000 (2015: HK$112,508,000) by the weighted average number of 1,141,076,000 (2015: 1,141,076,000) ordinary shares in issue during the year.

(b) Diluted

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

	2016	2015
Profit attributable to the owner of the Company (HK$'000)	46,675	114,225
Weighted average number of ordinary shares in issue ('000)	1,141,076	1,141,076
Adjustment for:		
— Preference shares ('000)	132,065	132,065
Weighted average number of shares for diluted earnings per share ('000)	1,273,141	1,273,141
Diluted earnings per share	HK3.7 cents	HK9.0 cents

11 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	2016 HK$'000	2015 HK$'000
Wages, salaries and bonus	127,836	122,997
Contributions to pension schemes	6,850	5,266
	134,686	128,263

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 1 April 2014								
Cost or valuation	289,192	6,712	1,267,334	54,167	35,648	28,616	414,694	2,096,363
Accumulated depreciation	—	(4,913)	(209,284)	(36,152)	(13,693)	(23,747)	—	(287,789)
Net book amount	289,192	1,799	1,058,050	18,015	21,955	4,869	414,694	1,808,574
Year ended 31 March 2015								
Opening net book amount	289,192	1,799	1,058,050	18,015	21,955	4,869	414,694	1,808,574
Exchange differences	(1,924)	(24)	(2,570)	(300)	(52)	(38)	(623)	(5,531)
Additions	6,968	3,066	2,149	10,229	3,349	1,902	85,704	113,367
Transfer	—	—	62,500	—	—	—	(62,500)	—
Disposals (note 31(c))	—	—	(443)	(901)	—	(6)	(70)	(1,420)
Depreciation	(10,087)	(767)	(52,049)	(6,666)	(2,233)	(2,114)	—	(73,916)
Closing net book amount	284,149	4,074	1,067,637	20,377	23,019	4,613	437,205	1,841,074
At 31 March 2015								
Cost or valuation	294,202	9,692	1,324,257	57,375	38,813	29,583	437,205	2,191,127
Accumulated depreciation	(10,053)	(5,618)	(256,620)	(36,998)	(15,794)	(24,970)	—	(350,053)
Net book amount	284,149	4,074	1,067,637	20,377	23,019	4,613	437,205	1,841,074

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
Year ended 31 March 2016								
Opening net book amount	284,149	4,074	1,067,637	20,377	23,019	4,613	437,205	1,841,074
Exchange differences	(10,023)	(95)	(43,395)	(183)	(946)	(96)	(17,617)	(72,355)
Additions	518	3,063	5,442	1,071	8,665	3,452	103,186	125,397
Transfer	—	—	146,632	—	—	—	(146,632)	—
Transfer to properties under development (note 19)	—	—	—	—	—	—	(44,196)	(44,196)
Transfer from non-current assets held for sale (note 18)	4,596	—	—	—	—	—	—	4,596
Disposals (note 31(c))	(2)	(4)	(423)	(305)	(9)	(18)	(24,238)	(24,999)
Depreciation	(9,861)	(1,285)	(50,148)	(5,978)	(4,808)	(2,212)	—	(74,292)
Closing net book amount	269,377	5,753	1,125,745	14,982	25,921	5,739	307,708	1,755,225
At 31 March 2016								
Cost or valuation	288,107	12,513	1,419,965	56,531	46,479	31,992	307,708	2,163,295
Accumulated depreciation	(18,730)	(6,760)	(294,220)	(41,549)	(20,558)	(26,253)	—	(408,070)
Net book amount	269,377	5,753	1,125,745	14,982	25,921	5,739	307,708	1,755,225

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings situated in Hong Kong and major buildings outside Hong Kong were revalued at 31 March 2014 on the basis of open market value carried out by Savills Valuation and Professional Services Limited, an independent firm of chartered surveyors, according to the Group's policy as set out in note 2.4.

	2016 HK$'000	2015 HK$'000
Land and buildings in Hong Kong, held on leases of between 10 and 50 years		
Valuation	39,000	39,000
Accumulated depreciation	(2,294)	(1,147)
Net book amount	36,706	37,853
Buildings outside Hong Kong		
Valuation	249,107	255,202
Accumulated depreciation	(16,436)	(8,906)
Net book amount	232,671	246,296

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

	2016 HK$'000	2015 HK$'000
Land and buildings		
Cost	101,205	101,205
Accumulated depreciation	(22,306)	(18,819)
Net book amount	78,899	82,386

12 PROPERTY, PLANT AND EQUIPMENT (continued)

The analysis of the cost or valuation at 31 March 2016 and 2015 of the above assets is as follows:

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
At cost	—	9,692	1,324,257	57,375	38,813	29,583	437,205	1,896,925
At valuation	294,202	—	—	—	—	—	—	294,202
As at 31 March 2015	294,202	9,692	1,324,257	57,375	38,813	29,583	437,205	2,191,127
At cost	—	12,513	1,419,965	56,531	46,479	31,992	307,708	1,875,188
At valuation	288,107	—	—	—	—	—	—	288,107
As at 31 March 2016	288,107	12,513	1,419,965	56,531	46,479	31,992	307,708	2,163,295

At 31 March 2016 and 2015, construction-in-progress represented costs incurred for buildings, machinery and equipment in Shandong and Nantong, the PRC, for the construction of paper mills.

At 31 March 2016, land and buildings with carrying value amounted to approximately HK$59,936,000 (2015: HK$49,224,000) were pledged as securities for bank borrowings made available to the Group (note 34).

At 31 March 2016, the net book amount of motor vehicles held by the Group under finance leases was HK$7,842,000 (2015: HK$9,354,000).

Depreciation expenses of HK$72,114,000 (2015: HK$69,001,000) has been charged in selling and administrative expenses and cost of sales (note 6) and HK$2,178,000 (2015: HK$4,915,000) has been included in inventories.

13 LAND USE RIGHTS

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

	2016 HK$'000	2015 HK$'000
At 1 April	166,105	153,876
Additions	5,482	17,385
Disposal	—	(750)
Transfer to properties under development (note 19)	(16,772)	—
Exchange differences	(6,539)	122
Amortisation (note 6)	(5,010)	(4,528)
At 31 March	143,266	166,105

14 INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
At 1 April	465,300	226,000
Transfer from non-current assets held for sale (note 18)	—	118,000
Fair value gains (note 5)	50,200	121,300
At 31 March	515,500	465,300

The investment properties were revalued at 31 March 2016 and 2015 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited for Hong Kong's factory. Valuations were based on current prices in an active market for the properties.

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

At 31 March 2016 and 2015, all of the investment properties were pledged as a security for bank borrowings made available to the Group (note 34).

An independent valuation of the Group's investment properties was performed by the valuer, Savills Valuation and Professional Services Limited, to determine the fair value of the investment properties as at 31 March 2016 and 2015. The following table analyses the investment properties carried at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements			
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
At 31 March 2016				
Investment properties:				
— Factory buildings — Hong Kong	—	—	515,500	515,500
At 31 March 2015				
Investment properties:				
— Factory buildings — Hong Kong	—	—	465,300	465,300
Non-current assets held for sale:				
— Building — Singapore	—	—	4,373	4,373
	—	—	469,673	469,673

There were no transfers between Levels 1, 2 and 3 during the year ended 31 March 2016 (2015: nil). The Group's policy is to recognise transfers into or transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

All the fair values of the Group's investment properties and non-current assets held for sale are measured at fair value hierarchy Level 3 as at 31 March 2016.

14 INVESTMENT PROPERTIES (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 March 2016 and 2015 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. The department reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every year, in line with the Group's annual reporting date. As at 31 March 2016 and 2015, the fair values of the properties have been determined by Savills Valuation and Professional Services Limited.

At each financial year end, the finance department:

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

Valuation techniques

For Hong Kong's factory buildings, the valuation was determined using the income capitalization approach (term and reversionary method) which largely used observable inputs (e.g. market rent; yield, etc.) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

Information about fair value measurements on Hong Kong's factory buildings based on Level 3 fair value hierarchy:

Description	Fair value at 31 March 2016 HK$'000	Fair value at 31 March 2015 HK$'000	Valuation technique(s)	Unobservable input	Range of unobservable inputs (probability-weighted average) 2016	Range of unobservable inputs (probability-weighted average) 2015	Relationship of unobservable inputs to fair value
Factory buildings — Hong Kong	515,500	465,300	Income capitalisation approach (term and reversionary method)	Adjustment on term yield	3.75%	3.75%	The higher the reversionary yield, the lower the fair value

15 INTANGIBLE ASSETS

	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2014			
Cost	9,453	40,291	49,744
Accumulated amortisation	(3,421)	—	(3,421)
Net book amount	6,032	40,291	46,323
Year ended 31 March 2015			
Opening net book amount	6,032	40,291	46,323
Exchange differences	(1)	(3,379)	(3,380)
Additions	87	—	87
Disposal	(286)	—	(286)
Amortisation (note 6)	(956)	—	(956)
Closing net book amount	4,876	36,912	41,788
At 31 March 2015			
Cost	9,253	36,912	46,165
Accumulated amortisation	(4,377)	—	(4,377)
Net book amount	4,876	36,912	41,788
Year ended 31 March 2016			
Opening net book amount	4,876	36,912	41,788
Exchange differences	(13)	800	787
Amortisation (note 6)	(957)	—	(957)
Closing net book amount	3,906	37,712	41,618
At 31 March 2016			
Cost	9,231	37,712	46,943
Accumulated amortization	(5,325)	—	(5,325)
Net book amount	3,906	37,712	41,618

Amortisation of HK$957,000 (2015: HK$956,000) is included in administrative expenses.

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

15 INTANGIBLE ASSETS (continued)

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

	2016 HK$'000	2015 HK$'000
Gross margin	30%	31%
Growth rate	0%	0%
Discount rate	8%	8%

The goodwill is associated with marine services business in Singapore.

The directors are of the opinion that there was no impairment of goodwill as at 31 March 2016 and 2015.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK$'000	2015 HK$'000
At 1 April	4,953	5,490
Net change in fair value transferred to equity (note 28)	779	(537)
At 31 March	5,732	4,953

Available-for-sale financial assets include the following:

	2016 HK$'000	2015 HK$'000
Unlisted securities:		
— Insurance policy	4,563	4,440
— Other investment	1,169	513
	5,732	4,953

As at 31 March 2016 and 2015, the available-for-sale financial assets are denominated in US$.

17 NON-CURRENT DEPOSITS AND PREPAYMENTS

The balance represents rental deposits paid.

18 NON-CURRENT ASSETS HELD FOR SALE

As at 1 April 2015, an investment property located in Singapore with a carrying value of Singapore dollars ("SG$") 775,795 (approximately HK$4,596,000) were classified as non-current assets held for sale following the approval of the Board of Directors in prior years. In the current year, the Board of Director considered the market condition as well as offers from potential buyers and decided to suspend the disposal plan and reclassify the property back to property, plant and equipment.

	2016 HK$'000	2015 HK$'000
At 1 April	4,373	122,773
Transfer to investment properties (note 14)	—	(118,000)
Transfer to property, plant and equipment (note 12)	(4,596)	—
Exchange difference	223	(400)
At 31 March	—	4,373

19 PROPERTY UNDER DEVELOPMENT

	2016 HK$'000	2015 HK$'000
At 1 April	—	—
Reclassified from property, plant and equipment (note 12)	44,196	—
Reclassified from land use rights (note 13)	16,772	—
At 31 March	60,968	—

Properties under development comprise:

	2016 HK$'000	2015 HK$'000
Nantong, PRC		
— Land use rights	16,772	—
— Construction cost and capitalised expenditure	44,196	—
	60,968	—

As at 31 March 2016, the properties under development are expected to be completed and recovered after one year.

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

20 INVENTORIES

	2016 HK$'000	2015 HK$'000
Merchandise and finished goods	432,036	532,687
Raw materials	178,336	188,744
	610,372	721,431

The cost of inventories are recognised as expenses and included in cost of sales amounted to HK$4,382,911,000 (2015: HK$4,631,225,000) (note 6), and reversal of provision for inventories obsolescence of HK$9,305,000 (2015: HK$13,046,000) are included in "other operating expenses" for the year ended 31 March 2016.

As at 31 March 2016, the inventories of the Group are stated after a provision for impairment on inventories of approximately HK$20,210,000 (2015: HK$30,065,000).

21 ACCOUNTS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Accounts receivable — net of provision	1,017,196	1,241,952
Bills receivable	353,065	266,726
Other receivables, deposits and prepayments	651,633	489,972
	2,021,894	1,998,650

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

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

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

	2016 HK$'000	2015 HK$'000
Current to 60 days	1,120,722	1,128,450
61 to 90 days	116,879	171,153
Over 90 days	132,660	209,075
	1,370,261	1,508,678

21 TRADE AND OTHER RECEIVABLES (continued)

Accounts receivable that are less than 90 days past due relate to a large number of diversified customers who have had no recent history of default. Based on past experience, the directors were of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. As at 31 March 2016, accounts receivable of HK$106,290,000 (2015: HK$132,627,000) were past due but not impaired. These related to a number of independent customers who have had no recent history of default. The aging analysis of these accounts receivable is as follows:

	Group	
	2016 HK$'000	2015 HK$'000
Past due by:		
91–120 days	36,812	57,921
Over 120 days	69,478	74,706
	106,290	132,627

As at 31 March 2016, accounts receivable of HK$99,400,000 (2015: HK$85,087,000) were considered impaired. The individual impaired receivable mainly related to customers which are in unexpected difficult economic situations. It was assessed that a portion of the receivable is expected to be recovered.

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

	2016 HK$'000	2015 HK$'000
At 1 April	85,087	77,567
Exchange differences	(3,299)	(1,668)
Written back of provision for receivables (note 6)	(15,726)	(1,005)
Provision for impairment on receivables (note 6)	33,338	10,193
At 31 March	99,400	85,087

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

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed equities outside Hong Kong, at fair value	637	786

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

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

23 RESTRICTED BANK DEPOSITS

	2016 HK$'000	2015 HK$'000
Bank deposits pledged as securities for bills payables (note 34)	166,181	218,000

Restricted bank deposits earn interest at a fixed rate of 2.63% per annum (2015: 2.70% per annum).

The restricted bank deposits are denominated in RMB.

24 BANK BALANCES AND CASH

	2016 HK$'000	2015 HK$'000
Cash at bank and on hand	283,398	345,114
Short-term bank deposits	76,068	66,156
	359,466	411,270

The effective interest rate on short-term bank deposits was 0.57% per annum (2015: 2.48% per annum). These deposits had an average maturity of three months or less (2015: three months or less).

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

	2016 HK$'000	2015 HK$'000
Bank balances and cash	359,466	411,270
Bank overdrafts (note 26)	(2,652)	(2,302)
	356,814	408,968

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

25 ACCOUNTS AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Accounts and bills payable	1,236,617	1,446,372
Accruals and other payables	226,546	149,036
	1,463,163	1,595,408
Less: non-current portions:		
Accounts and other payables	(71,140)	(23,808)
	1,392,023	1,571,600

Note:

(a) As at 31 March 2016, trade payable of HK$69,216,000 (2015: HK$21,787,000) were unsecured, interest-bearing at 4% per annum and repayable twelve months after balance sheet date. The remaining balances of HK$1,924,000 (2015: HK$2,021,000) were unsecured, interest-free and were repayable twelve months after the balance sheet date.

As at 31 March 2016, rental deposit received of HK$1,924,000 (2015: HK$2,021,000) is not repayable within one year.

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

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

	2016 HK$'000	2015 HK$'000
Current to 60 days	913,964	947,467
61 to 90 days	161,266	194,865
Over 90 days	161,387	304,040
	1,236,617	1,446,372

26 BORROWINGS

	2016 HK$'000	2015 HK$'000
Non-current		
Bank loans — unsecured	783,947	774,398
Bank loans — secured (note 34)	15,405	33,482
Finance lease liabilities	4,667	5,977
Total non-current borrowings	804,019	813,857
Current		
Trust receipt loans — unsecured	786,670	635,300
Trust receipt loans — secured (note 34)	98,953	117,166
	885,623	752,466
Bank loans — unsecured	488,480	558,903
Bank loans — secured (note 34)	17,697	17,709
Bank overdrafts (note 24)	2,652	2,302
Finance lease liabilities	1,636	2,598
	510,465	581,512
Total current borrowings	1,396,088	1,333,978
Total borrowings	2,200,107	2,147,835

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

	Bank overdrafts		Bank loans		Trust receipt loans	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Within one year	2,652	2,302	506,177	576,612	885,623	752,466
In the second year	—	—	413,952	195,018	—	—
In the third to fifth years inclusive	—	—	380,215	606,939	—	—
Over 5 years	—	—	5,185	5,923	—	—
	2,652	2,302	1,305,529	1,384,492	885,623	752,466

26 BORROWINGS (continued)

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

	2016 HK$'000	2015 HK$'000
HK$	2,016,027	1,737,959
RMB	123,376	340,407
US$	44,030	49,592
SG$	9,122	11,387
MYR	7,552	8,490
	2,200,107	2,147,835

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans range from 2.0% to 5.8% per annum (2015: 2.2% to 6.9% per annum).

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

The Group has undrawn borrowing facilities of HK$1,715,833,000 (2015: HK$1,555,878,000) as at 31 March 2016. All of the Group's facilities are at floating rates and subject to periodic renewal.

Finance lease liabilities

	2016 HK$'000	2015 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	1,890	2,765
Later than 1 year but not later than 5 years	4,814	5,842
Later than 5 years	347	507
	7,051	9,114
Future finance charges on finance leases	(748)	(539)
Present value of finance lease liabilities	6,303	8,575

26 BORROWINGS (continued)

Finance lease liabilities (continued)

	2016 HK$'000	2015 HK$'000
The present value of finance lease liabilities was as follows:		
Not later than 1 year	1,636	2,598
Later than 1 year and no later than 5 years	4,413	5,491
Later than 5 years	254	486
	6,303	8,575

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

The effective interest rates at the balance sheet date ranged from 3.9% to 6.5% per annum (2015: 3.8% to 9.4% per annum).

27 SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	2016	2015	2016 HK$'000	2015 HK$'000
Authorised:				
Ordinary shares				
At beginning and end of the year	1,456,913,987	1,456,913,987	145,691	145,691
Convertible non-voting preference shares				
At beginning and end of the year	143,086,013	143,086,013	14,309	14,309
Total	1,600,000,000	1,600,000,000	160,000	160,000
Issued and fully paid:				
Ordinary shares				
At beginning and end of the year	1,141,075,827	1,141,075,827	114,108	114,108
Convertible non-voting preference shares				
At beginning and end of the year	132,064,935	132,064,935	13,207	13,207
Total	1,273,140,762	1,273,140,762	127,315	127,315

Note:

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

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

27 SHARE CAPITAL (continued)

Conversion

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

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

Voting rights

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

Transferability

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

Redemption

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

During the years ended 31 March 2016 and 2015, no convertible non-voting preference shares were converted.

27 SHARE CAPITAL (continued)

Share option scheme

At the Special General Meeting of the Company held on 18 September 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 March 2016, no option was granted under the Option Scheme. A summary of the terms and conditions of the Option Scheme are set out below.

(1) *Purpose*
The purpose of the Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

(2) *Participants*
All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

(3) *Maximum number of shares*
The number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum number of share available for issue under the Option Scheme is nil as at the date of this report.

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

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

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

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

(8) *Remaining life of the Option Scheme*
The Option Scheme will remain in force until 17 September 2025.

28 RESERVES

	Share premium HK$'000	Asset revaluation reserve HK$'000	Capital reserve (note a) HK$'000	Exchange reserve HK$'000	Statutory reserve (note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2014	161,262	290,087	201,994	179,365	8,948	774,633	1,616,289
Profit for the year	—	—	—	—	—	114,225	114,225
Revaluation of available-for-sale financial assets (note 16)	—	(537)	—	—	—	—	(537)
Currency translation differences	—	—	—	(7,395)	—	—	(7,395)
2013–2014 final dividend paid	—	—	—	—	—	(11,459)	(11,459)
2014–2015 interim dividend paid	—	—	—	—	—	(5,092)	(5,092)
Transfer from/(to) statutory reserve	—	—	—	—	746	(746)	—
At 31 March 2015	161,262	289,550	201,994	171,970	9,694	871,561	1,706,031

	Share premium HK$'000	Asset revaluation reserve HK$'000	Capital reserve (note a) HK$'000	Exchange reserve HK$'000	Statutory reserve (note b) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2015	161,262	289,550	201,994	171,970	9,694	871,561	1,706,031
Profit for the year	—	—	—	—	—	46,675	46,675
Revaluation of available-for-sale financial assets (note 16)	—	779	—	—	—	—	779
Currency translation differences	—	—	—	(139,592)	—	—	(139,592)
2014–2015 final dividend paid	—	—	—	—	—	(31,829)	(31,829)
2015–2016 interim dividend paid	—	—	—	—	—	(5,092)	(5,092)
Transfer from/(to) statutory reserve	—	—	—	—	242	(242)	—
At 31 March 2016	161,262	290,329	201,994	32,378	9,936	881,073	1,576,972

Notes:

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

(b) The amount is determined under the relevant laws and regulations in the PRC.

29 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2015: 16.5%).

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

	2016 HK$'000	2015 HK$'000
At 1 April	(91,972)	(84,399)
Credited/(charged) to consolidated profit and loss account (note 8)	5,104	(8,218)
Exchange difference	2,520	645
At 31 March	(84,348)	(91,972)

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

Deferred tax assets

	Provisions		Tax losses		Total	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
At 1 April	6,511	8,002	3,255	13,192	9,766	21,194
Charged to consolidated profit and loss account (note 8)	2,168	(1,476)	(322)	(9,932)	1,846	(11,408)
Exchange difference	(531)	(15)	(39)	(5)	(570)	(20)
At 31 March	8,148	6,511	2,894	3,255	11,042	9,766

Deferred tax liabilities

	Accelerated tax depreciation		Fair value gains		Others		Total	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
At 1 April	(45,961)	(49,816)	(32,682)	(32,682)	(23,095)	(23,095)	(101,738)	(105,593)
Credited to consolidated profit and loss account (note 8)	3,258	3,190	—	—	—	—	3,258	3,190
Exchange difference	2,068	665	650	—	372	—	3,090	665
At 31 March	(40,635)	(45,961)	(32,032)	(32,682)	(22,723)	(23,095)	(95,390)	(101,738)

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

	2016 HK$'000	2015 HK$'000
Deferred tax assets to be recovered after more than 12 months	8,983	3,545
Deferred tax liabilities to be settled after more than 12 months	(93,331)	(95,517)
	(84,348)	(91,972)

30 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent an interest rate swap entered into by the Group. The notional principal amount of the outstanding interest rate swap contract as at 31 March 2016 was HK$20,000,000 (2015: HK$20,000,000). As at 31 March 2016, the interest rate under the interest rate swap was 1.73% (2015: 1.73%) per annum.

31 CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016 HK$'000	2015 HK$'000
Operating profit	151,321	245,300
Depreciation of property, plant and equipment (note 12)	72,114	69,001
Amortisation of land use rights (note 13)	5,010	4,528
Amortisation of intangible assets	957	956
Fair value gains on investment properties (note 5)	(50,200)	(121,300)
Gains on disposal of property, plant and equipment (note 5)	(292)	(970)
Gains on disposal of land use rights	—	(2,321)
Loss on disposal of intangible assets	—	286
Realised and unrealised (gains)/loss on derivative financial instruments	(238)	153
Realised and unrealised losses/(gains) on investments in financial assets at fair value through profit or loss	149	(60)
Provision for trade receivables, net (note 21)	17,612	9,188
Reversal of provision for inventories obsolescence (note 20)	(9,305)	(13,046)
Interest income (note 5)	(7,507)	(8,880)
Operating profit before working capital changes	179,621	182,835
Decrease in inventories	122,544	60,816
Increase in trade and other receivables	(99,797)	(57,759)
(Decrease)/increase in trade and other payables	(132,245)	74,011
Net cash generated from operations	70,123	259,903

(b) Analysis of changes in financing during the year

	Bank loans	
	2016 HK$'000	2015 HK$'000
At 1 April	1,384,492	1,401,369
Exchange differences	1,358	2,502
Bank loans raised	459,135	1,600,753
Repayment of bank loans	(539,456)	(1,620,132)
At 31 March	1,305,529	1,384,492

31 CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

	2016 HK$'000	2015 HK$'000
Net book amount	24,999	1,420
Gains on disposal of property, plant and equipment (note 5)	292	970
	25,291	2,390

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

	2016 HK$'000	2015 HK$'000
Net book amount	—	750
Gains on disposal of land use rights	—	2,321
	—	3,071

32 BANK GUARANTEES

At 31 March 2016, the Company continues to provide corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 March 2016 amounted to HK$2,193,804,000 (2015: HK$2,136,958,000).

33 COMMITMENTS

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

	2016 HK$'000	2015 HK$'000
Contracted but not provided for		
Property, plant and equipment	115,599	156,472

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

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

	2016 HK$'000	2015 HK$'000
Not later than one year	39,547	21,415
Later than one year and not later than five years	40,459	27,368
Later than five years	1,755	2,190
	81,761	50,973

33 COMMITMENTS (continued)

(c) Operating lease receivable

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

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

	2016 HK$'000	2015 HK$'000
Not later than one year	18,858	10,613
Later than one year and not later than five years	16,897	17,831
	35,755	28,444

34 CHARGE OF ASSETS

At 31 March 2016, trust receipt loans of HK$98,953,000 (2015: HK$117,166,000) and bank loans of HK$33,102,000 (2015: HK$51,191,000) are secured by legal charges on the Group's land and buildings, investment properties and non-current asset held for sale with aggregate net book amount of HK$575,436,000 (2015: HK$518,897,000) (notes 12, 14 and 18).

At 31 March 2016, bills payables of HK$596,000,000 (2015: HK$711,745,000) are secured by restricted bank deposits of HK$166,181,000 (2015: HK$218,000,000) (note 22).

35 RELATED PARTY TRANSACTIONS

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

(a) Purchases from a related party

	2016 HK$'000	2015 HK$'000
Purchase of merchandise from an investee company	443,989	388,502

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

35 RELATED PARTY TRANSACTIONS (continued)

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

	2016 HK$'000	2015 HK$'000
Payables to an investee company	169,165	152,974

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

The carrying amounts are denominated in RMB (2015: same).

(c) Sales to a related party

	2016 HK$'000	2015 HK$'000
Sale of merchandise to an investee company	6,253	—

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

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

	2016 HK$'000	2015 HK$'000
Receivables from an investee company	6,253	—

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

The carrying amounts are denominated in RMB (2015: same).

(e) Key management compensation

Details of key management compensation are set out in notes 11 and 39 to the consolidated financial statements.

36 ULTIMATE HOLDING COMPANY

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

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	Name of subsidiar(ies)	Place(s) of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding(s) (%) 2016	2015	Nature of business
	Shares held directly:					
1	Samson Paper (BVI) Limited	British Virgin Islands	110,000 ordinary shares of HK$1 each	100	100	Investment holding in Hong Kong
	Shares held indirectly:					
	Burotech Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	100	100	Printing and sales of computer forms and trading of commercial paper products in Hong Kong
1	Foshan NanHai JiaLing Paper Company Limited[2]	The PRC	Registered capital HK$81,380,000	100	100	Processing and trading of paper products in the PRC
	Foundation Paper Company Limited	Hong Kong	10,000 ordinary shares of HK$100 each	100	100	Export trading of paper products to the PRC
1	Global Century Investments Limited	British Virgin Islands	1 ordinary share of US$1	100	100	Property holding in Hong Kong
	High Flyer International Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100	100	Retail business, leasing of investment property and logistics services in Hong Kong
1	Hypex Holdings Limited	British Virgin Islands	2 ordinary shares of US$1 each	100	100	Investment holding in Singapore
1	Samson Paper (Beijing) Company Limited[2]	The PRC	Registered capital HK$46,380,000	100	100	Trading of paper products in the PRC
	Samson Paper (China) Company Limited	Hong Kong	1,000 ordinary shares of HK$10 each	100	100	Investment holding in Hong Kong
1	Samson Paper (M) Sdn. Bhd.	Malaysia	7,500,000 ordinary shares of RM1 each	100	100	Trading of paper products in Malaysia
1	Samson Paper (Shanghai) Company Limited[2]	The PRC	Registered capital RMB61,650,000	100	100	Trading of paper products in the PRC

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	Name of subsidiar(ies)	Place(s) of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding(s) (%) 2016	2015	Nature of business
	Shares held indirectly (continued):					
1	Samson Paper (Shenzhen) Company Limited[2]	The PRC	Registered capital HK$48,300,000	100	100	Trading of paper products in the PRC
	Samson Paper (WuHan) Company Ltd	The PRC	Registered capital RMB132,000,000	100	100	Trading of paper products in the PRC
	Samson Paper Company Limited	Hong Kong	10 ordinary shares of HK$100 each	100	100	Trading of paper products in Hong Kong
			285,000 non-voting shares of HK$100 each			
1	Shenzhen High Flyer International Transportation Co. Ltd.[2]	The PRC	Registered capital RMB10,000,000	80.4	80.4	Container transport services in the PRC
	Shun Hing Paper Company Limited	Hong Kong	7,600 ordinary shares of HK$100 each	100	100	Trading of paper products in Hong Kong
			2,400 non-voting shares of HK$100 each			
1	SJ (China) Company Limited (formerly known as "Universal Pulp and Paper (Jiangsu) Co. Ltd.")[2]	The PRC	Registered capital US$60,000,000	100	100	Property development, manufacturing & trading of paper products in the PRC
	United Aviation (Singapore) Pte. Ltd.	Singapore	2 ordinary shares of US$1 each	100	100	Trading of aeronautical parts in Singapore
1	Universal Pulp and Paper (Shangdong) Co. Ltd.[2]	The PRC	Registered capital US$97,418,900	79.9	79.9	Manufacturing & trading of paper products in the PRC

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

2 Foreign investment enterprises.

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

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

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 March 2016 HK$'000	As at 31 March 2015 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		249,897	249,897
Current assets			
Amounts due from subsidiaries		303,284	326,627
Bank balances and cash		83	84
		303,367	326,711
Current liabilities			
Accruals		427	436
Net current assets		302,940	326,275
Total assets less current liabilities		552,837	576,172
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		127,315	127,315
Reserves	(a)	425,522	448,857
Total equity		552,837	576,172

The balance sheet of the Company was approved by the Board of Directors on 27 June 2016 and was signed on its behalf.

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus (note a) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2014	161,262	249,697	17,313	428,272
Profit for the year	—	—	37,136	37,136
2013–2014 final dividend paid	—	—	(11,459)	(11,459)
2014–2015 interim dividend paid	—	—	(5,092)	(5,092)
At 31 March 2015	161,262	249,697	37,898	448,857
At 1 April 2015	161,262	249,697	37,898	448,857
Profit for the year	—	—	13,586	13,586
2014–2015 final dividend paid	—	—	(31,829)	(31,829)
2015–2016 interim dividend paid	—	—	(5,092)	(5,092)
At 31 March 2016	161,262	249,697	14,563	425,522

Note:

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

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director for the year ended 31 March 2016 is set out below:

	2016						2015
	Fee HK$'000	Salary HK$'000	Allowances in excess of actual expenses HK$'000	Estimated money value of benefits received other than in cash HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000	Total HK$'000
Executive Directors							
Sham Kit Ying	—	1,800	839	3,240	—	5,879	5,879
Lee Seng Jin (note)	—	5,044	240	1,080	170	6,534	6,468
Sham Yee Lan, Peggy	—	852	108	—	51	1,011	1,011
Chow Wing Yuen	—	1,298	26	—	92	1,416	1,416
Lee Yue Kong, Albert	—	804	—	336	44	1,184	1,184
Non-executive Directors							
Pang Wing Kin, Patrick	160	—	—	—	—	160	160
Lau Wang Yip, Eric	160	—	—	—	—	160	160
Tong Yat Chong	160	—	—	—	—	160	160
Ng Hung Sui, Kenneth	160	—	—	—	—	160	160

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

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 March 2016 and 2015.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 March 2016 and 2015.

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

During the years ended 31 March 2016 and 2015, no consideration was paid by the company to third parties for making available directors' services.

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

During the years ended 31 March 2016 and 2015, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31 March 2016 and 2015 or at any time during the years ended 31 March 2016 and 2015.

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2015: five) directors whose emoluments are reflected in the analysis presented above.

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