理 文 造 紙 有 限 公 司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- Revenue for the year of HK$16,970 million (nine months ended 31 December 2012 of HK$11,424 million);
- Net profit for the year of HK$1,948 million (nine months ended 31 December 2012 of HK$1,321 million);
- Net profit per ton of containerboard about HK$400 for the year;
- Stable payout ratio of about 35%, with proposed final dividend of HK7.3 cents per share.

* *For identification purposes only*

FINAL RESULTS

The Board of Directors (the "Board") of Lee & Man Paper Manufacturing Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**Year ended 31 December 2013** *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Revenue	*4*	**16,970,365**	11,423,998
Cost of sales		**(14,084,063)**	(9,473,295)
Gross profit		**2,886,302**	1,950,703
Other income	*5*	**380,427**	274,374
Net gain from fair value changes of derivative financial instruments		**8,210**	3,631
Share of profit (loss) of a joint venture		**460**	(263)
Distribution and selling expenses		**(312,474)**	(196,187)
General and administrative expenses		**(621,573)**	(464,047)
Finance costs	*6*	**(148,881)**	(70,095)
Profit before tax		**2,192,471**	1,498,116
Income tax expense	*7*	**(244,268)**	(177,098)
Profit for the year/period	*8*	**1,948,203**	1,321,018
Other comprehensive income, net of tax, that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**562,758**	257,300
Other comprehensive income for the year/period		**562,758**	257,300
Total comprehensive income for the year/period		**2,510,961**	1,578,318
Profit for the year/period attributable to:			
Owners of the Company		**1,948,203**	1,321,018
Total comprehensive income attributable to:			
Owners of the Company		**2,510,961**	1,578,318
		HK cents	*HK cents*
Earnings per share			
– Basic	*10*	**41.51**	28.17
– Diluted		**41.42**	27.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**20,829,960**	18,790,213
Prepaid lease payments		**598,929**	547,912
Deposits paid for acquisition of property, plant and equipment and land use rights		**160,542**	44,761
Interest in a joint venture		**1,860**	264
Loan to a joint venture		**83,890**	64,390
Tax recoverable		**59,300**	52,670
Retirement benefit assets		**–**	1,066
		21,734,481	19,501,276
CURRENT ASSETS			
Inventories		**3,122,711**	2,879,733
Prepaid lease payments		**13,127**	12,376
Trade and other receivables	*11*	**5,582,178**	4,534,700
Amounts due from related companies		**18,965**	18,501
Derivative financial instruments		**12,733**	5,084
Bank balances and cash		**710,511**	657,106
		9,460,225	8,107,500
CURRENT LIABILITIES			
Trade and other payables	*12*	**3,165,262**	3,309,327
Amounts due to related companies		**12,306**	143
Amount due to a substantial shareholder		**5,642**	6,378
Derivative financial instruments		**–**	561
Tax payable		**64,555**	79,987
Bank borrowings		**5,661,276**	3,864,506
		8,909,041	7,260,902
NET CURRENT ASSETS		**551,184**	846,598
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,285,665**	20,347,874

	Notes	**2013** HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings		**5,297,833**	5,209,001
Deferred tax liabilities		**641,346**	540,683
		5,939,179	5,749,684
		16,346,486	14,598,190
CAPITAL AND RESERVES			
Share capital		**117,402**	117,241
Reserves		**16,229,084**	14,480,949
		16,346,486	14,598,190

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In 2012, the financial year end date of the Company and the Group had been changed from 31 March to 31 December to align with the financial year end dates of the Company's subsidiaries that were established in the People's Republic of China (the "PRC") which are required under the relevant PRC laws to close their accounts annually on 31 December. Accordingly, the current year covers the twelve-month period from 1 January 2013 to 31 December 2013 (the "Current Year"). The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income and related notes cover the nine-month period from 1 April 2012 to 31 December 2012 and therefore may not be comparable with the amounts shown for the Current Year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The adoption of HKFRS 10 is not applicable to the Group because the Group does not have non-wholly owned subsidiary in both current and previous reporting periods.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) – Int 13 *Joint Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – joint controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a joint controlled entities).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in the joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in Southern Hill Company Limited, which was classified as a jointly control entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and continue to be accounted for using the equity method. The adoption of HKFRS 11 has therefore had no material effect on the amounts reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The application of HKAS 19 (as revised in 2011) has not had any material impact on the amounts recognised in profit or loss and other comprehensive income in prior years and on the presentation as the amounts involved are not significant.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

[2] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

The directors of the Company anticipated that the application of the above new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

4. REVENUE AND SEGMENT INFORMATION

Segment revenues and results

Information reported to the Company's executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The Group's operating and reportable segments under "HKFRS 8 – Operating Segments" are as follows:

(i) Packaging paper – Kraft linerboard, test linerboard, coated duplex board, white top linerboard and high strength corrugating medium; and

(ii) Pulp

The following is an analysis of the Group's revenue and results by reportable segment:

Year ended 31 December 2013

	Packaging paper *HK$'000*	**Pulp** *HK$'000*	**Segment Total** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
REVENUE					
External sales	**16,322,938**	**647,427**	**16,970,365**	**–**	**16,970,365**
Inter-segment sales	**–**	**74,647**	**74,647**	**(74,647)**	**–**
	16,322,938	**722,074**	**17,045,012**	**(74,647)**	**16,970,365**
SEGMENT PROFIT	**2,215,769**	**21,309**	**2,237,078**	**–**	**2,237,078**
Net gain from fair value changes of derivative financial instruments					**8,210**
Share of profit of a joint venture					**460**
Unallocated income					**102,386**
Unallocated expenses					**(6,782)**
Finance costs					**(148,881)**
Profit before tax					**2,192,471**

Nine months ended 31 December 2012

	Packaging paper *HK$'000*	Pulp *HK$'000*	Segment Total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE					
External sales	11,092,888	331,110	11,423,998	–	11,423,998
Inter-segment sales	–	67,551	67,551	(67,551)	–
	11,092,888	398,661	11,491,549	(67,551)	11,423,998
SEGMENT PROFIT	1,532,517	7,679	1,540,196	–	1,540,196
Net gain from fair value changes of derivative financial instruments					3,631
Share of loss of a joint venture					(263)
Unallocated income					30,656
Unallocated expenses					(6,009)
Finance costs					(70,095)
Profit before tax					1,498,116

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of net gain from fair value changes of derivative financial instruments, share of profit (loss) of a joint venture, interest income, net exchange gain, finance costs and other unallocated administrative expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 31 December 2013

	Packaging paper *HK$'000*	**Pulp** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**27,545,081**	**2,684,065**	**30,229,146**
Unallocated assets			**965,560**
Consolidated total assets			**31,194,706**
Segment liabilities	**2,142,368**	**43,467**	**2,185,835**
Unallocated liabilities			**12,662,385**
Consolidated total liabilities			**14,848,220**

As at 31 December 2012

	Packaging paper *HK$'000*	Pulp *HK$'000*	Consolidated *HK$'000*
Segment assets	24,508,265	2,228,151	26,736,416
Unallocated assets			872,360
Consolidated total assets			27,608,776
Segment liabilities	1,997,109	43,495	2,040,604
Unallocated liabilities			10,969,982
Consolidated total liabilities			13,010,586

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than retirement benefit assets, derivative financial instruments, tax recoverable, bank balances and cash and other assets used jointly by reportable segments, and all liabilities are allocated to operating segments other than derivative financial instruments, tax payable, bank borrowings and other liabilities for which reportable segments are jointly liable.

Share of profit (loss) of a joint venture was excluded from segment results. However, for loan to joint venture, it was grouped into packaging paper segment as the loan forms part of the net investment in a joint venture which is considered as an ancillary to production of packaging paper by provision of transportation service.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Packaging paper (including linerboard and corrugating medium)	**16,322,938**	11,092,888
Pulp	**647,427**	331,110
	16,970,365	11,423,998

Geographical information

Over 95% (31 December 2012: 95%) of the Group's revenue were derived from external customers in the PRC.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2013 *HK$'000*	2012 *HK$'000*
PRC other than Hong Kong	**21,367,855**	19,279,884
Vietnam	**302,310**	150,307
Hong Kong	**64,316**	70,019
	21,734,481	19,500,210

Note: Non-current assets exclude retirement benefit assets.

Information about major customers

None of the Group's customers contributed over 10% of the Group's total revenue for the current and prior reporting period.

5. OTHER INCOME

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Compensation income from suppliers for damaged goods	**618**	29,612
Income from supply of steam and electricity	**90,163**	61,530
Income from wharf cargo handling	**46,074**	32,755
Interest income from banks	**10,289**	11,774
Net foreign exchange gains	**92,097**	18,882
Sales of scrap materials and waste paper	**46,735**	23,398
Value added tax and other tax refund	**82,510**	58,721
Others	**11,941**	37,702
	380,427	274,374

6. FINANCE COSTS

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Interest on bank borrowings wholly repayable within five years	**296,357**	194,106
Less: amounts capitalised to property, plant and equipment	**(147,476)**	(124,011)
	148,881	70,095

Borrowing costs capitalised during the year/period arose from the general borrowings pool and are calculated by applying a capitalisation rate of 3.5% (2012: 4.0%) per annum to expenditures on qualifying assets.

7. INCOME TAX EXPENSE

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Income tax recognised in profit or loss:		
Current tax		
– PRC Enterprise Income Tax	**153,313**	119,984
Overprovision in previous year		
– PRC Enterprise Income Tax	**(9,708)**	(10,568)
Deferred tax		
– Charge to profit or loss	**100,663**	67,682
Total income tax recognised in profit or loss	**244,268**	177,098

The Group's profit is subject to taxation from the place of its operations where its profit is generated and is calculated at the rate prevailing in the relevant jurisdictions.

PRC

The following PRC subsidiaries, are entitled to a reduced EIT rate due to entitlement of other preferential PRC Enterprise Income Tax ("EIT") treatment for the calendar years of 2012 and 2013 which are summarised as follows:

(i) For the calendar years of 2012 and 2013, Jiangsu Lee & Man Paper Manufacturing Company Limited was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New-Tech Enterprise (高新技術企業).

(ii) For the calendar year of 2012 and 2013, Guangdong Lee & Man Paper Manufacturing Limited was entitled to a reduced EIT rate of 15% as it has been qualified as a High and New-Tech Enterprise (高新技術企業).

(iii) For the calendar years of 2012 and 2013, Chongqing Lee & Man Paper Manufacturing Limited ("Chongqing Lee & Man") was regarded as an entity entitled the China Western Development (西部大開發) tax concessions with a preferential EIT rate of 15%. Further, for the calendar year of 2012, as Chongqing Lee & Man was in its last year of tax holiday for a 50% reduction in EIT and hence it was entitled to a 50% reduction in its EIT rate of 15%. As a result, the applicable EIT rate is 7.5% and 15% for the calendar years of 2012 and 2013 respectively.

(iv) Dongguan Lee & Man Paper Factory Co Ltd was entitled to a preferential EIT rate of 15% as it has been qualified as a High and New-Tech Enterprise (高新技術企業) since the calendar year of 2009 and it has successfully renewed as a High and New-Tech Enterprise in the calendar year of 2012. As such, it is entitled to enjoy a reduced EIT rate of 15% for the calendar years of 2012 and 2013.

Hong Kong

During the year ended 31 March 2010, the Hong Kong Inland Revenue Department ("IRD") commenced a field audit on the Hong Kong tax affairs of certain subsidiaries of the Company. Since then the IRD has issued protective profits tax assessments against these subsidiaries in the aggregate amount of HK$283,325,000 for the years of assessment 2003/2004, 2004/2005, 2005/2006 and 2006/2007 (i.e. the four financial years ended 31 March 2007).

The subsidiaries lodged objections with the IRD and the IRD agreed to handover the tax claimed on the basis that the tax reserve certificate at certain amounts were purchased by the subsidiaries. As at 31 December 2013, the tax reserve certificate of HK$59,300,000 (2012: HK$52,670,000) have been purchased by these subsidiaries.

The directors believe that no provision for Hong Kong Profits Tax in respect of the above mentioned protective assessments is necessary. In addition, as far as the directors are aware, it is still in a liaison and discussion stage and the IRD has not yet expressed any formal opinion on the potential tax liability, if any, because the tax investigation has not completed.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in nor is derived from Hong Kong.

Macau

The Macau subsidiaries incorporated under Decree-Law no. 58/99/M are exempted from Macau complementary tax (Macau income tax) as long as they comply with the relevant regulations and do not sell their products to a Macau resident.

Vietnam

The Vietnam subsidiaries are subjected to Vietnam Corporate Income Tax at a maximum rate of 25%. No provision for Vietnam Corporate Income Tax has been made for both periods as the Vietnam subsidiaries incurred losses for both reporting periods.

Other

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Profit for the year/period has been arrived at after charging:		
Directors' emoluments	**8,756**	4,590
Staff salaries and other benefits, excluding those of directors	**650,112**	423,150
Contributions to retirement benefit schemes, excluding those of directors	**54,492**	37,632
Total employee benefit expense	**713,360**	465,372
Auditor's remuneration	**5,724**	5,214
Cost of inventories recognised as expense	**14,084,063**	9,473,295
Amortisation of prepaid lease payments	**11,258**	7,926
Depreciation of property, plant and equipment	**668,344**	463,453
Total depreciation and amortisation	**679,602**	471,379
Loss on disposal of property, plant and equipment	**5,475**	1,177
Operating lease rentals in respect of land and buildings	**9,501**	5,664
Impairment losses on trade receivables	**10,076**	–

9. DIVIDEND

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Dividends recognised as distribution:		
Final dividend of HK$0.05 in respect of the nine months ended 31 December 2012 (final dividend of HK$0.052 in respect of the year ended 31 March 2012) per share	**235,382**	243,860
Interim dividend of HK$0.073 in respect of the year ended 31 December 2013 (interim dividend of HK$0.050 in respect of the nine months ended 31 December 2012) per share	**342,814**	234,481
	578,196	478,341

A final dividend of HK$0.073 per share in respect of the year ended 31 December 2013 (2012: final dividend of HK$0.050 per share in respect of the nine months ended 31 December 2012) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**1,948,203**	1,321,018

	Year ended 31 December 2013 *Number of shares*	Nine months ended 31 December 2012 *Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,693,689,102**	4,689,622,980
Effect of dilutive potential ordinary shares: Share options	**9,375,752**	32,460,064
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,703,064,854**	4,722,083,044

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and bills receivables of HK$4,290,969,000 (2012: HK$3,322,259,000).

The Group allows its customers an average credit period of 45 to 90 days. The following is an aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2013	2012
	HK$'000	*HK$'000*
Aged:		
Not exceeding 30 days	**3,219,934**	2,454,134
31–60 days	**850,628**	671,911
61–90 days	**173,574**	120,081
91–120 days	**14,705**	29,277
Over 120 days	**32,128**	46,856
	4,290,969	3,322,259

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK$2,175,485,000 (2012: HK$2,034,083,000).

The average credit period taken for trade purchases ranges from 30 to 120 days. The following is an aged analysis of the trade and bills payables presented based on the invoice date at the end of the reporting period.

	2013	2012
	HK$'000	*HK$'000*
Aged:		
Not exceeding 30 days	**1,008,030**	887,187
31–60 days	**471,831**	371,138
61–90 days	**369,958**	385,549
91–120 days	**312,226**	363,093
Over 120 days	**13,440**	27,116
	2,175,485	2,034,083

FINAL DIVIDEND

The Directors have proposed a final dividend of HK7.3 cents per share for the year ended 31 December 2013 (2012: final dividend of HK5.0 cents per share for the nine months ended 31 December 2012) to shareholders whose names appear on the Register of Members on 23 May 2014. The final dividend is subject to approval by the shareholders in the forthcoming annual general meeting. It is expected that the final dividend will be paid around 30 May 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 21 May 2014 to 23 May 2014, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the final dividend, all transfers accomplished by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm on 20 May 2014.

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 December 2013, the Group recorded a total sales volume of 4.81 million tons of paper, a total revenue of HK$16.97 billion, a full-year net profit of HK$1.95 billion, and a net profit per ton of HK$400, maintaining an overall steady growth in profit.

The production line of PM18 paper machine at Jiangxi industrial park with annual capacity of 320,000 tons began operation in June last year and has contributed positively to the Group's profit. The production line of PM20 at Chongqing industrial park with an annual capacity of 320,000 tons is expected to begin operation by June this year and contribute further to the Group in the second half of the year.

Given the buoyant development of the light industries in countries such as Vietnam, Myanmar and Laos, the Group is also actively investing overseas in the construction of paper factories to stay in line with the expansion of the Southeast Asian markets. It is expected that the paper machine project in Hau Giang, Vietnam will begin operation in mid-2015.

In China, the market is seeing slackened growth with the possibility of interest rate rise. The Group is ready for these challenges. Based on its consistent adoption of prudent strategies, and with a reasonable debt level, the Group will continue to increase its capacity in existing industrial parks and develop new industrial parks in tandem with the pace of economic development.

Of course, while pursuing capacity growth, the management of the Group will also make strenuous efforts together to strictly control costs and strengthen capital operations in order to maintain the Group's market competitiveness in the paper industry. The Group's business will continue to grow under the leadership of an experienced and capable management team, with a view to further enhancing the Group's profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Revenue and net profit attributable to owners of the Company for the year ended 31 December 2013 was HK$16,970 million and HK$1,948 million respectively.

The Group maintained an overall profit growth and the sales volume of the containerboard increased to 4.81 million tons for the year and the average net profits per ton of the containerboard achieved at about HK$400 for the year. The basic earnings per share for the year was HK41.51 cents when compared with HK28.17 cents for the nine months ended 31 December 2012.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK$312 million for the year ended 31 December 2013 as compared to HK$196 million for the nine months ended 31 December 2012. It represented about 1.8% of the revenue for the year ended 31 December 2013 and was slightly increased as compared to that of 1.7% for the nine months ended 31 December 2012.

General and Administrative Expenses

The Group's general and administrative expenses was HK$622 million for the year ended 31 December 2013 as compared to HK$464 million for the nine months ended 31 December 2012. It represented about 3.7% of the revenue for the year ended 31 December 2013 and was decreased as compared to the nine months ended 31 December 2012.

Finance Costs

The Group's finance costs was HK$149 million for the year ended 31 December 2013 as compared to HK$70 million for the nine months ended 31 December 2012. The average interest rate on bank borrowings of the Group for the year was comparable to the nine months ended 31 December 2012.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group's raw materials and finished products were 76 days and 11 days, respectively, for the year ended 31 December 2013 as compared to 73 days and 18 days, respectively, for the nine months ended 31 December 2012.

The Group's debtors' turnover days were 56 days for the year ended 31 December 2013 as compared to 51 days for the nine months ended 31 December 2012. This is in line with the credit terms of 45 days to 90 days granted by the Group to its customers.

The Group's creditors' turnover days were 64 days for the year ended 31 December 2013 as compared to 69 days for the nine months ended 31 December 2012. The creditors' turnover days were expected to improve going forward given the Group's higher bargaining power in light of the industry consolidation.

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group as at 31 December 2013 was HK$16,346 million (2012: HK$14,598 million). As at 31 December 2013, the Group had current assets of HK$9,460 million (2012: HK$8,108 million) and current liabilities of HK$8,909 million (2012: HK$7,261 million). The current ratio was 1.06 as at 31 December 2013 as compared to 1.12 at 31 December 2012.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong, Macau and the PRC. As at 31 December 2013, the Group had outstanding bank borrowings of HK$10,959 million (2012: HK$9,074 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 December 2013, the Group maintained bank balances and cash of HK$711 million (2012: HK$657 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) increased from 0.58 as at 31 December 2012 to 0.63 as at 31 December 2013.

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars, Renminbi, United States dollars or Euro. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2013. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

Employees

As at 31 December 2013, the Group had a workforce of about 6,500 people. Salaries of employees are maintained at competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Group.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, the Company repurchased a total of 60,206,648 shares of HK$0.025 per share through The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK$309,268,000 (including transaction costs). All the shares repurchased were cancelled during the year. Details of shares repurchased during the year are set out as follows:

Month of repurchases	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (including expenses)
		HK$	*HK$*	*HK$'000*
January	29,441,980	5.18	4.74	145,427
February	1,861,000	5.39	5.18	9,986
March	607,000	5.80	5.52	3,486
April	13,256,668	5.99	5.59	77,628
May	6,188,000	5.65	5.06	32,776
June	8,852,000	4.89	3.93	39,965
	60,206,648			309,268

The Board believes that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests. During the year under review, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of Listing Rules.

The objectives of the management structures within the Group, headed by the Board and led by the Chairman, are to deliver sustainable value to Shareholders.

The Chairman provides leadership to and oversees the effective functioning of the Board. With support of the Chief Executive Officer and the Company Secretary, the Chairman approves Board meeting agenda, and ensures Directors have proper briefing, and timely receive adequate and reliable information, on all Board matters.

The role of the Chairman is separate from that of the Chief Executive Officer, and difference persons hold the separate offices. Chief Executive Officer heads the management and focuses on the day-to-day operations of the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with management, the Group's consolidated financial statements for the year ended 31 December 2013, the accounting principles and practices adopted and discussed auditing, internal controls, and financial reporting matters.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions in 2004. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2013. The Model Code also applies to other specified senior management of the Group.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 14 May 2014. The Notice of the Annual General Meeting will be published in the Company's website and sent to the shareholders of the Company in due course.

On behalf of the Board
Lee Man Chun Raymond
Chairman

Hong Kong, 17 March 2014

As at the date of this notice, the board of directors of the Company comprises four executive directors, namely Mr Lee Man Chun Raymond, Mr Lee Man Bun, Mr Kunihiko Kashima and Mr Li King Wai Ross, two non-executive directors, namely Professor Poon Chung Kwong and Mr Yoshio Haga, three independent non-executive directors, namely Mr Wong Kai Tung Tony, Mr Peter A Davies and Mr Chau Shing Yim David.