森信 Samson group 集團

Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

2019 Annual Report

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

Victoria Place
31 Victoria Street
Hamilton HM10
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

MAJOR BUSINESS SEGMENTS

森信 Samson group 集團

Paper Manufacturing

Trading

Property Development & Investment

Other

- Aeronautic parts and services business,
- Marine services business
- Logistic services business

Financial Highlights

Consolidated Statement of Profit or Loss

	For the year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Revenue	5,907,821	5,759,596
Operating profit	210,993	320,128
Finance costs	71,174	80,524
Profit before taxation	139,819	239,604
Profit attributable to owners of the Company	109,206	196,755

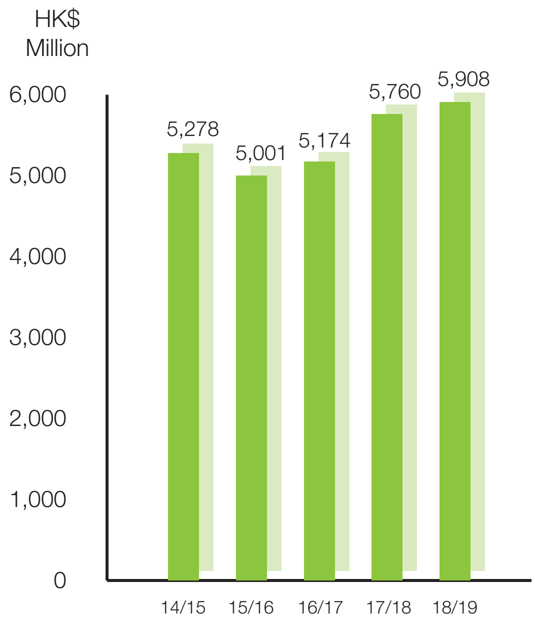
Consolidated Balance Sheet

	As at 31 March	
	2019	2018
	HK$'000	HK$'000
Non-current assets	2,989,026	2,802,006
Current assets	3,533,818	3,864,964
Current liabilities	3,183,004	3,115,913
Shareholders' funds	1,959,883	2,104,910
Non-current liabilities	1,153,517	1,205,200

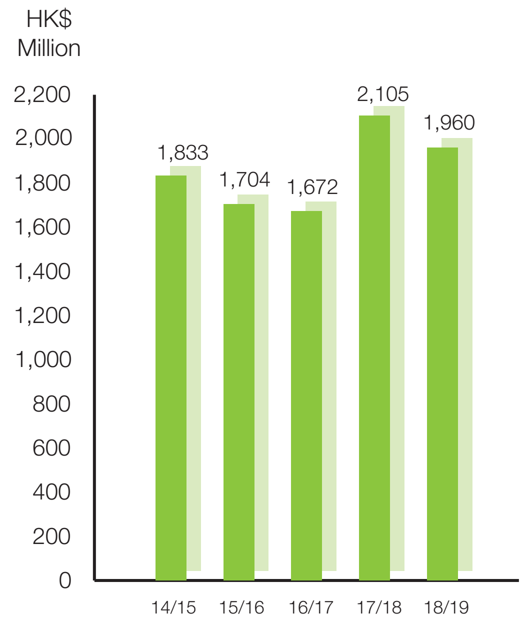
Share Statistics

Earnings per share — basic	HK9.21 CENTS	HK16.98 CENTS
Earnings per share — diluted	HK8.58 CENTS	HK15.45 CENTS
Dividends per share	HK2.40 CENTS	HK3.15 CENTS
Net asset value per ordinary share	HK172 CENTS	HK184 CENTS

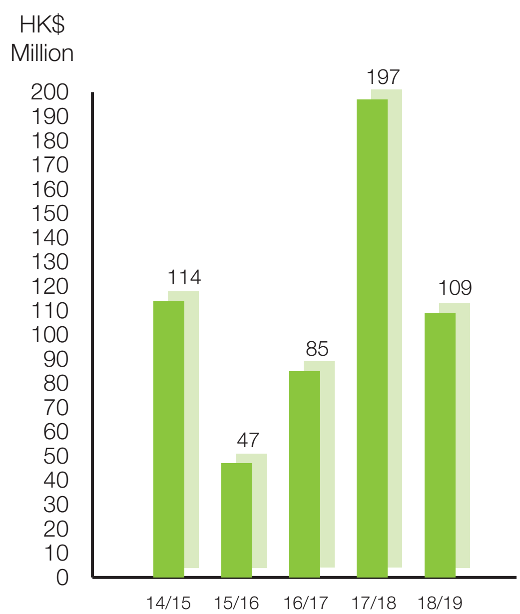
Revenue



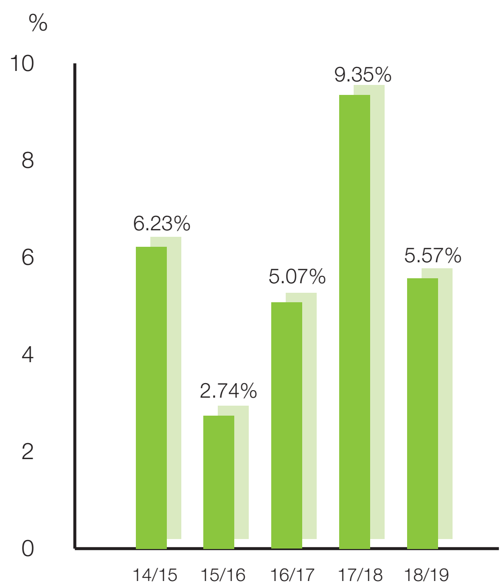
Shareholders' Funds



Profit Attributable to Owners of the Company



Return on Shareholders' Funds



Business review

Samson Group (the "Group") has leveraged its core competences and connections to diversify from its core paper business over the years. After years of effort, these newly added businesses have grown significantly to form a solid trading and logistics platform for the Group. The components of this platform include the paper and board business, the office supplies and consumable, FMCG business and logistics warehouse development (grouped under property development and investment) business and logistic business (grouped under others). The emergence of these new businesses have successfully helped to mitigate the Group's risk exposure under the uncertainty of the global economy.

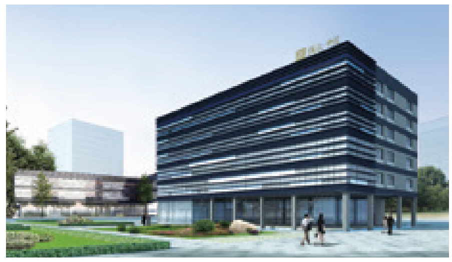
The last fiscal year was a challenging year for the industry, and not only for the Group. We have encountered considerable uncertainty caused by the Sino-US trade dispute on the global economy. Under such circumstances, our management team has decided to embark on a prudent approach to carefully access the credit risk of our customers rather than just focus on the topline growth. Thanks to the decisive execution of this strategy, the Group managed to achieve 2.6% growth in turnover for the year ended 31 March 2019 as well as a 4.41% rise in gross profit to HK$560 million while the gross profit margin increased from 9.31% to 9.48%. Last year, the Group reported a fair value gain on investment properties of HK$143.7 million, while the fair value gain for the year under review was HK$31.7 million. Profit attributable to the owners of the Company was approximately HK$109.2 million. After taking out the effects of these fair value gains, the Group's profit attributable to the owners of the Company increased 46.1% to HK$77.5 million.

The Board has recommended the payment of a final dividend of HK2.0 cents per share. Together with an interim dividend of HK0.4 cent per share already paid, total dividend for the year will amount to HK2.4 cents per share, translating to a dividend payment ratio of approximately 28.0%.

Driven by strong demand in the PRC and our prudent creditability strategy, our paper manufacturing business achieved satisfactory results with sales volume rising by 8.5% and the absolute amount grew by 20.2%. Our trading business (sale of paper and board, office supplies and consumable, supplies for paper manufacturing and FMCG) continued to perform well, especially FMCG business. The Group started to extend its distribution network to mainland China. As a result, turnover derived from this segment increased by 25.4%. On the other hand, for the paper and board business, the Group's effort in expanding into the Malaysia market started to bear fruit with sales rising by 1.4 times to HK$108 million. The growth however was offset by the combined effect of the slowdown of the economy in China and Hong Kong. Nonetheless, the overall performance of the paper and board business remained stable in fiscal year 2019.

Turning to the property investment business, this segment continued to bring in increasing recurring rental income to the Group with turnover surging by 13.7% to HK$22.6 million. The Xiamen project was completed and the Group has moved its warehouse and a certain portion of the property was leased to third parties. Our Nantong Business Park project has been progressing well. Construction of Phase 1A was completed and revenue from this phase will be recorded when sales permit is obtained. Construction of Phase 1B is underway and expected to bring a satisfactory contribution to the Group in the coming years.

Prospects



Looking ahead, 2019 will continue to be challenging and full of uncertainty. However, fundamental drivers for the long-term growth of the China market remain unchanged. The Group is well-prepared for overcoming these challenges with its diversified businesses and will devote more resources in expanding its trading businesses as well as the property development and investment businesses.

The Group plans to extend its FMCG business to more cities in the PRC. In order to enrich its products offering, the Group plans to secure more distributorships and introduce a wider range of quality and popular products to China. It is confident in carrying out the plan on the foundation of the Group's strong logistics and distribution network in China. As for the paper and board business, the Group is assessing the possibility to set up a sales office in Southeast Asia so as to achieve better cost control and further geographic market diversification.

As for the property development and investment segment, with the supportive policies enacted by China's government on transforming land use from idle land to industrial or business parks, the Group is confident that a more prosperous and profitable business development of this segment will follow after the completion of Phase 2 and 3 at Nantong Business Park. The selling price per sq.m. of that region has been increasing by more than 35% since 2016. As the development of the Park becomes more mature, we expect to record a greater revenue derived from this project in the future.

In the paper manufacturing segment, the Group will upgrade its production facilities and power plant in order to achieve cost savings and to streamline and centralise internal processes for greater efficiency.

Although market conditions are expected to remain tough, the Group is cautiously optimistic about the future. It believes that there are still many opportunities for growth and Samson Group has prepared well to grasp these market opportunities.

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 for their dedicated efforts.

By Order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 18 June 2019

Overview of Operation

Over the years, the Group has been diversifying its business from running mainly the trading of paper products and the paper manufacturing businesses to an enterprise working in different fields. This was particularly reflected in the trading platform which has generated sustainable growth in revenue and has now become the growth engine of the Group. It is worth mentioning that the trading business was able to contribute significant profit to the Group during the reporting period even when the market and operation environment was turbulent. Therefore, the Group has determined to devote more resources and further develop its trading business in the future.

Financial Performance

For the financial year under review, the Group reported a 2.6% growth in overall turnover from approximately HK$5,759.6 million to HK$5,907.8 million while there was a 1.1% decrease in sales volume to approximately 985,000 metric tonnes. The gross profit increased by 4.41% to approximately HK$560.0 million with the gross profit margin increased from 9.31% to 9.48%. As the Group recorded approximately HK$143.7 million fair value gain on investment properties for the year ended 31 March 2018, while the figure for the year under review was only HK$31.7 million, the profit for the year was approximately HK$119.7 million (2018: HK$204.3 million). Profit attributable to the owners of the Company was approximately HK$109.2 million. The Group's profit attributable to the owners of the Company (without fair value gain) rose by 46.1% from approximately HK$53.1 million to HK$77.5 million. Basic earnings per share were HK9.2 cents. As Renminbi currency depreciated during the year, an unrealised currency translation loss of approximately HK$249.7 million (2018: gain of HK$276.5 million) recorded as other comprehensive loss, mainly arising from the translation of the PRC subsidiaries financial statements into the Group's reporting currency on consolidation. The item of the unrealised currency translation loss is a non-cash item and will not affect the cash flow and business operation of the Group.

As at 31 March 2019, the Group had a cash and bank balance (including a restricted bank deposit) of approximately HK$516.8 million with a gearing ratio at a reasonable level of 50.5%. Without the unrealised currency translation loss of approximately HK$249.7 million, the gearing ratio would be at the level of 47.8%. The finance costs are approximately HK$71.2 million, which is 1.2% (2018: 1.4%) of the total revenue. As a consequence of exercising a stringent credit policy as well as closely monitoring the liquidity and business situation of customers, the Group has a debtor turnover period of 64 days. The increase in loss allowance of receivables is approximately at HK$3.5 million, representing 0.06% of the Group's total revenue while the reversal of impairment of receivables is approximately HK$5.0 million.

Turnover by Geographical Area

The Group's turnover by geographical area is set forth in the followings:

	2019 HK$ million	2018 HK$ million	% change
Hong Kong			
Mercantile products			
Paper and board	525.7	695.9	-24.5%
Office supplies and consumable	55.5	50.1	10.8%
FMCG business	79.8	68.1	17.2%
Rental services	22.1	19.8	11.6%
The PRC			
Mercantile products			
Paper and board	2,708.6	2,711.8	-0.1%
Office supplies and consumable	520.6	456.4	14.1%
FMCG business	6.0	—	—
Paper manufacturing	1,527.4	1,270.6	20.2%
Rental services	0.4	—	—
Logistics services	2.2	1.6	37.5%
Singapore			
Marine services	38.1	44.3	-14.8%
Aeronautic parts and services	11.8	16.0	-26.3%
Other regions			
Mercantile products			
Paper and board	406.7	425.0	-4.3%
Marine services	2.9	—	—
Total revenue	5,907.8	5,759.6	2.6%

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

(in '000 Metric Tonnes)	2018	2017	+/-
Import	501	539	-7.1%
Re-export	144	150	-4.0%
Local consumption	357	389	-8.2%

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

(in '000 Metric Tonnes)	2018	2017	+/-
Newsprint	480	330	45.5%
Woodfree	850	630	34.9%
Coated paper	490	450	8.9%
Corrugated board	2,280	1,600	42.5%
Duplex board	540	620	-12.9%
Corrugating medium	1,110	650	70.8%
Others	470	380	23.7%
	6,220	4,660	33.5%

Segment Performance

Paper Manufacturing Business

The prices for packaging boards with recycled grades have been stabilised in the second half of the fiscal year even at the backdrop of the ongoing tensions of the Sino-United States trade war during the reporting period. The Group still continue to take a more cautious approach on various sales and procurement strategies with an aim to achieve higher profitability and low risk in credit as well as not pursuing a larger market share.

Driven by the growth of domestic demand in addition to the Group's profitability-driven strategy, turnover of paper manufacturing business achieved a satisfactory growth of 20.2% from HK$1,270.6 million to approximately HK$1,527.4 million. In terms of volume, the total sales tonnage of paper manufacturing business rose by 8.5%.

Trading Business

With decades of experiences in diversified industries of trading business and supply chains management in Pacific Asian markets, the Group has been equipped with high competitiveness in the relevant professional areas. To further cope with the Group's strategic development of the trading business and to deeper leverage on the strengths and resources to reshape the whole trading business segment, the Group has restructured the trading business into several key pivotal business units, including paper and board, office supplies and consumable, supplies for paper manufacturing and FMCG, to capture the opportunities in different markets. The overall trading business has delivered a stably increasing result for the year under review. We have changed our segment reporting to be in line with our strategic development of trading business.

Segment Performance (continued)

Paper and Board Business

In paper and board business, the sales performance has slightly dropped by 5.0% from HK$3,831.9 million to approximately HK$3,640.9 million while the sales volume decreased by 6.75% amid the softened trading environment in China and Hong Kong. However, in the PRC region, with the Group's extensive sales networks, the revenue was maintained at the same level as last year to approximately HK$2,708.6 million with sales volume slightly decreased by 0.1%, making up approximately 74.4% of the Group's total revenue from paper and board business. Sales in Hong Kong saw a decrease of 24.5% to approximately HK$525.7 million, making up approximately 14.4% of the Group's total revenue from paper and board business.

Sales in the overseas regions recorded a decrease of 4.3% from HK$424.9 million to approximately HK$406.7 million, making up approximately 11.2% of the Group's total revenue from paper and board business. It was mainly ascribing to the slowdown in the economy of those Korea sales office's export markets. However, an outstanding paper and board business performance was recorded in Malaysia, where the Group has strengthened the sales network while implementing the expansion plan in the past few years. Sales in the region rose by 1.4 times to approximately HK$108.1 million.

Office Supplies and Consumable and FMCG Business

The Group has started the consumable products of copy paper business in Hong Kong since 1998 and expanded sales offices presence to China in the early 2000. To capture the emerging opportunities of copy paper consumption in China, the Group has placed considerable effort on developing the people capability, improving operating efficiencies and establishing regional trading management in the very early stages of the business development. While the Group's competency and procurement strength are important factors in operational success, the Group also revised its strategic position to compete in a changing environment by developing its own brand products to further improve our profit and competitiveness.

The office supplies and consumable and FMCG business had a solid year with 15.0% increase on sales from HK$575.8 million to approximately HK$661.9 million. Although the market competition is intensifying in all the markets we have presence in, with emphasis on centralising sourcing, optimising supply chain efficiency and own brand strategy, the Group obtained sole distributorships of key international brands including baby diaper, tissue paper, and wines and they became the key drivers for the growth of the business.

Segment Performance (continued)

Property Development and Investment

Property Development

For the Nantong Business Park project, the construction of properties with total gross floor area ("GFA") of 16,306 sq.m. for the first stage of Phase 1A was completed and the acceptance and examination of completion of construction properties was obtained. Two buyers have commenced to renovate the two properties covering a total GFA of 5,286 sq.m. with a sales value of RMB21.9 million. Once the relevant sales permit on the two said properties are approved, the ownership can be transferred accordingly and sales revenue will be recorded.

Application for a construction work planning permit on seven blocks of properties with total GFA of 18,730 sq.m. on the site for Phase 1B is in preparation. Deposits of approximately RMB4.1 million has been received from one potential purchaser with an estimated sale value of RMB13.6 million in total on the Phase 1B site covering an estimated total GFA of 3,265 sq.m. As at 31 March 2019, the cost of property under development amounted to HK$206.1 million.

Property Investment

For the year, the rental income made from the investment properties with a value of HK$742.7 million as at 31 March 2019 rose by 14.1% to approximately HK$22.6 million from HK$19.8 million last year. The construction work for the Xiamen project was completed. A GFA of 4,875 sq,m, was leased to a third party for the use as an office/warehouse hybrid. It contributed a total of approximately HK$0.4 million to the Group's revenue. Additional rental revenue from the paper and board business, office supplies and consumable and FMCG business amounted to approximately HK$27.5 million. Together with the rental earned from other third parties, the gross rental revenue of the property segment was approximately HK$50.0 million during the reporting year.

A gain on fair value change on the investment properties of approximately HK$31.7 million was recorded as compared to a gain on fair value change of HK$143.7 million last year.

Segment Performance (continued)

Others
The Group has also engaged in the aeronautic parts and services business, marine services business and logistic services business. These business segments together contributed approximately HK$55.0 million, 0.9% (2018: HK$61.8 million, 1.1%) of the Group's total revenue.

Working Capital and Inventory Management

The Group's efforts have achieved a shortened collection period to 64 days and has a write back of impaired receivable provision of approximately HK$5.0 million for the year under review. This further indicates that the Group's operation control and policy is able to fend off financial risks faced in the market. As a part of its risk management measures, the Group continued to have credit insurance coverage on the accounts receivable of the paper and board business and office supplies and consumable business in Hong Kong and the PRC as well as the accounts receivable of the paper manufacturing business. For added prudence, the Group has continued to take a conservative approach making provision for doubtful debts to cover the credit exposure. An impaired receivable provision of approximately HK$3.5 million has been made, contributing 0.06% of the Group's total revenue.

To maintain a strong working capital position and minimise the risk exposure of the value of stock against paper price, the Group has kept a low stock level of approximately HK$700.9 million as at 31 March 2019 while by tonnage the closing stock as at 31 March 2019 is 17% less than that of 2018.

Employees and Remuneration Policies

As at 31 March 2019, the Group employed 1,863 staff members, 193 of whom are based in Hong Kong and 1,338 are based in the PRC and 332 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 its bankers. It uses cash flow generated from operations, long term borrowings and shareholders' equity for the financing of long term assets and investments. As at 31 March 2019, short term deposits plus cash and bank balances amounted to approximately HK$516.8 million (2018: HK$528.8 million) (including restricted bank deposits of approximately HK$184.3 million (2018: HK$168.7 million)) and bank borrowings amounted to approximately HK$2,747.2 million (2018: HK$2,517.1 million).

The Group continues to implement a prudent financial management policy and strives to maintain a reasonable gearing ratio during expansion. As at 31 March 2019, the Group's gearing ratio was 50.5%, without the unrealised currency translation loss of approximately HK$249.7 million, the gearing ratio would be at the level of 47.8%, (2018: 45.9%), calculated as net debt divided by total capital. Net debt of approximately HK$2,230.5 million (2018: HK$1,988.3 million) is calculated as total borrowings of approximately HK$2,747.2 million (2018: HK$2,517.1 million) (including trust receipt loans, short term and long term borrowings, finance lease obligations and bank overdraft) less cash, bank balances and restricted deposits of approximately HK$516.8 million (2018: HK$528.8 million).

Total capital is calculated as total equity of approximately HK$2,186.3 million (2018: HK$2,345.9 million) plus net debt. The current ratio (current assets divided by current liabilities) was 1.11 times (2018: 1.24 times).

With cash and bank balances and other current assets (including assets classified as held for sale) amounting to approximately HK$3,533.8 million (2018: HK$3,865.0 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 dollars and Hong Kong dollars. The Group has 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 2019, bank borrowings in Renminbi amounted to approximately HK$177.2 million (2018: HK$119 million). The remaining borrowings are mainly in Hong Kong dollars. The majority of the Group's borrowings bear interest costs which are based on floating interest rates.

Contingent Liabilities and Charge Of Assets

As at 31 March 2019, the Group 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 2019 amounted to approximately HK$2,744.3 million (2018: HK$2,512.4 million).

Certain land and buildings, and investment properties (including those presented as assets classified as held for sale) of the Group's subsidiaries, with a total carrying value of approximately HK$337.1 million as at 31 March 2019 (2018: HK$323.1 million) were pledged to banks as securities for bank loans of approximately HK$119.7 million (2018: HK$49.1 million) and trust receipt loans of approximately HK$30.1 million (2018: HK$142.8 million) granted to the Group

Corporate Governance Practices

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

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions (the "Code Provisions") of the "Code on Corporate Governance Practices" (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code. Throughout the financial year of 2018, 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 29.) 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 years. 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 2019, the Company has organised 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)	5/5			
Mr. LEE Seng Jin (Deputy Chairman and Chief Executive Officer) (note 3)	4/5		1/1	1/1
Mr. CHOW Wing Yuen	5/5			
Ms. SHAM Yee Lan, Peggy	4/5			
Mr. LEE Yue Kong, Albert	5/5			
Independent Non-executive Directors				
Mr. PANG Wing Kin, Patrick (note 2)	5/5	3/3		1/1
Mr. TONG Yat Chong (note 1)	5/5	3/3	1/1	
Mr. NG Hung Sui, Kenneth	4/5		1/1	1/1
Non-executive Director				
Mr. LAU Wang Yip, Eric	5/5	2/3		

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 2019 is set out below:

Remuneration band (HK$)	Number of persons
Nil to 2,000,000	7
above 2,000,000	2

Nomination Committee

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

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

Audit Committee

The audit committee of the Company (the "Committee") comprises two independent non-executive Directors of the Company, namely Mr. Pang Wing Kin, Patrick and Mr. Tong Yat Chong and one non-executive Director of the Company, namely Mr. Lau Wang Yip, Eric. The principal activities of the Committee include the review and supervision of the Group's financial reporting process and internal controls. The Committee has met with the senior management of the Company and the Company's external auditor to review the annual results for the year ended 31 March 2019 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 2018/2019, 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 2018/2019, 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 2018, the Audit Committee is satisfied that:

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

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

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

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

Business Planning and Budgeting

The Group's budget meeting is held annually in the beginning of each year. It is a key control process in business planning. The budget meeting of the year 2019/2020 was held in February 2019. 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 2018/2019 (i.e. April to September 2018) was conducted in October 2018. 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	3,400
(b) Non-audit services (note)	130

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

Model Code for Securities Transactions

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

Financial Reporting

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

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

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

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 35.

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 2019. These documents are published on the website of the Company and the Stock Exchange.

Introduction

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

Environmental

Emissions

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

To further reduce the unpleasant smell that arise from the sewage treatment process, the paper manufacturing business has added extra equipment to the original unpleasant smell reduction process. The sources of smell are contained and sealed, and stench is transmitted to and treated at cleansing systems such as chemical washing and ion deodorization facilities. Through these measures, the Group further improved its performance in gas emission.

Collection of waste gas at the Sewage Treatment Plant

Main control room of the thermal power plant

Exterior of the main structures of the thermal power plant

The new power supply units under construction in the power plant completed inspection and acceptance in the late of May 2019 and commenced official operation in June 2019. These units are designed not only to meet the requirements of ultra-low emissions, but also to reduce the production costs of the Group. Upon smooth operation of these units, the emission indicators will be further enhanced from the existing levels while the ancillary facilities required for power generation will be optimised. The Group believes that the smooth commissioning of these new power supply units will allow environmental work to advance further. During the period, the coal bunkhouses in the power plant were converted from semi-enclosed warehouses to fully enclosed warehouses, equipped with standard fire prevention and safety facilities to avoid dust pollution caused by coal mine during loading and unloading, storage and transportation, and possible water pollution problem on rainy days.

The Environmental Protection, Natural Resources and Use of Resources

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

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

The Group has green office practices in place at present, such as promoting the use of recycled paper and recycling of waste paper, turning off idle lighting equipment and electrical appliances. In addition, the Group is implementing the national unified computer document processing system by stages, which is expected to substantially reduce the amount of paper for office use. In addition, the paper manufacturing business is gradually installing energy-efficient lights and replacing the old lights with energy-efficient ones in its plant, in a bid to further reduce power consumption.

System Certifications and Awards

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

In addition, Samson Paper Company Limited under the Group, which has received accolades consecutively over the past years from Carbon Care Asia, was awarded the "CarbonCare® Label" and "CarbonCare® Star Label" for 2018.

Social

Since its inception in 1965, the Group has grown into a corporation with more than 1,800 current employees. It has been applying a human resources management policy which is people-oriented as talents are the most important assets, and places emphasis on the career development and health and work safety of each employee.

As at 31 March, 2019, the Group has 1,863 full-time employees, among whom 193 are based in Hong Kong, 1,338 are based in Mainland China and 332 are based in other countries. Male and female employees account for 70% and 30% of all employees, respectively. 79% of employees are general workers, while 13% of employees are director-level and 8% are managerial-level. Employees aged under 30, aged between 31 and 50, and aged above 51 account for 25%, 68% and 7% of total employees, respectively.

Remuneration Mechanism

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

Health and Work Safety

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

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

As a result of the Group's emphasis on building a safety corporate culture and aggressive efforts to carry out safety cultural exchanges, the paper manufacturing business was named as "A Production Safety Advanced Work Unit in Xuecheng District for 2017" (2017年度薛城區安全生產先進單位) by Xuecheng District Government, and was awarded the title of "Worker Pioneer" (工人先鋒) by Xuecheng District General Union.

Fire drill in the summer of 2018

Fire drill in the Winter of 2018

Employee Development and Training

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

Training for efficient management and communication

Care for Employee and Team-building Initiatives

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

The paper manufacturing business also offers free accommodation for employees living in remote rural areas, free shuttle bus service for employees living in the surrounding urban areas, and free work meals for employees with a view to providing employees with a comfortable working and living environment. Employees have free access to basketball courts and table tennis boards in the plant.

Tug-of-war competition in 2018

Employment Ordinance and Enforcement Standards

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

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

Supply Chain Management

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

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

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

Product Quality Control and Responsibility

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

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

Anti-corruption, Anti-bribery and Anti-fraud

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

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

Community Investment

The Group is enthusiastic in contributing to social causes, attaches importance to the relationship between the local community and our business operation, and actively participates in community care events. Over the years, we have helped the needy in society through different means, including making donations in cash and in kind to various charitable agencies and children welfare institutions. During the year, the Group organised and sponsored a number of activities, including: Working with the St. James' Settlement and Food Angel. Through these non-profit-making organisations, food were sent to those in need; sponsorship activities include "Cancer Information Network - Cook with Denice," "Silent group parent-child cooking class."

Report of the Directors

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2019.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are paper manufacturing, sale of paper and board, office supplies and consumable, supplies for paper manufacturing and FMCG business, property development as well as leasing of investment properties as set out in note 37 to the consolidated financial statements. The Group also engages in trading of consumable aeronautic parts and provision of related services and provision of logistic services and marine services. The Group's customers are mainly based in Hong Kong and the PRC.

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

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 40.

The Directors have declared an interim dividend of HK0.4 cent per share, totalling HK$5,092,000, which was paid on 10 January 2019.

The Directors recommend the payment of a final dividend of HK2 cents per share, totalling HK$25,463,000.

Donations

Charitable and other donations made by the Group during the year amounted to HK$319,000.

Principal Properties

Details of the principal properties held for investment and for development purpose and assets classified as held for sale are set out in notes 14, 19 and 24 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 27 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 March 2019, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$256,443,000 (2018: HK$291,427,000).

Equity Linked Agreements

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Company at any time during the year ended 31 March 2019 or subsisted at the end of the year.

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:

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000
Revenue	5,277,933	5,000,852	5,173,620	5,759,596	5,907,821
Profit attributable to owners of the Company	114,225	46,675	84,714	196,755	109,206
Total assets	5,883,903	5,698,294	5,642,514	6,666,970	6,522,844
Total liabilities	3,871,670	3,810,173	3,766,396	4,321,113	4,336,521
Total equity	2,012,233	1,888,121	1,876,118	2,345,857	2,186,323

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 2019, 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.

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.

Permitted Indemnity Provision

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

Directors' Service Contracts

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

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

Directors' Material Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year save as disclosed under the "Connected Transactions and Continuing Connected Transactions" section stated below and note 35 "Related Party Transactions" to the financial statements.

Biographical Details of Directors and Senior Management

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

Executive Directors
Mr. SHAM Kit Ying (alias SHAM Kit), aged 93, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 60 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 62, 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 60, 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 41 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 53, 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 63, 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 36 years of experience in the finance, auditing and accounting fields. Prior to joining the Group in June 1997, Mr. Lee was an independent non-executive Director of the Company. He is a member of Chartered Accountants Australia and New Zealand and the Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors and Senior Management (continued)

Non-executive Directors

Mr. PANG Wing Kin, Patrick, aged 63, is a qualified accountant and has over 36 years of working experience in the auditing, finance and general management areas. Mr. Pang is currently a financial consultant to an Australian company which has investment in China. He is also consulting a property and jewellery investment company in Hong Kong. Mr. Pang was appointed independent non-executive Director of the Company in 1995. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Mr. LAU Wang Yip, Eric, aged 52, is a solicitor practising in Hong Kong. He was appointed non-executive Director of the Company in 1997 and is currently a consultant of a local law firm. Mr. Lau holds a Bachelor's degree in Laws and has been admitted as a solicitor in England and Wales. He has also been admitted as a legal practitioner in Tasmania, Australia.

Mr. TONG Yat Chong, aged 62, is a qualified accountant and has over 34 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 52, is a solicitor practising in Hong Kong. He was appointed independent non-executive Director of the Company in 2005 and is currently the managing 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 in 2008. He was an accredited General Mediator of the Hong Kong International Arbitration Centre since 2009. He was appointed as a China-Appointed Attesting Officer in 2012.

Mr. Ng was appointed as an independent non-executive Director of Mexan Limited (stock code: 22) on 19 April 2007. He is the Chairman of the Criminal Law and Procedure Committee of the Law Society of Hong Kong. He is a member of the Criminal Court Users' Committee (appointed by the Chief Justice). He is the Vice Chairman of the Council of the Duty Lawyer Service.

Senior Management

Mr. CHAN Kwok Keung, aged 59, is the Procurement and Marketing Director of Samson Paper (China) Company Limited. He joined the Group in 1990 and has over 32 years of working experience in the paper distribution industry and is responsible for the procurement of paper products and the marketing strategy of paper merchant business in China.

Mr. NG Hao, aged 51, is the Sales Director of Samson Paper (China) Company Limited. He joined the Group in 2001 as the General Manager of Samson Paper Shanghai Company Limited. He has over 25 years of working experience in the printing and paper distribution industry and is responsible for the overall sales management of paper merchant business in China.

Ms. LIM Meow Hiang, aged 44, is the Chief Executive Officer of Seng Jin (China) Company Limited ("SJ China"). She has 22 years of experience in human resources management and operation management in SJ China. She is responsible for the overall property development business in China.

Mr. Kittappa SASIKUMAR, aged 44, is the General Manager of Kemp International Holdings Ltd in Singapore. He has been working with the group since 2003, responsible for the overall management of all the business units in Singapore and Malaysia.

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 2019, 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%

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 2019, 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.

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

(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 2019, 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 2019.

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.

Events after the Reporting Period

There was no significant event occurred after the reporting period.

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.31 or Rule 14A.33 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are disclosed below.

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

During the financial year ended 31 March 2019, the actual amount of sale and purchase transactions were approximately HK$2,390.1 million in respect of the total purchases by the Group from KPP Group and HK$32.9 million in respect of the total sales to KPP Group by the Group. Of such purchase transactions, HK$811.8 million was purchased from Keishin Papers Trade (Shanghai) Company Limited, a subsidiary of KPP, which is a related party of the Group for the period from 1 April 2018 to February 2019 under the relevant Hong Kong Accounting Standards. Such related party transactions were also disclosed on page 106 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 2019 (the "Transactions") and confirmed that the Transactions were entered into:

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

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

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

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

Independence of Independent Non-executive Directors

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

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

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

A subsidiary of the Company has been granted a three and a half-year revolving credit and term loan facility amounting to HK$780,000,000 in September 2017. The loan facility requires that (i) Mr. Sham Kit Ying, Mr. Lee Seng Jin, Ms. Sham Yee Lan, Peggy and members of their respective immediate family shall in aggregate maintain not less than 100% of the direct or indirect legal and beneficial interest in Quinselle Holdings Limited; and maintain management control over Quinselle Holdings Limited; and (ii) Quinselle Holdings Limited shall maintain at least 51% of the direct or indirect legal and beneficial interest in the Company and remain the single largest shareholder of the Company.

Independent Auditor

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

On behalf of the Board

SHAM Kit Ying
Chairman

Hong Kong, 18 June 2019

pwc 羅兵咸永道

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

Opinion

What we have audited
The consolidated financial statements of Samson Paper Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 40 to 113, which comprise:

- the consolidated balance sheet as at 31 March 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

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

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

Key Audit Matters

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

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

- Valuation of investment properties
- Impairment assessment of accounts receivable

Key Audit Matters	How our audit addressed the Key Audit Matters
Valuation of investment properties *Refer to notes 2.8, 4(i) and 14 in the consolidated financial statements* Management has estimated the fair value of the Group's investment properties to be HK$742,676,000 at 31 March 2019, with a revaluation gain for the year ended 31 March 2019 recorded in the consolidated statement of profit or loss of HK$31,716,000. Valuations by an independent external valuer were obtained in order to support management's estimates. These valuations are dependent on certain key assumptions that require significant judgement, such as market prices, term/reversionary yields and market rents. We focused on this area due to the significant amount of revaluation gain recorded for the year and the significant management judgment used to evaluate the fair value of the Group's investment properties.	Our procedures in relation to management's valuations of investment properties included: • Evaluating of the independent external valuer's competence, capabilities and objectivity; • Using our in-house valuation experts to assess the appropriateness of the valuation methodologies used by the valuer and the reasonableness of the key assumptions adopted for the valuations based on our knowledge of the property industry; and • Checking on a sample basis market prices, term/reversionary yields and market rents by making reference to available comparable market data or historical information, where appropriate. We found the key assumptions applied in the valuations of investment properties as at year end to be supported by available evidence.

Key Audit Matters (continued)

Key Audit Matters

Impairment assessment of accounts receivable

Refer to notes 2.9, 4(ii) and 21 to the consolidated financial statements

The Group had gross accounts receivable of approximately HK$1,246,301,000 as at 31 March 2019. Loss allowance of HK$90,941,000 as at 31 March 2019 is made for lifetime expected credit losses on accounts receivable.

Management applied judgment in performing assessment of expected credit losses for accounts receivable.

Management performed periodic assessment on the recoverability of the accounts receivable and the sufficiency of loss allowance by grouping the accounts receivable based on the nature and geographical areas of the business, shared credit risk characteristics and aging profile collectively. The expected credit loss rates are determined based on past repayment history and historical credit losses experience. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the size of the accounts receivable as at 31 March 2019 and the significant management judgement used to evaluate the recoverability of such balances.

How our audit addressed the Key Audit Matters

Our procedures in relation to management's assessment of the expected credit loss for accounts receivable included:

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

Understanding management's assessment of the expected credit losses for accounts receivable. Assessing the appropriateness of management's assessment including the grouping of accounts receivable based on the nature of business and geographical areas of the business, shared credit risk characteristics and aging profile and testing the expected credit loss rates by examining the customers' past repayment pattern, historical credit loss experience and subsequent settlement. Challenging the assumptions, including both historical and forward-looking information used to determine the expected credit losses, and recomputing the expected credit loss calculation;

Checking on a sample basis the ageing profile of the accounts receivable as at 31 March 2019 to the underlying financial records; and

Selecting debtors on a sample basis and circulated auditor's confirmations to them confirming the accounts receivable balances as at 31 March 2019, where confirmations were not received from these debtors, we examined alternative supporting documents such as good delivery notes to verify the outstanding balances.

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

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 June 2019

Consolidated Statement of Profit or Loss

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	5,907,821	5,759,596
Cost of sales		(5,347,831)	(5,223,274)
Gross profit		559,990	536,322
Fair value gains on investment properties	5	31,716	143,700
Other gains and income, net	5	64,618	57,614
Selling expenses		(213,882)	(213,470)
Administrative expenses		(233,318)	(202,895)
Other operating income/(expenses)		1,869	(1,143)
Operating profit	6	210,993	320,128
Finance costs	7	(71,174)	(80,524)
Profit before taxation		139,819	239,604
Taxation	8	(20,142)	(35,280)
Profit for the year		119,677	204,324
Attributable to:			
— Owners of the Company		109,206	196,755
— Non-controlling interests		10,471	7,569
		119,677	204,324
Earnings per share			
Basic	10	HK9.2 cents	HK17.0 cents
Diluted	10	HK8.6 cents	HK15.5 cents

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	119,677	204,324
Other comprehensive (loss)/income, net of tax		
Item that will not be reclassified to profit or loss		
Revaluation of land and buildings, net of deferred tax	10,471	18,047
Changes in the fair value of financial assets at fair value through other comprehensive income	166	—
	10,637	18,047
Items that may be reclassified to profit or loss		
Currency translation differences	(249,744)	276,530
Revaluation of available-for-sale financial assets	—	120
	(249,744)	276,650
Other comprehensive (loss)/income for the year, net of tax	(239,107)	294,697
Total comprehensive (loss)/income for the year	(119,430)	499,021
Attributable to:		
— Owners of the Company	(104,923)	462,653
— Non-controlling interests	(14,507)	36,368
Total comprehensive (loss)/income for the year	(119,430)	499,021

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	12	2,056,466	2,016,631
Land use rights	13	113,553	128,067
Investment properties	14	742,676	494,000
Intangible assets	15	41,693	42,387
Financial assets at fair value through other comprehensive income	16	1,335	—
Financial assets at fair value through profit or loss	17	4,692	—
Available-for-sale financial assets	16	—	5,986
Non-current deposits and prepayments	18	21,268	107,479
Deferred tax assets	29	7,343	7,456
		2,989,026	2,802,006
Current assets			
Properties under development	19	206,127	139,502
Inventories	20	700,884	840,028
Accounts and other receivables	21	2,101,742	2,152,495
Taxation recoverable		8,313	4,160
Restricted bank deposits	22	184,344	168,707
Bank balances and cash	23	332,408	360,072
		3,533,818	3,664,964
Assets classified as held for sale	24	—	200,000
		3,533,818	3,864,964
Total assets		6,522,844	6,666,970
Current liabilities			
Accounts and other payables	25	909,415	1,572,200
Contract liabilities	25	25,263	—
Trust receipt loans	26	1,051,271	954,848
Taxation payable		106,467	97,913
Borrowings	26	1,090,588	490,952
		3,183,004	3,115,913
Net current assets		350,814	749,051
Total assets less current liabilities		3,339,840	3,551,057

	Note	2019 HK$'000	2018 HK$'000
Financed by:			
Share capital	27	127,315	127,315
Reserves	28	1,832,568	1,977,595
		1,959,883	2,104,910
Non-controlling interests		226,440	240,947
Total equity		2,186,323	2,345,857
Liabilities			
Non-current liabilities			
Accounts and other payables	25	451,566	31,872
Borrowings	26	605,360	1,071,256
Deferred tax liabilities	29	96,591	102,072
		1,153,517	1,205,200
		3,339,840	3,551,057

The consolidated financial statements were approved by the Board of Directors on 18 June 2019 and were signed on its behalf.

SHAM Kit Ying
Director

SHAM Yee Lan, Peggy
Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	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 2017	127,315	597,738	946,486	1,671,539	204,579	1,876,118
Comprehensive income						
Profit for the year	—	—	196,755	196,755	7,569	204,324
Other comprehensive income for the year, net of tax						
Currency translation differences	—	247,731	—	247,731	28,799	276,530
Revaluation of land and buildings, net of deferred tax	—	18,047	—	18,047	—	18,047
Revaluation of available-for-sale financial assets	—	120	—	120	—	120
Other comprehensive income, net of tax	—	265,898	—	265,898	28,799	294,697
Total comprehensive income	—	265,898	196,755	462,653	36,368	499,021
Transactions with owners in their capacity as owners						
Transfer to statutory reserve	—	5,882	(5,882)	—	—	—
2016–2017 final dividend paid	—	—	(24,190)	(24,190)	—	(24,190)
2017–2018 interim dividend paid	—	—	(5,092)	(5,092)	—	(5,092)
Total transactions with owners in their capacity as owners	—	5,882	(35,164)	(29,282)	—	(29,282)
Balance at 31 March 2018	127,315	869,518	1,108,077	2,104,910	240,947	2,345,857

	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 31 March 2018	127,315	869,518	1,108,077	2,104,910	240,947	2,345,857
Adjustment on adoption of HKFRS 9, net of tax (note 2.2)	–	(671)	671	–	–	–
Restated balance at 1 April 2018	127,315	868,847	1,108,748	2,104,910	240,947	2,345,857
Comprehensive income						
Profit for the year	–	–	109,206	109,206	10,471	119,677
Other comprehensive (loss)/income for the year, net of tax						
Currency translation differences	–	(224,766)	–	(224,766)	(24,978)	(249,744)
Revaluation of land and buildings, net of deferred tax	–	10,471	–	10,471	–	10,471
Change in fair value of financial assets at fair value through other comprehensive income	–	166	–	166	–	166
Other comprehensive loss, net of tax	–	(214,129)	–	(214,129)	(24,978)	(239,107)
Total comprehensive (loss)/income	–	(214,129)	109,206	(104,923)	(14,507)	(119,430)
Transactions with owners in their capacity as owners						
Transfer to statutory reserve	–	5,495	(5,495)	–	–	–
2017–2018 final dividend paid	–	–	(35,012)	(35,012)	–	(35,012)
2018–2019 interim dividend paid	–	–	(5,092)	(5,092)	–	(5,092)
Total transactions with owners in their capacity as owners	–	5,495	(45,599)	(40,104)	–	(40,104)
Balance at 31 March 2019	127,315	660,213	1,172,355	1,959,883	226,440	2,186,323

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Operating activities			
Cash generated from/(used in) operations	30(a)	53,655	(158,695)
Interest paid		(71,174)	(80,524)
Hong Kong profits tax paid		(7,985)	(2,514)
Overseas taxation paid		(6,488)	(16,022)
Net cash used in operating activities		(31,992)	(257,755)
Investing activities			
Purchase of property, plant and equipment		(170,331)	(181,111)
Purchase of land use rights		—	(325)
Purchase of intangible assets		(2,099)	(1,200)
Proceeds from disposal of land use rights	30(c)	919	—
Proceeds from disposal of property, plant and equipment	30(c)	6,401	1,410
Proceeds from disposal of investments in financial assets at fair value through profit or loss		—	1,137
Increase in non-current deposits and prepayment		—	(43,193)
Interest received	5	6,458	5,089
Net cash used in investing activities		(158,652)	(218,193)
Financing activities			
Net increase in bank loans	30(b)	149,944	255,835
Repayment of finance lease liabilities	30(b)	(1,890)	(2,083)
Increase in trust receipt loans	30(b)	96,423	145,159
Increase in restricted bank deposits		(27,512)	(13,182)
Dividends paid to shareholders		(40,104)	(29,282)
Net cash generated from financing activities		176,861	356,447
Net decrease in cash and cash equivalents		(13,783)	(119,501)
Cash and cash equivalents at beginning of the year		357,369	455,270
Effect of changes in exchange rates on cash and cash equivalents		(12,604)	21,600
Cash and cash equivalents at end of the year	23	330,982	357,369

The accompanying notes are an integral part of these consolidated financial statements.

1 General Information

The principal activities of Samson Paper Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are paper manufacturing, sale of paper and board, office supplies and consumable, supplies for paper manufacturing, fast moving consumer goods ("FMCG") business, property development as well as leasing of investment properties. The Group is also engaged in the trading of consumable aeronautic parts and provision of marine services. 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 primary listing on The Stock Exchange of Hong Kong Limited.

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

2 Summary of Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Samson Paper Holdings Limited and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (2018: available-for-sale financial assets), and financial assets and financial liabilities at fair value through profit or loss, land and buildings as well as investment properties, which are carried at fair value.

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

(a) New standards, amendments to standards and interpretation adopted by the Group

The Group has applied the following new standards, amendments to existing standards and interpretation for the first time for their financial year beginning on 1 April 2018: Detailed impact of adoption of HKFRS 9 and HKFRS 15 are disclosed in note 2.2. The adoption of other new and amended standards and interpretation did not have any material impact on the current period and any prior periods.

Annual Improvements Project	Annual improvements 2014–2016 cycle
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendments)	Clarification of HKFRS 15
HKAS 40 (Amendments)	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

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

The following new standards, amendments to standards and interpretation have been issued but are not yet effective for the financial year beginning 1 April 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Annual Improvements Project (Amendments)	Annual improvements 2015–2017 cycle	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 3 (Amendments)	Definition of a business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	sale or contribution of assets between an investor and its associate or joint venture	to be determined

The Group intends to adopt the above new standards, amendments to existing standards and interpretation when they become effective. The Group's assessment of the impact of these new and amended standards and interpretation is set out below.

HKFRS 16 "Leases" — effective for financial years beginning on or after 1 January 2019

Nature of change

HKFRS 16 will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. In the consolidated statement of profit or loss, rental expenses are not recognised while amortisation arising from the right-of-use assets and interest expense on the lease liabilities are recognised.

Impact

Based on management's initial assessment, the initial adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is expected to result in a significant increase in both assets and liabilities in the consolidated balance sheet. The adoption will also front-load the expense recognition in the consolidated statement of profit or loss over the period of the leases, as a result of the combination of the interest expenses arising from the lease liabilities and the amortisation of the right-of-use assets as compared to the rental expenses under existing standard.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to existing standards and interpretation that have been issued but not effective and have not been early adopted by the Group (continued)

HKFRS 16 "Leases" — effective for financial years beginning on or after 1 January 2019 (continued)

Date of adoption by the Group

The Group will apply the standard for the financial year beginning on 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other new and amended standards and interpretation that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial statements.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 March 2018 HK$'000	Effect of HKFRS 9 HK$'000	Effect of HKFRS 15 HK$'000	1 April 2018 HK$'000
Non-current assets				
Available-for-sale financial assets	5,986	(5,986)	—	—
Financial assets at fair value through profit or loss ("FVPL")	—	4,817	—	4,817
Financial assets at fair value through other comprehensive income ("FVOCI")	—	1,169	—	1,169
Current liabilities				
Accounts and other payables	1,572,200	—	(28,414)	1,543,786
Contract liabilities	—	—	28,414	28,414
Equity				
Asset revaluation reserve	345,223	(671)	—	344,552
Retained earnings	1,108,077	671	—	1,108,748

2 Summary of Significant Accounting Policies (continued)

2.2 Changes in accounting policies (continued)

(a) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

	Available-for-sale financial assets HK$'000	Financial assets at fair value through profit or loss ("FVPL") HK$'000	Financial assets at fair value through other comprehensive income ("FVOCI") HK$'000
Closing balance at 31 March 2018 — HKAS 39	5,986	—	—
Reclassify investments from available-for-sale financial assets to FVPL (Note i)	(4,817)	4,817	—
Reclassify investments from available-for-sale financial assets to FVOCI (Note ii)	(1,169)	—	1,169
Opening balance at 1 April 2018	—	4,817	1,169

(i) Reclassification from available-for-sale financial assets to FVPL

Certain debt investments were reclassified from available-for-sale financial assets to financial assets at FVPL (HK$4,817,000 as at 1 April 2018). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. The accumulated fair value gains of HK$671,000 recorded in the previous years have been reclassified from asset revaluation reserve to retained earnings at 1 April 2018.

(ii) Reclassification from available-for-sale financial assets to FVOCI

The Group elected to present in other comprehensive income changes in the fair value of certain equity investments previously classified as available-for-sale financial assets, because these investments are held as long term strategic investments that are not expected to be sold in the short to medium term. As a result, these investments were reclassified from available-for-sale financial assets to financial assets at FVOCI (HK$1,169,000 as at 1 April 2018).

Other than that, there were no changes to the classification and measurement of financial instruments.

2 Summary of Significant Accounting Policies (continued)

2.2 Changes in accounting policies (continued)

(a) HKFRS 9 Financial Instruments — Impact of adoption (continued)

(iii) Impairment of financial assets

The Group mainly has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Accounts receivable; and
- Other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each class of assets.

Financial assets at amortised cost include accounts and other receivables. The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as if the case under HKAS 39. While cash and cash equivalent, short-term bank deposits and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group estimates ECL by grouping the accounts receivable based on the nature and geographical areas of business, shared credit risk characteristics and aging profile. For accounts receivable which are long overdue and have significant increase in credit risk, the Group applies the general approach by applying lifetime expected loss allowances for these accounts receivable. For other normal accounts receivable, the Group applies the simplified approach to measuring ECL which uses a lifetime expected loss allowance. The Group has concluded that the impact of ECL on accounts receivable is insignificant as at 1 April 2018.

Other receivables carried at amortised cost are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses. Applying the expected credit risk model has not resulted in the recognition of a loss allowance for other receivables.

Hence there was no impact of the change in impairment methodology on the Group's opening retained profits and equity in relation to the impairment methodology under HKFRS 9.

(b) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, comparative figures have not been restated. The adoption of HKFRS 15 did not result in significant changes to the Group's revenue recognition policies.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that there are no significant differences between the performance obligations required to be units of account under HKFRS 15 and the deliverables considered to be units of account under HKAS 18.

The new standard requires the Group to estimate the total consideration, including an estimate of future variable consideration, receive in exchange for the goods delivered. The Group's revenue streams are not significantly impacted by the new standard.

2 Summary of Significant Accounting Policies (continued)

2.2 Changes in accounting policies (continued)

(b) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption (continued)

The Group has also changed the presentation of deposits from customers as contract labilities in the consolidated balance sheet to reflect the terminology of HKFRS 15. The amounts were previously included in accounts and other payables (HK$28,414,000 as at 1 April 2018).

In summary, the following adjustments were made to the amounts recognised in the consolidated balance sheet at the date of initial application (1 April 2018):

	31 March 2018 (As previously stated under HKAS 18) HK$'000	Reclassifications under HKFRS 15 HK$'000	1 April 2018 (Restated under HKFRS 15) HK$'000
Balance sheet (extract)			
Accounts and other payables	1,572,200	(28,414)	1,543,786
Contract liabilities	—	28,414	28,414
Total liabilities	1,572,200	—	1,572,200

2.3 Subsidiaries

2.3.1 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.

(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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

2 Summary of Significant Accounting Policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) Business combinations (continued)

Acquisition-related costs are expensed as incurred.

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

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

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

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

2.3.2 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.

2.4 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.

2 Summary of Significant Accounting Policies (continued)

2.4 Foreign currency translation (continued)

(b) *Transactions and balances*

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

2.5 Property, plant and equipment

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

2.6 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 2.5.

2.7 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.

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

2 Summary of Significant Accounting Policies (continued)

2.9 Financial assets

2.9.1 Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.9.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(i) *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains, net", together with foreign exchange gains and losses.

2 Summary of Significant Accounting Policies (continued)

2.9 Financial assets (continued)

2.9.3 Measurement (continued)

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains, net" in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.9.4 Impairment

From 1 April 2018, the Group assesses on a forward looking basis the ECL associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.9.5 Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

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

2 Summary of Significant Accounting Policies (continued)

2.9 Financial assets (continued)

2.9.5 Accounting policies applied until 31 March 2018 (continued)

(i) Classification (continued)

(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.

(ii) Recognition and measurement

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

2.9 Financial assets (continued)

2.9.5 Accounting policies applied until 31 March 2018 (continued)

(iii) Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(b) Assets classified as available-for-sale

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

2 Summary of Significant Accounting Policies (continued)

2.9 Financial assets (continued)

2.9.6 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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 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.

2.11 Assets classified as held for sale

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 relevant policies set out elsewhere in note 2.

2.12 Properties under development

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

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

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

2.13 Inventories

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

2 Summary of Significant Accounting Policies (continued)

2.14 Accounts and other receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, 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. See Note 2.9 for further information about the Group's accounting for accounts receivable and for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

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

2.16 Borrowings

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

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

2.17 Borrowing costs

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

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

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

2.18 Accounts payables

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables 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). Otherwise, they are presented as non-current liabilities.

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

2 Summary of Significant Accounting Policies (continued)

2.19 Provisions

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

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

2.20 Share capital

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

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

2.21 Revenue recognition

(i) Sales of goods

The Group manufactures paper products, sale of paper and board, office supplies and consumable, supplies for paper manufacturing and FMCG products and is also engaged in trading of consumable aeronautic parts.

Revenue is recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Sales of marine service

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

(iii) Franchise income

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

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2 Summary of Significant Accounting Policies (continued)

2.22 Segment reporting

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

2.23 Employee benefits

(a) Employee leave entitlements

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

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

(b) Retirement benefit obligations

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

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

(c) Bonus plan

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

2.24 Leases (as lessee)

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

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

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

2 Summary of Significant Accounting Policies (continued)

2.25 Leases (as lessor)

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

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

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

2.26 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

2 Summary of Significant Accounting Policies (continued)

2.26 Current and deferred income tax (continued)

(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.

2.28 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in the consolidated statements of profit or loss within "other gains and income, net".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.29 Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Currency risk

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. During the year ended 31 March 2019, the Group recorded other comprehensive loss of exchange differences arising from translation of functional currency to presentation currency of HK$249,744,000 (2018: other comprehensive income of HK$276,530,000), attributable to the depreciation (2018: appreciation) of the RMB against HK$. The translation risk is not hedged.

At 31 March 2019, if HK$ had weakened/strengthened by 1% against RMB with all other variables held constant, other comprehensive loss (2018: other comprehensive income) for the year would have been HK$27,350,000 lower/higher (2018: HK$35,189,000 higher/lower), as a result of currency translation differences on translation of investment in foreign operations, whose functional currency are RMB.

(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 and accounts payable. As at 31 March 2019 and 2018, borrowings are primarily at floating interest rates, while, the interest of accounts payable are based on prevailing market conditions. Bank borrowings at floating rates expose the Group to cash flow interest rate risk. The Group's policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

At 31 March 2019, if interest rates on borrowings and accounts payable 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$9,749,000 (2018: HK$7,238,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and accounts payable.

(b) Credit risk

(i) Risk management

Credit risk is managed on a group basis. The Group's credit risk is primarily attributable to cash and bank deposits and accounts and other receivables.

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)

(i) Risk management (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. 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 accounts 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 and accounts and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

(ii) Impairment of financial assets

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as at 31 March 2019.

The credit quality of the other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables and low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables excluding prepayments is assessed to be close to zero and no provision was made as at 31 March 2019.

The Group categorises its accounts receivable based on the nature and geographical areas of the business, shared credit risk characteristics and aging profile collectively. The expected credit loss rates are determined based on past repayment history and historical credit losses experience. The expected credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For accounts receivable which is long overdue and has significant increase in credit risk, the Group applies the general approach by applying lifetime expected loss allowances for these accounts receivable. The related lifetime expected credit loss rate is 77%. Accordingly, loss allowance of HK$90,941,000 were made as at 31 March 2019.

While, for other normal accounts receivable, the Group applies the simplified approach to measuring ECL which uses a lifetime expected loss allowance. Given the track record of regular repayment of these accounts receivable, the directors are of the opinion that the risk of default by these customers is not significant and does not expect any losses from non-performance by customers. Therefore, expected credit loss rate of the remaining accounts receivable is assessed to be immaterial and no further loss allowance was made as at 31 March 2019.

The closing loss allowance for accounts receivable as at 31 March 2019 reconcile to the opening loss allowance is as follows:

	HK$'000
Opening loss allowance as at 31 March 2018 — calculated under HKAS 39 and 1 April 2018 — calculated under HKFRS 9	94,892
Exchange differences	(2,488)
Reversal of impairment of receivables	(4,954)
Increase in loss allowance recognised	3,491
	90,941

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(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 23)) on the basis of expected cash flow.

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

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 2019					
Term loans subject to a repayment on demand clause	421,453	—	—	—	—
Other bank borrowings[1]	—	704,627	334,238	290,181	5,907
Trust receipt loans[1]	—	1,058,460	—	—	—
Accounts and other payables[1]	—	854,053	469,629	—	—
Finance lease liabilities[1]	—	1,664	1,472	464	—
At 31 March 2018					
Term loans subject to a repayment on demand clause	205,000	—	—	—	—
Other bank borrowings[1]	—	307,090	515,702	649,352	15,301
Trust receipt loans[1]	—	960,275	—	—	—
Accounts and other payables[1]	—	1,459,347	31,872	—	—
Finance lease liabilities[1]	—	2,106	1,933	899	—

[1] The amounts include interest payable.

The Company provides corporate guarantees as disclosed in note 31.

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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 2019	391,659	11,533	32,103
At 31 March 2018	208,495	—	—

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 "total equity", as shown in the consolidated balance sheet, plus net debt.

	2019 HK$'000	2018 HK$'000
Total borrowings (note 26)	2,747,219	2,517,056
Less: Cash, bank balances and restricted deposits	(516,752)	(528,779)
Net debt	2,230,467	1,988,277
Total equity	2,186,323	2,345,857
Total capital	4,416,790	4,334,134
Gearing ratio	50.5%	45.9%

3 Financial Risk Management (continued)

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).

The following table presents the Group's assets/(liabilities) that are measured at fair value at 31 March 2019.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
— Insurance policy	—	—	4,692	4,692
Financial assets at fair value through other comprehensive income				
— Equity investment	—	—	1,335	1,335
	—	—	6,027	6,027

The following table presents the Group's assets/(liabilities) that are measured at fair value at 31 March 2018.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets				
— Insurance policy	—	—	4,817	4,817
— Equity investment	—	—	1,169	1,169
	—	—	5,986	5,986

3 Financial Risk Management (continued)

3.3 Fair value estimation (continued)

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.

As at 31 March 2019, the fair value of unlisted equity investment and insurance policy are valuated using market comparable approach and income approach respectively.

4 Critical Accounting Estimates and Judgements

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

(i) Estimated valuation of investment properties

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

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

(ii) Estimated provision for accounts and other receivables

The Group makes provision for impairment of trade and other receivables based on the assumption about risk of expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(iii) Current and deferred income taxes

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

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

Revenue recognised is as follows:

	2019 HK$'000	2018 HK$'000
Revenue		
Sale of goods	5,842,018	5,693,954
Leasing of investment properties	22,552	19,831
Provision of services	43,251	45,811
	5,907,821	5,759,596
Fair value gains on investment properties (notes 14 and 24)	31,716	143,700
Other gains and income, net		
Interest income	6,458	5,089
Sales of scrap materials	9,182	8,342
Realised gains on listed equity instruments	—	224
Gain on disposal of property, plant and equipment	540	36
Franchise income	48,001	43,509
Others	437	414
	64,618	57,614

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

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

There are differences in the basis of operating and reportable segments from the last annual consolidated financial statements.

From January 2019 onwards, to further cope with the Group's strategic development of the trading business and to further leverage on the strengths and resources to reshape the whole trading business segment, the Group has restructured the trading business into several key pivotal business units, paper and board, office supplies & consumable, supplies for paper manufacturing and FMCG, to capture the opportunities in different markets.

As a consequence, the Group is now organised on a worldwide basis into four main business segments as at 31 March 2019:

(1) Trading: sale of paper and board, office supplies and consumable, supplies for paper manufacturing and FMCG;

(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.

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

The comparative segment information for the year ended 31 March 2018 and as at 31 March 2018 has been restated to align with the presentation of the current year's segment information disclosure.

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

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

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

The segment information for the year ended and as at 31 March 2019 is as follows:

	Trading HK$'000	Paper manufacturing HK$'000	Property development and investment HK$'000	Others HK$'000	Group HK$'000
Total segment revenue	4,572,001	1,565,127	50,028	60,327	6,247,483
Mercantile products					
Sales of goods — paper and board	3,640,943				
Sales of goods — office supplies and consumable	576,029				
Sales of goods — supplies for paper manufacturing	269,202				
FMCG	85,827				
Inter-segment revenue	(269,202)	(37,700)	(27,476)	(5,284)	(339,662)
Revenue from external customers	4,302,799	1,527,427	22,552	55,043	5,907,821
Timing of revenue recognition					
— recognised at a point of time	4,302,799	1,527,427	—	14,024	5,844,250
— recognised over time	—	—	—	41,019	41,019
Revenue from other sources					
Rental income	—	—	22,552	—	22,552
Revenue from external customers	4,302,799	1,527,427	22,552	55,043	5,907,821

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

Segment information for the year ended and as at 31 March 2019 (continued)

	Trading HK$'000	Paper manufacturing HK$'000	Property development and investment HK$'000	Others HK$'000	Group HK$'000
Reportable segment results	109,351	59,412	55,055	(6,810)	217,008
Corporate expenses					(6,015)
Operating profit					210,993
Finance costs					(71,174)
Profit before taxation					139,819
Taxation					(20,142)
Profit for the year					119,677
Other items for the year ended 31 March 2019					
Interest income	4,602	401	1,438	17	6,458
Depreciation of property, plant and equipment	15,089	53,609	833	3,593	73,124
Amortisation of land use right	173	4,014	70	—	4,257
Amortisation of intangible assets	1,106	75	—	—	1,181
Fair value gains on investment properties	—	—	31,716	—	31,716
Capital expenditure	13,797	145,493	12,229	6,534	178,053
Reportable segment assets	2,402,364	2,984,087	1,015,292	105,233	6,506,976
Taxation recoverable					8,313
Deferred tax assets					7,343
Corporate assets					212
Total assets					6,522,844
Reportable segment liabilities	2,226,401	139,747	43,333	27,710	2,437,191
Taxation payable					106,467
Deferred tax liabilities					96,591
Corporate liabilities					1,696,272
Total liabilities					4,336,521

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

The segment information for the year ended and as at 31 March 2018 is as follows:

	Trading HK$'000 (restated)	Paper manufacturing HK$'000	Property development and investment HK$'000	Others HK$'000 (restated)	Group HK$'000
Total segment revenue	4,668,344	1,288,979	39,006	67,491	6,063,820
Mercantile products					
Sales of goods — paper and board	3,831,917				
Sales of goods — office supplies and consumable	507,347				
Sales of goods — supplies for paper manufacturing	260,659				
FMCG	68,421				
Inter-segment revenue	(260,916)	(18,419)	(19,175)	(5,714)	(304,224)
Revenue from external customers	4,407,428	1,270,560	19,831	61,777	5,759,596
Reportable segment results	119,046	54,766	160,239	(3,058)	330,993
Corporate expenses					(10,865)
Operating profit					320,128
Finance costs					(80,524)
Profit before taxation					239,604
Taxation					(35,280)
Profit for the year					204,324
Other items for the year ended 31 March 2018					
Interest income	4,460	398	72	159	5,089
Depreciation of property, plant and equipment	14,868	50,827	226	4,292	70,213
Amortisation of land use right	171	4,074	70	—	4,315
Amortisation of intangible assets	927	81	—	—	1,008
Fair value gains on investment properties	—	—	143,700	—	143,700
Capital expenditure	35,741	181,660	15,766	609	233,776

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

Segment information for the year ended and as at 31 March 2018 is as follows: (continued)

	Trading HK$'000 (restated)	Paper manufacturing HK$'000	Property development and investment HK$'000	Others HK$'000 (restated)	Group HK$'000
Reportable segment assets	2,570,709	3,095,324	870,594	118,610	6,655,237
Taxation recoverable					4,160
Deferred tax assets					7,456
Corporate assets					117
Total assets					6,666,970
Reportable segment liabilities	2,290,543	223,461	19,463	25,119	2,558,586
Taxation payable					97,913
Deferred tax liabilities					102,072
Corporate liabilities					1,562,542
Total liabilities					4,321,113

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]	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Hong Kong	683,088	833,886	844,917	610,593
The PRC[2]	4,765,239	4,440,412	2,073,150	2,114,156
Singapore	49,862	60,326	50,733	53,994
Korea	298,628	379,880	54	2,374
Malaysia	108,054	45,017	12,793	13,431
Others	2,950	75	36	2
	5,907,821	5,759,596	2,981,683	2,794,550

[1] Non-current assets excluded deferred tax assets.

[2] The PRC, for the presentation purpose in these consolidated 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:

	2019 HK$'000	2018 HK$'000
Charging		
Cost of inventories sold	5,246,083	5,149,015
Depreciation of property, plant and equipment	73,124	70,213
Amortisation of land use rights	4,257	4,315
Amortisation of intangible assets	1,181	1,008
Operating lease rentals in respect of land and buildings		
— Minimum lease payment	60,760	57,653
— Contingent rent	323	72
Transportation costs	83,780	91,802
Loss allowance for impairment or receivables (note 21)	3,491	7,629
Employee benefit expenses (note 11)	146,037	152,578
Auditors' remuneration		
— Audit services	3,400	2,713
— Non-audit services	130	88
Provision for inventories	2,445	—
Crediting		
Gains on disposal of property, plant and equipment	540	36
Write-back of provision for inventories	—	331
Reversal of loss allowance for impairment on receivables (note 21)	4,954	7,779

7 Finance Costs

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings wholly repayable within 5 years	87,042	79,713
Interest on finance lease obligations wholly repayable within 5 years	142	246
Interest on trade credit facilities	13,926	17,745
	101,110	97,704
Less: amounts capitalised in property, plant and equipment and properties under development	(29,936)	(17,180)
	71,174	80,524

The weighted average interest rate on the above capitalised borrowings is approximately 4.1% per annum (2018: 3.4% per annum).

8 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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:

	2019 HK$'000	2018 HK$'000
Hong Kong profits tax	10,557	6,711
Overseas taxation	26,876	30,612
(Over)/under provision in previous years	(13,739)	63
Deferred taxation relating to origination and reversal of temporary differences (note 29)	(3,552)	(2,106)
	20,142	35,280

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:

	2019 HK$'000	2018 HK$'000
Profit before taxation	139,819	239,604
Calculated at a taxation rate of 16.5% (2018: 16.5%)	23,070	39,535
Effect of different taxation rates in other countries	6,207	10,496
Income not subject to taxation	(9,837)	(27,802)
Expenses not deductible for taxation purposes	12,100	11,308
Tax losses not recognised	2,341	1,680
(Over)/under provision in previous years	(13,739)	63
	20,142	35,280

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except that certain of these subsidiaries are entitled to preferential rate of 15% for the Group's financial year ended 31 March 2019 as those subsidiaries fulfil the requirements of High and New Technology Enterprise ("HNTE") according to relevant rules and regulations (2018: 15%). The HNTE designation should be reassessed every three years according to relevant rules and regulations.

9 Dividends

	2019 HK$'000	2018 HK$'000
Interim — HK$0.004 (2018: HK$0.004) per ordinary share	4,564	4,564
Interim — HK$0.004 (2018: HK$0.004) per preference share	528	528
Proposed final — HK$0.02 (2018: HK$0.0275) per ordinary share	22,822	31,380
Proposed final — HK$0.02 (2018: HK$0.0275) per preference share	2,641	3,632
	30,555	40,104

At a meeting held on 18 June 2019, the directors proposed a final dividend of HK$0.02 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 2020.

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$105,046,000 (2018: HK$193,718,000) by the weighted average number of 1,141,076,000 (2018: 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.

	2019	2018
Profit attributable to the owner of the Company (HK$'000)	109,206	196,755
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	HK8.6 cents	HK15.5 cents

11 Employee Benefit Expenses (including Directors' Remuneration)

	2019 HK$'000	2018 HK$'000
Wages, salaries and bonus	141,192	147,032
Contributions to pension schemes	4,845	5,546
	146,037	152,578

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 2017								
Cost or valuation	291,018	12,493	1,343,784	60,675	45,296	31,428	334,489	2,119,183
Accumulated depreciation	–	(8,207)	(327,513)	(44,036)	(25,105)	(26,684)	–	(431,545)
Net book amount	291,018	4,286	1,016,271	16,639	20,191	4,744	334,489	1,687,638
Year ended 31 March 2018								
Opening net book amount	291,018	4,286	1,016,271	16,639	20,191	4,744	334,489	1,687,638
Exchange differences	22,600	161	110,918	1,350	2,636	344	66,338	204,347
Additions	27,262	1,412	24,170	4,299	1,334	2,418	120,216	181,111
Revaluation surplus (note ii)	21,613	–	–	–	–	–	–	21,613
Transfer	43,575	–	–	–	–	502	(44,077)	–
Disposals (note 30(c))	–	(6)	(593)	(733)	–	(42)	–	(1,374)
Depreciation	(12,174)	(1,661)	(51,400)	(4,923)	(4,232)	(2,314)	–	(76,704)
Closing net book amount	393,894	4,192	1,099,366	16,632	19,929	5,652	476,966	2,016,631
At 31 March 2018								
Cost or valuation	403,755	14,312	1,504,406	64,032	50,370	35,194	476,966	2,549,035
Accumulated depreciation	(9,861)	(10,120)	(405,040)	(47,400)	(30,441)	(29,542)	–	(532,404)
Net book amount	393,894	4,192	1,099,366	16,632	19,929	5,652	476,966	2,016,631
Year ended 31 March 2019								
Opening net book amount	393,894	4,192	1,099,366	16,632	19,929	5,652	476,966	2,016,631
Exchange differences	(18,065)	(427)	(90,188)	(875)	(1,406)	(288)	(26,345)	(137,594)
Additions	1,499	4,165	53,168	7,073	1,144	2,256	194,528	263,833
Revaluation surplus on the transfer date (note i)	2,616	–	–	–	–	–	–	2,616
Transfer	26,312	–	23,830	–	–	–	(50,142)	–
Transfer to investment properties (note 14)	(10,445)	–	–	–	–	–	–	(10,445)
Revaluation surplus (note ii)	6,160	–	–	–	–	–	–	6,160
Disposals (note 30(c))	(1,236)	(6)	(4,503)	(68)	(21)	(27)	–	(5,861)
Depreciation	(14,655)	(1,893)	(51,898)	(4,936)	(3,234)	(2,258)	–	(78,874)
Closing net book amount	386,080	6,031	1,029,775	17,826	16,412	5,335	595,007	2,056,466
At 31 March 2019								
Cost or valuation	406,175	17,364	1,446,081	67,215	50,044	35,631	595,007	2,617,517
Accumulated depreciation	(20,095)	(11,333)	(416,306)	(49,389)	(33,632)	(30,296)	–	(561,051)
Net book amount	386,080	6,031	1,029,775	17,826	16,412	5,335	595,007	2,056,466

12 Property, Plant and Equipment (continued)

Note (i)

During the year, the Board of Directors resolved that certain properties, including buildings and land use rights located in the PRC, were no longer held for self-occupation and were leased to independent third parties on 30 November 2018 (the "transfer date"). The fair values and net book values of the properties on the transfer date were as follows:

	Net book values HK$'000	Fair values HK$'000
Building	7,829	10,445
Land use rights (note 13)	1,330	6,515
Total	9,159	16,960

The difference between the net book values and fair values of the properties on the transfer date of HK$7,801,000 was recorded net of tax in other comprehensive income within the consolidated statement of comprehensive income. As a result, buildings and land use rights with a fair value of HK$10,445,000 and HK$6,515,000 (note 13), respectively, were reclassified to investment properties (note 14).

Note (ii)

The directors have reviewed the fair values of the land and buildings as at 31 March 2019. Certain buildings situated outside Hong Kong (2018: Certain land and building situated in Hong Kong) were revalued at 31 March 2019 by Savills Valuation and Professional Services Limited, an independent firm of chartered surveyors, on the basis of market value due to material change in fair value during the year. Saved as disclosed above, the directors considered that the Group's remaining land and buildings inside Hong Kong and outside Hong Kong (2018: land and building outside Hong Kong) were not subject to material change in fair value and no revaluation adjustments have been made accordingly for the year ended 31 March 2019. The following table analysed the valuation method of land and buildings revalued during the year.

Fair value hierarchy

	Fair value measurements			
	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
Recurring fair value measurements				
Land and buildings				
At 31 March 2019	—	—	24,200	24,200
At 31 March 2018	—	91,002	—	91,002

12 Property, Plant and Equipment (continued)

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

Description	Fair value at 31 March 2019 HK$'000	Valuation technique(s)	Unobservable input	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Buildings	24,200	Income capitalisation method	(1) Adopted unit rent	16.1 to 27.4 (RMB/sqm/mth, on GFA basis, excl. of VAT)	The higher the adopted unit rent, the higher the fair value.
			(2) Adopted term/ reversionary yield	6.0% to 16.5%	The higher the adopted term/reversionary yield, the higher the fair value.

The Group's land and buildings are as follows:

	2019 HK$'000	2018 HK$'000
Land and buildings in Hong Kong, held on leases of between 10 and 50 years		
Valuation	91,002	91,002
Accumulated depreciation	(3,033)	—
Net book amount	87,969	91,002
Buildings outside Hong Kong		
Valuation	315,173	312,753
Accumulated depreciation	(17,062)	(9,861)
Net book amount	298,111	302,892

12 Property, Plant and Equipment (continued)

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

	2019 HK$'000	2018 HK$'000
Land and buildings		
Cost	185,551	173,345
Accumulated depreciation	(36,400)	(31,193)
Net book amount	149,151	142,152

The analysis of the cost or valuation at 31 March 2019 and 2018 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	–	14,312	1,504,406	64,032	50,370	35,194	476,966	2,145,280
At valuation	403,755	–	–	–	–	–	–	403,755
As at 31 March 2018	403,755	14,312	1,504,406	64,032	50,370	35,194	476,966	2,549,035
At cost	–	17,364	1,446,081	67,215	50,044	35,631	595,007	2,211,342
At valuation	406,175	–	–	–	–	–	–	406,175
As at 31 March 2019	406,175	17,364	1,446,081	67,215	50,044	35,631	595,007	2,617,517

At 31 March 2019, construction-in-progress represented costs incurred for buildings, machinery and equipment in Shandong, the PRC (2018: Shandong, the PRC), for the construction of paper mills.

At 31 March 2019, land and buildings with carrying value amounted to approximately HK$35,490,000 (2018: HK$39,112,000) were pledged as securities for bank borrowings made available to the Group (note 34).

At 31 March 2019, the net book amount of motor vehicles held by the Group under finance leases was HK$4,542,000 (2018: HK$9,024,000).

Depreciation expenses of HK$73,124,000 (2018: HK$70,213,000) has been charged in selling and administrative expenses and cost of sales (note 6) and HK$5,750,000 (2018: HK$6,491,000) 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:

	2019 HK$'000	2018 HK$'000
At 1 April	128,067	119,289
Additions	—	325
Exchange differences	(8,008)	12,768
Disposal	(919)	—
Revaluation gains (note 12(i))	5,185	—
Transfer to investment properties (note 14)	(6,515)	—
Amortisation (note 6)	(4,257)	(4,315)
At 31 March	113,553	128,067

14 Investment Properties

	2019 HK$'000	2018 HK$'000
At 1 April	494,000	550,300
Fair value gains (note 5)	31,716	104,700
Transfer from/(to) assets classified as held for sale (note 24)	200,000	(161,000)
Transfer from properties, plant and equipment (note 12)	10,445	—
Transfer from land use rights (note 13)	6,515	—
At 31 March	742,676	494,000

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

At 31 March 2019 and 2018, investment properties with carrying value amounted to approximately HK$301,600,000 (2018: HK$124,500,000) were pledged as a security for bank borrowings made available to the Group (note 34).

14 Investment Properties (continued)

The following table analyses the investment properties, including those presented as assets classified as held for sale (note 24), carried at fair value, by valuation method.

Fair value hierarchy

Description	Fair value measurements			
	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 2019				
Investment properties:				
— Factory buildings — Hong Kong	—	725,600	—	725,600
— Factory buildings — PRC	—	—	17,076	17,076

Fair value hierarchy

Description	Fair value measurements			
	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 2018				
Investment properties:				
— Factory buildings — Hong Kong	—	694,000	—	694,000

There were no transfers between Levels 1, 2 and 3 during the year ended 31 March 2019 (2018: 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 are measured at fair value hierarchy Level 2 as at 31 March 2019.

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

Description	Fair value at 31 March 2019 HK$'000	Valuation technique(s)	Unobservable input	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Buildings	17,076	Income capitalisation method	(1) Adopted unit rent	16.1 to 27.4 (RMB/sqm/mth, on GFA basis, excl. of VAT)	The higher the adopted unit rent, the higher the fair value.
			(2) Adopted term/ reversionary yield	6.0% to 16.5%	The higher the adopted term/reversionary yield, the higher the fair value.

14 Investment Properties (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 March 2019 and 2018 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 2019 and 2018, 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 in Hong Kong and PRC (2018: Hong Kong), the valuation was determined using a combination of the direct comparison method and the income capitalisation method (i.e., term and reversion analysis) which largely involved the use of observable inputs (e.g. market rents and yields etc.) with adjustments to reflect the risk associated with the existing leases, and taking into account the risk upon the lease expiry.

15 Intangible Assets

	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2017			
Cost	9,246	36,389	45,635
Accumulated amortisation	(6,274)	—	(6,274)
Net book amount	2,972	36,389	39,361
Year ended 31 March 2018			
Opening net book amount	2,972	36,389	39,361
Exchange differences	18	2,816	2,834
Additions	1,200	—	1,200
Amortisation (note 6)	(1,008)	—	(1,008)
Closing net book amount	3,182	39,205	42,387
At 31 March 2018			
Cost	10,502	39,205	49,707
Accumulated amortisation	(7,320)	—	(7,320)
Net book amount	3,182	39,205	42,387
Year ended 31 March 2019			
Opening net book amount	3,182	39,205	42,387
Exchange differences	(29)	(1,583)	(1,612)
Additions	2,099	—	2,099
Amortisation (note 6)	(1,181)	—	(1,181)
Closing net book amount	4,071	37,622	41,693
At 31 March 2019			
Cost	12,508	37,622	50,130
Accumulated amortisation	(8,437)	—	(8,437)
Net book amount	4,071	37,622	41,693

Amortisation of HK$1,181,000 (2018: HK$1,008,000) 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:

	2019	2018
Gross margin	30%	30%
Growth rate	1%	1%
Discount rate	11%	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 2019 and 2018.

16 Financial Assets at Fair Value through Other Comprehensive Income and Available-for-sale Financial Assets

	Financial assets at fair value through other comprehensive income HK$'000	Available-for-sale financial assets HK$'000
At 1 April 2017	—	5,866
Net change in fair value transferred to equity (note 28)	—	120
At 31 March 2018	—	5,986
Impact of adoption of HKFRS 9	1,169	(5,986)
At 1 April 2018	1,169	—
Net change in fair value transferred to equity (note 28)	166	—
	1,335	—

(a) Financial assets at fair value through other comprehensive income

	2019 HK$'000	2018 HK$'000
Unlisted securities:		
— Equity investment	1,335	—

(b) Financial asset previously classified as available-for-sale financial assets

	2019 HK$'000	2018 HK$'000
Unlisted securities:		
— Insurance policy	—	4,817
— Equity investment	—	1,169
	—	5,986

16 Financial Assets at Fair Value through Other Comprehensive Income and Available-for-sale Financial Assets (continued)

As at 31 March 2019 and 2018, the financial assets at FVOCI and available-for-sale financial assets are denominated in US$.

Note 2.2(a) explains the change of accounting policy and the reclassification from available-for-sale financial assets to financial assets at FVOCI and FVPL (note 17).

17 Financial Assets at Fair Value through Profit or Loss

	HK$'000
At 1 April 2017 and 31 March 2018	—
Impact of adoption of HKFRS 9 (note 2.2)	4,817
At 1 April 2018	4,817
Net change in fair value recorded in profit or loss	(125)
At 31 March 2019	4,692

Financial assets measured at FVPL include the following:

	2019 HK$'000	2018 HK$'000
Unlisted securities:		
Insurance policy	4,692	—

Note 2.2(a) explains the change of accounting policy and the reclassification from available-for-sale financial assets (note 16) to financial assets at FVPL.

18 Non-current Deposits and Prepayments

The balance represents rental deposits paid and prepayments for machinery.

19 Properties under Development

	2019 HK$'000	2018 HK$'000
At 1 April	139,502	99,821
Addition	76,586	27,929
Exchange differences	(9,961)	11,752
At 31 March	206,127	139,502

Properties under development comprise:

	2019 HK$'000	2018 HK$'000
Nantong, PRC		
— Land use rights	29,713	30,943
— Construction cost and capitalised expenditure	176,414	108,559
	206,127	139,502

As at 31 March 2019, 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

	2019 HK$'000	2018 HK$'000
Merchandise and finished goods	515,227	704,433
Raw materials	185,657	135,595
	700,884	840,028

The cost of inventories are recognised as expenses and included in cost of sales amounted to HK$5,246,083,000 (2018: HK$5,149,015,000) (note 6), and provision for inventories obsolescence of HK$2,445,000 (2018: reversal of HK$331,000) are included in "other operating income/(expenses)" for the year ended 31 March 2019.

As at 31 March 2019, the inventories of the Group are stated after a provision for impairment on inventories of approximately HK$16,159,000 (2018: HK$13,655,000).

21 Accounts and Other Receivables

	2019 HK$'000	2018 HK$'000
Accounts and bills receivable — net of provision	1,246,301	1,480,253
Other receivables, deposits and prepayments	855,441	672,242
	2,101,742	2,152,495

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

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

The aging analysis of accounts and bills receivable based on invoice date and net of impairment provision is as follows:

	2019 HK$'000	2018 HK$'000
Current to 60 days	1,079,290	1,288,059
61 to 90 days	107,656	104,488
Over 90 days	59,355	87,706
	1,246,301	1,480,253

The Group categorises its accounts receivable based on the nature and geographical areas of the business, shared credit risk characteristics and aging profile collectively. The expected credit loss rates are determined based on past repayment history and historical credit losses experience. The expected credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. See Note 3.1(b)(ii) for further information about expected credit loss provision.

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

	2019 HK$'000	2018 HK$'000
At 1 April	94,892	89,473
Exchange differences	(2,488)	5,569
Reversal of impairment of receivables (note 6)	(4,954)	(7,779)
Increase in loss allowance recognised (note 6)	3,491	7,629
At 31 March	90,941	94,892

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.

The other classes within accounts and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

22 Restricted Bank Deposits

	2019 HK$'000	2018 HK$'000
Bank deposits pledged as securities for bills payables (note 34)	184,344	168,707

Restricted bank deposits earn interest at a fixed rate of 1.32% per annum (2018: 1.42% per annum).

The restricted bank deposits are denominated in RMB.

23 Bank Balances and Cash

	2019 HK$'000	2018 HK$'000
Cash at bank and on hand	270,557	276,255
Short-term bank deposits	61,851	83,817
	332,408	360,072

The effective interest rate on short-term bank deposits was 2.19% per annum (2018: 1.75% per annum). These deposits had an average maturity of three months or less (2018: three months or less).

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

	2019 HK$'000	2018 HK$'000
Bank balances and cash	332,408	360,072
Bank overdrafts (note 26)	(1,426)	(2,703)
	330,982	357,369

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

The conversion of RMB-denominated balances held in the PRC into foreign currencies and the remittance of these funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

24 Assets classified as Held for Sale

During the year ended 31 March 2018, the Board of Directors resolved that certain investment properties located in Hong Kong were held for sale. As a result, investment properties with a fair value of HK$161,000,000 on transfer date were reclassified to assets classified as held for sale. 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 reclassified the properties back to investment properties.

	2019 HK$'000	2018 HK$'000
As at 1 April	200,000	—
Transfer (to)/from investment properties (note 14)	(200,000)	161,000
Fair value gains (note 5)	—	39,000
As at 31 March	—	200,000

The analysis of investment properties classified as held for sale carried at fair value by valuation method is presented in note 14.

At 31 March 2018, investment properties presented as assets classified as held for sales with carrying value amounted to approximately HK$200,000,000 were pledged as securities for bank borrowings made available to the Group (note 34).

25 Accounts and Other Payables and Contract Liabilities

	2019 HK$'000	2018 HK$'000
Accounts and bills payable	1,166,353	1,366,678
Accruals and other payables	194,628	237,394
	1,360,981	1,604,072
Less: non-current portions:		
Accounts payables and other payables (note (a))	(451,566)	(31,872)
	909,415	1,572,200
Contract liabilities		
Prepayments from customers (note (d))	25,263	—

Note:

(a) As at 31 March 2019, accounts payables of HK$451,566,000 (2018: HK$31,392,000) were unsecured, interest-bearing at 4.0% (2018: 5.1%) per annum and repayable twelve months after balance sheet date.

As at 31 March 2018, rental deposit received of HK$480,000 is not repayable within one year.

25 Accounts and Other Payables and Contract Liabilities (continued)

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

(c) The aging analysis of accounts and bills payable based on invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Current to 60 days	970,714	1,049,647
61 to 90 days	102,928	140,683
Over 90 days	92,711	176,348
	1,166,353	1,366,678

(d) Revenue of HK$28,414,000 included in the contract liabilities balance at the beginning of the period are recognised in the consolidated statement of profit or loss for the year ended 31 March 2019.

26 Borrowings

	2019 HK$'000	2018 HK$'000
Non-current		
Bank loans — unsecured	598,165	1,051,430
Bank loans — secured (note 34)	5,435	17,279
Finance lease liabilities	1,760	2,547
Total non-current borrowings	605,360	1,071,256
Current		
Trust receipt loans — unsecured	927,340	812,047
Trust receipt loans — secured (note 34)	123,931	142,801
	1,051,271	954,848
Bank loans — unsecured	973,397	454,533
Bank loans — secured (note 34)	114,247	31,790
Bank overdrafts (note 23)	1,426	2,703
Finance lease liabilities	1,518	1,926
	1,090,588	490,952
Total current borrowings	2,141,859	1,445,800
Total borrowings	2,747,219	2,517,056

26 Borrowings (continued)

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

	Bank overdrafts		Bank loans		Trust receipt loans	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Within one year	1,426	2,703	1,087,644	486,323	1,051,271	954,848
In the second year	—	—	315,953	461,038	—	—
In the third to fifth years inclusive	—	—	283,895	597,548	—	—
Over 5 years	—	—	3,752	10,123	—	—
	1,426	2,703	1,691,244	1,555,032	1,051,271	954,848

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

	2019 HK$'000	2018 HK$'000
HK$	2,509,686	2,333,769
RMB	186,134	119,244
US$	40,839	50,335
SG$	4,638	6,981
MYR	5,922	6,727
	2,747,219	2,517,056

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans range from 3.0% to 5.7% per annum (2018: 2.6% to 5.7% 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$1,617,072,000 (2018: HK$1,339,944,000) as at 31 March 2019. All of the Group's facilities are at floating rates and subject to periodic renewal.

Finance lease liabilities

	2019 HK$'000	2018 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	1,664	2,104
Later than 1 year but not later than 5 years	1,936	2,832
	3,600	4,936
Future finance charges on finance leases	(322)	(463)
Present value of finance lease liabilities	3,278	4,473

	2019 HK$'000	2018 HK$'000
The present value of finance lease liabilities was as follows:		
Not later than 1 year	1,518	1,926
Later than 1 year and no later than 5 years	1,760	1,756
Later than 5 years	—	791
	3,278	4,473

At the balance sheet date, the carrying amounts of finance lease liabilities approximate their fair values. The effective interest rates at the balance sheet date ranged from 4.6% to 6.6% per annum (2018: 4.6% to 6.6% per annum).

27 Share Capital

	Number of shares of HK$0.10 each		Share capital	
	2019	2018	2019 HK$'000	2018 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.

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.

27 Share Capital (continued)

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 2019 and 2018, no convertible non-voting preference shares were converted.

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 2019, 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.

27 Share Capital (continued)

Share option scheme (continued)

(5) Time of exercise of option

An option may be exercised in accordance with the terms of the Option Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed 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 2017	161,262	327,056	201,994	(108,444)	15,870	946,486	1,544,224
Profit for the year	—	—	—	—	—	196,755	196,755
Revaluation of land and building, net of tax	—	18,047	—	—	—	—	18,047
Revaluation of available-for-sale financial assets (note 16)	—	120	—	—	—	—	120
Currency translation differences	—	—	—	247,731	—	—	247,731
2016–2017 final dividend paid	—	—	—	—	—	(24,190)	(24,190)
2017–2018 interim dividend paid	—	—	—	—	—	(5,092)	(5,092)
Transfer from/(to) statutory reserve	—	—	—	—	5,882	(5,882)	—
At 31 March 2018	161,262	345,223	201,994	139,287	21,752	1,108,077	1,977,595

28 Reserves (continued)

	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 2018	161,262	345,223	201,994	139,287	21,752	1,108,077	1,977,595
Adjustment on adoption of HKFRS 9 (note 2.2)	—	(671)	—	—	—	671	—
Restated balance at 1 April 2018	161,262	344,552	201,994	139,287	21,752	1,108,748	1,977,595
Profit for the year	—	—	—	—	—	109,206	109,206
Revaluation of land and building, net of tax	—	10,471	—	—	—	—	10,471
Change in fair value of financial assets at fair value through other comprehensive income (note 16)	—	166	—	—	—	—	166
Currency translation differences	—	—	—	(224,766)	—	—	(224,766)
2017–2018 final dividend paid	—	—	—	—	—	(35,012)	(35,012)
2018–2019 interim dividend paid	—	—	—	—	—	(5,092)	(5,092)
Transfer from/(to) statutory reserve	—	—	—	—	5,495	(5,495)	—
At 31 March 2019	161,262	355,189	201,994	(85,479)	27,247	1,172,355	1,832,568

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% (2018: 16.5%).

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

	2019 HK$'000	2018 HK$'000
At 1 April	(94,616)	(88,004)
Credited to consolidated statement of profit or loss (note 8)	3,552	2,106
Charged to consolidated statement of comprehensive income	(3,490)	(3,566)
Exchange difference	5,306	(5,152)
At 31 March	(89,248)	(94,616)

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	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
At 1 April	5,591	3,973	1,865	2,849	7,456	6,822
Credited/(charged) to consolidated statement of profit or loss (note 8)	607	1,207	(472)	(998)	135	209
Exchange difference	(240)	411	(8)	14	(248)	425
At 31 March	5,958	5,591	1,385	1,865	7,343	7,456

Deferred tax liabilities

	Accelerated tax depreciation		Fair value gains		Others		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
At 1 April	(34,560)	(33,786)	(42,259)	(38,317)	(25,253)	(22,723)	(102,072)	(94,826)
Credited to consolidated statement of profit or loss (note 8)	999	1,207	2,418	690	—	—	3,417	1,897
Charged to consolidated statement of comprehensive income	—	—	(3,490)	(3,566)	—	—	(3,490)	(3,566)
Exchange difference	1,566	(1,981)	2,349	(1,066)	1,639	(2,530)	5,554	(5,577)
At 31 March	(31,995)	(34,560)	(40,982)	(42,259)	(23,614)	(25,253)	(96,591)	(102,072)

29 Deferred Taxation (continued)

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

	2019			2018		
	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	(249,744)	—	(249,744)	276,530	—	276,530
Revaluation of land and buildings	13,961	(3,490)	10,471	21,613	(3,566)	18,047
Changes in the fair value of the financial assets at fair value through other comprehensive income	166	—	166	—	—	—
Revaluation of available-for-sale financial assets	—	—	—	120	—	120
Other comprehensive (loss)/ income	(235,617)	(3,490)	(239,107)	298,263	(3,566)	294,697

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets to be recovered after more than 12 months	7,343	7,456
Deferred tax liabilities to be settled after more than 12 months	(96,591)	(102,072)
	(89,248)	(94,616)

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% to 10% 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 (using withholding tax rate of 5% for Hong Kong holding companies and 10% for foreign holding companies) have not been recognised for withholding tax that would be payable on the distributable retained profits amounting to HK$31,152,000 (2018: HK$27,213,000) 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 2019, the Group did not recognise deferred income tax assets of HK$31,951,000 (2018: HK$31,111,000) in respect of losses of approximately HK$180,423,000 (2018: HK$174,781,000). Tax losses amounting to approximately HK$25,548,000 (2018: HK$29,209,000) will be expired up to year 2023 (2018: 2024), while the remaining balance can be carried forward indefinitely.

30 Consolidated Statement of Cash Flows

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

	2019 HK$'000	2018 HK$'000
Operating profit	210,993	320,128
Depreciation of property, plant and equipment	73,124	70,213
Amortisation of land use rights	4,257	4,315
Amortisation of intangible assets	1,181	1,008
Fair value gains on investment properties	(31,716)	(143,700)
Gains on disposal of property, plant and equipment (note (c))	(540)	(36)
Realised and unrealised losses/(gains) on investments in financial assets at fair value through profit or loss	125	(224)
Reversal of allowance for impairment on receivables	(1,463)	(150)
Provision/(written-back) of provision for inventories obsolescence	2,445	(331)
Interest income	(6,458)	(5,089)
Operating profit before working capital changes	251,948	246,134
Decrease in inventories	92,513	9,930
Increase in properties under development	(76,586)	(27,137)
Increase in accounts and other receivables	(58,227)	(333,182)
Increase in non-current deposits and prepayments	(13,132)	—
Decrease in accounts and other payables	(139,710)	(54,440)
Increase in contract liabilities	(3,151)	—
Net cash generated from/(used in) operations	53,655	(158,695)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Finance lease liabilities due within 1 year HK$'000	Finance lease liabilities due after 1 year HK$'000	Bank Loans due within 1 year HK$'000	Bank Loans due after 1 year HK$'000	Trust receipt loans HK$'000	Total HK$'000
Net debt as at 1 April 2017	2,083	4,011	523,345	734,645	809,689	2,073,773
Proceeds/additions	—	—	206,648	811,322	2,441,019	3,458,989
Repayments	(2,083)	—	(383,226)	(378,909)	(2,295,860)	(3,060,078)
Other non-cash movement	1,712	(1,712)	99,184	(99,184)	—	—
Exchange differences	214	248	40,372	835	—	41,669
Net debt as at 31 March 2018	1,926	2,547	486,323	1,068,709	954,848	2,514,353

30 Consolidated Statement of Cash Flows (continued)

(b) Net debt reconciliation (continued)

	Finance lease liabilities due within 1 year HK$'000	Finance lease liabilities due after 1 year HK$'000	Bank Loans due within 1 year HK$'000	Bank Loans due after 1 year HK$'000	Trust receipt loans HK$'000	Total HK$'000
Net debt as at 1 April 2018	1,926	2,547	486,323	1,068,709	954,848	2,514,353
Proceeds/additions	341	511	992,873	87,500	3,973,477	5,054,702
Repayments	(1,890)	—	(930,429)	—	(3,877,054)	(4,809,373)
Other non-cash movement	1,209	(1,209)	551,931	(551,931)	—	—
Exchange differences	(68)	(89)	(13,054)	(678)	—	(13,889)
Net debt as at 31 March 2019	1,518	1,760	1,087,644	603,600	1,051,271	2,745,793

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

	2019 HK$'000	2018 HK$'000
Net book amount	5,861	1,374
Gains on disposal of property, plant and equipment (note 5)	540	36
	6,401	1,410

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

	2019 HK$'000	2018 HK$'000
Net book amount	919	—
Gains on disposal of land use rights (note 5)	—	—
	919	—

31 Bank Guarantees

At 31 March 2019, 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 2019 amounted to HK$2,743,941,000 (2018: HK$2,512,583,000).

32 Financial Instruments by Category

	2019 HK$'000	2018 HK$'000
Financial assets		
Available-for-sale financial assets	—	5,986
Financial assets at fair value through other comprehensive income	1,335	—
Financial assets at fair value through profit or loss	4,692	—
Financial assets at amortised cost		
(2018: loans and other receivables)		
Accounts and other receivables	1,737,548	2,010,931
Restricted bank deposits	184,344	168,707
Bank balances and cash	332,408	360,072
Financial liabilities		
At amortised cost		
Accounts and other payables	1,360,981	1,490,886
Borrowings	2,747,219	2,517,056

33 Commitments

(a) Capital commitments

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

	2019 HK$'000	2018 HK$'000
Contracted but not provided for		
Property, plant and equipment	81,534	140,733

(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:

	2019 HK$'000	2018 HK$'000
Not later than one year	28,346	31,613
Later than one year and not later than five years	22,478	41,440
Later than five years	—	7,396
	50,824	80,449

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:

	2019 HK$'000	2018 HK$'000
Not later than one year	22,570	3,101
Later than one year and not later than five years	15,496	960
Later than five years	800	—
	38,866	4,061

34 Charge of Assets

At 31 March 2019, trust receipt loans of HK$123,931,000 (2018: HK$142,801,000) and bank loans of HK$119,682,000 (2018: HK$49,069,000) are secured by legal charges on the Group's certain land and buildings and investment properties, including those presented as assets classified as held for sale, with aggregate net book amount of HK$337,090,000 (2018: HK$323,112,000) (notes 12, 14 and 24).

At 31 March 2019, bills payables of HK$485,871,000 (2018: HK$490,769,000) are secured by restricted bank deposits of HK$184,344,000 (2018: HK$168,707,000) (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. The related party identified by the management was an investee company, of which a director is a controlling shareholder of the Company. On 11 February 2019, the controlling shareholder has resigned as the director of the investee company. Consequently, the related parties transactions disclosed for the year ended 31 March 2019 only covered the period from 1 April 2018 to 11 February 2019.

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

	2019 HK$'000	2018 HK$'000
Purchase of merchandise from an investee company	811,833	1,035,403

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

	2019 HK$'000	2018 HK$'000
Payables to an investee company	—	292,444

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

The carrying amounts as at 31 March 2019 and 2018 are denominated in RMB.

(c) Sales to a related party

	2019 HK$'000	2018 HK$'000
Sale of merchandise to an investee company	32,888	48,873

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

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

	2019 HK$'000	2018 HK$'000
Receivables from an investee company	—	15,292

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

The carrying amounts as at 31 March 2019 and 2018 are denominated in RMB.

(e) Key management compensation

Details of key management compensation are set out in note 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

Name of subsidiary(ies)	Place(s) of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding(s) (%) 2019	2018	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
[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] Into Life International (Hong Kong) Company Limited	Hong Kong	1 ordinary shares of HK$1	100	–	Wholesale business of FMCG
[1] NJ Trading (Shanghai) Company Limited	The PRC	Registered capital RMB500,000	100	100	Trading of paper products in the PRC
[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
[1] Samson Paper (Shenzhen) Company Limited[2]	The PRC	Registered capital HK$48,300,000	100	100	Trading of paper products in the PRC
Samson Paper Company Limited	Hong Kong	10 ordinary shares of HK$100 each 285,000 non-voting shares of HK$100 each	100	100	Trading of paper products in Hong Kong

37 Particulars of principal subsidiaries (continued)

Name of subsidiary(ies)	Place(s) of incorporation/ establishment	Particulars of issued and fully paid up share capital/ registered capital	Percentage holding(s) (%) 2019	2018	Nature of business
Shares held indirectly: (continued)					
[1] Shenzhen High Flyer International Transportation Co. Ltd.[2]	The PRC	Registered capital RMB10,000,000	100	80.4	Container transport services in the PRC
Shun Hing Paper Company Limited	Hong Kong	7,600 ordinary shares of HK$100 each 2,400 non-voting shares of HK$100 each	100	100	Trading of paper products in Hong Kong
[1] Jordon Property Investment (Xiamen) Co. Ltd.	The PRC	Registered capital RMB3,000,000	100	100	Property management
[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
[1] 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 (Shandong) 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 2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		249,897	249,897
Current assets			
Amounts due from subsidiaries		295,281	330,358
Prepayments		85	—
Bank balances and cash		70	71
		295,436	330,429
Total assets		545,333	580,326
Current liabilities			
Accruals		313	322
Net current assets		295,123	330,107
Total assets less current liabilities		545,020	580,004
Financed by:			
Share capital		127,315	127,315
Reserves	(a)	417,705	452,689
Total equity		545,020	580,004

The balance sheet of the Company was approved by the Board of Directors on 18 June 2019 and was signed on its behalf.

SHAM Kit Ying	**SHAM Yee Lan, Peggy**
Director	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 2017	161,262	249,697	30,693	441,652
Profit for the year	—	—	40,319	40,319
2016–2017 final dividend paid	—	—	(24,190)	(24,190)
2017–2018 interim dividend paid	—	—	(5,092)	(5,092)
At 31 March 2018	161,262	249,697	41,730	452,689
At 1 April 2018	161,262	249,697	41,730	452,689
Profit for the year	—	—	5,120	5,120
2017–2018 final dividend paid	—	—	(35,012)	(35,012)
2018–2019 interim dividend paid	—	—	(5,092)	(5,092)
At 31 March 2019	161,262	249,697	6,746	417,705

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 2019 is set out below:

	2019					
	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
Executive Directors						
Sham Kit Ying	—	1,800	839	3,240	—	5,879
Lee Seng Jin	—	7,318	—	1,560	322	9,200
Sham Yee Lan, Peggy	—	1,800	—	—	117	1,917
Chow Wing Yuen	—	1,800	—	—	126	1,926
Lee Yue Kong, Albert	—	1,344	—	456	84	1,884
Non-executive Directors						
Pang Wing Kin, Patrick	200	—	—	—	—	200
Lau Wang Yip, Eric	200	—	—	—	—	200
Tong Yat Chong	200	—	—	—	—	200
Ng Hung Sui, Kenneth	200	—	—	—	—	200

The remuneration of every director for the year ended 31 March 2018 is set out below:

	2018					
	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
Executive Directors						
Sham Kit Ying	—	1,800	839	3,240	—	5,879
Lee Seng Jin	—	6,762	—	1,560	263	8,585
Sham Yee Lan, Peggy	—	1,800	—	—	107	1,907
Chow Wing Yuen	—	1,800	—	—	126	1,926
Lee Yue Kong, Albert	—	1,344	—	456	74	1,874
Non-executive Directors						
Pang Wing Kin, Patrick	200	—	—	—	—	200
Lau Wang Yip, Eric	200	—	—	—	—	200
Tong Yat Chong	200	—	—	—	—	200
Ng Hung Sui, Kenneth	200	—	—	—	—	200

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.

39 Benefits and Interests of Directors (continued)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 March 2019 and 2018.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 March 2019 and 2018.

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

During the years ended 31 March 2019 and 2018, 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 2019 and 2018, 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 2019 and 2018 or at any time during the years ended 31 March 2019 and 2018.

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2018: five) directors whose emoluments are reflected in the analysis presented above.

Contacts

Head Office and Principal Place of Business in Hong Kong

3/F, Seapower Industrial Centre
177 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong
Customer Service Hotline: (852) 2342 7181
Fax Hotline: (852) 2343 9195
Web-site: www.samsonpaper.com

Principal Place of Business in the PRC

Room D, 37/F, Block C
Electronic S&T Building
2070 Shennan Mid Road
Futian District
Shenzhen, China
Postal Code: 518031
Customer Service Hotline: (86) 755–8328 7925
Fax Hotline: (86) 755–8328 7814

Samson Paper Company Limited

3/F, Seapower Industrial Centre
177 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong
Customer Service Hotline: (852) 2342 7181
Fax Hotline: (852) 2343 9195
Web-site: www.samsonpaper.com

Shun Hing Paper Company Limited

3/F, Seapower Industrial Centre
177 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong
Customer Service Hotline: (852) 2346 2898
Fax Hotline: (852) 2346 7275

Seng Jin (China) Company Limited

Tonggang Industrial Park
Side Road of Changjiang North Road
Gangzha District, Nantong City
Jiangsu Province, China
Customer Service Hotline: (86) 0513-8530 0888
Fax Hotline: (86) 0513-8530 0800
Web-site: www.samson-group.com

Burotech Limited

3/F, Seapower Industrial Centre
177 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong
Customer Service Hotline: (852) 2763 1383
Fax Hotline: (852) 2342 8852
Web-site: www.burotech.com

United Aviation (Singapore) Pte. Ltd.

132 Gul Circle, Singapore 629597
Customer Service Hotline: (65) 6863 6067
Fax Hotline: (65) 6863 9197
Web-site: www.uaviation.com

Hypex Engineering Pte. Limited

132 Gul Circle, Singapore 629597
General Line: (65) 6897 7090
Fax Hotline: (65) 6897 7089

Universal Pulp and Paper (Shandong) Co. Ltd.

No. 3388 Zaocao Road
Xuecheng District, Zaozhuang City
Shandong Province, China
Customer Service Hotline: (86) 632–440 1820
Fax Hotline: (86) 632–440 1830

High Flyer International Limited

3/F, Seapower Industrial Centre
177 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong
Customer Service Hotline: (852) 2197 4700
Fax Hotline: (852) 2357 0741
Web-site: foodwise.hk

Into Life International (Hong Kong) Company Limited

3/F, Seapower Industrial Centre
177 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong
Customer Service Hotline: (852) 2197 4700
Fax Hotline: (852) 2357 0741
Web-site: www.into-life.hk