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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 2015

FINANCIAL HIGHLIGHTS

- Revenue for the year of HK$17,616 million (2014: HK$17,099 million)
- Net profit for the year increased by 22.4% to HK$2,332 million (2014: HK$1,904 million)
- Net profit per ton of product about HK$429 for the year
- Earnings per share increased from HK40.69 cents to HK50.43 cents for the year
- Stable payout ratio of about 35%, with proposed final dividend of HK9.5 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 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*3*	**17,615,641**	17,099,134
Cost of sales		**(14,037,356)**	(14,027,532)
Gross profit		**3,578,285**	3,071,602
Other income	*4*	**427,821**	426,397
Net gain (loss) from fair value changes of derivative financial instruments		**13,244**	(35,463)
Share of loss of a joint venture		**(152)**	(51)
Distribution and selling expenses		**(317,659)**	(330,030)
General and administrative expenses		**(796,517)**	(708,885)
Finance costs	*5*	**(154,860)**	(214,640)
Profit before tax		**2,750,162**	2,208,930
Income tax expense	*6*	**(418,487)**	(304,536)
Profit for the year	*7*	**2,331,675**	1,904,394
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,422,056)**	(3,201)
Total comprehensive income for the year		**909,619**	1,901,193
Profit for the year attributable to:			
Owners of the Company		**2,331,675**	1,904,394
Total comprehensive income attributable to:			
Owners of the Company		**909,619**	1,901,193
		HK cents	*HK cents*
Earnings per share	*9*	**50.43**	40.69

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015** ***HK$'000***	2014 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**23,351,149**	22,464,660
Prepaid lease payments		**721,498**	763,789
Deposits paid for acquisition of property, plant and equipment and land use rights		**388,860**	134,958
Interest in a joint venture		**–**	1,799
Loan to a joint venture		**95,953**	91,690
Tax recoverable		**–**	62,988
		24,557,460	23,519,884
CURRENT ASSETS			
Inventories		**3,092,018**	3,257,891
Prepaid lease payments		**17,486**	17,602
Trade and other receivables	*10*	**4,869,211**	5,891,427
Amounts due from related companies		**19,879**	17,404
Tax recoverable		**72,430**	–
Derivative financial instruments		**1,532**	45
Margin deposits		**10,391**	–
Bank balances and cash		**2,958,656**	2,032,567
		11,041,603	11,216,936
CURRENT LIABILITIES			
Trade and other payables	*11*	**3,042,968**	3,262,465
Amounts due to related companies		**3,852**	3,736
Amounts due to substantial shareholders		**–**	240,568
Derivative financial instruments		**14,824**	22,775
Tax payable		**136,881**	89,689
Bank borrowings		**5,250,362**	6,698,110
		8,448,887	10,317,343
NET CURRENT ASSETS		**2,592,716**	899,593
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,150,176**	24,419,477

	2015	2014
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Bank borrowings	**9,012,017**	6,162,679
Deferred tax liabilities	**901,972**	779,814
	9,913,989	6,942,493
	17,236,187	17,476,984
CAPITAL AND RESERVES		
Share capital	**114,475**	116,750
Reserves	**17,121,712**	17,360,234
	17,236,187	17,476,984

Notes:

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

Application of new and revised HKFRSs (disclosure of a detailed list of new and revised HKFRSs)

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

Amendments to HKAS 19	Defined benefit plans: employee contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue 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:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In the opinion of the directors, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

2. 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments under HKFRS 8 "Operating Segments", based on 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, which 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;

(ii) Pulp; and

(iii) Tissue paper.

Segment revenues and results

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

Year ended 31 December 2015

	Packaging paper *HK$'000*	Pulp *HK$'000*	Tissue Paper *HK$'000*	Segment Total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE						
External sales	**16,516,763**	**674,862**	**424,016**	**17,615,641**	**–**	**17,615,641**
Inter-segment sales	**–**	**203,787**	**–**	**203,787**	**(203,787)**	**–**
	16,516,763	**878,649**	**424,016**	**17,819,428**	**(203,787)**	**17,615,641**
SEGMENT PROFIT	**2,815,711**	**78,403**	**32,909**	**2,927,023**	**–**	**2,927,023**
Net gain from fair value changes of derivative financial instruments						**13,244**
Unallocated income						**10,199**
Unallocated expenses						**(45,444)**
Finance costs						**(154,860)**
Profit before tax						**2,750,162**

Year ended 31 December 2014

	Packaging paper *HK$'000*	Pulp *HK$'000*	Tissue Paper *HK$'000*	Segment Total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE						
External sales	16,314,886	709,835	74,413	17,099,134	–	17,099,134
Inter-segment sales	–	109,942	–	109,942	(109,942)	–
	16,314,886	819,777	74,413	17,209,076	(109,942)	17,099,134
SEGMENT PROFIT	2,377,429	21,369	7,298	2,406,096	–	2,406,096
Net loss from fair value changes of derivative financial instruments						(35,463)
Unallocated income						60,385
Unallocated expenses						(7,448)
Finance costs						(214,640)
Profit before tax						2,208,930

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 (loss) from fair value changes of derivative financial instruments, interest income, net exchange (loss) 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 2015

	Packaging paper ***HK$'000***	**Pulp** ***HK$'000***	**Tissue Paper** ***HK$'000***	**Consolidated** ***HK$'000***
Segment assets	**27,974,611**	**2,578,222**	**1,850,498**	**32,403,331**
Unallocated assets				**3,195,732**
Consolidated total assets				**35,599,063**
Segment liabilities	**2,183,535**	**32,813**	**38,855**	**2,255,203**
Unallocated liabilities				**16,107,673**
Consolidated total liabilities				**18,362,876**

As at 31 December 2014

	Packaging paper *HK$'000*	Pulp *HK$'000*	Tissue paper *HK$'000*	Consolidated *HK$'000*
Segment assets	29,351,267	2,492,257	632,416	32,475,940
Unallocated assets				2,260,880
Consolidated total assets				34,736,820
Segment liabilities	2,577,149	41,845	31,451	2,650,445
Unallocated liabilities				14,609,391
Consolidated total liabilities				17,259,836

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than derivative financial instruments, tax recoverable, margin deposits, 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.

Revenue from major products

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

	2015 ***HK$'000***	2014 *HK$'000*
Packaging paper (including linerboard and corrugating medium)	**16,516,763**	16,314,886
Pulp	**674,862**	709,835
Tissue paper	**424,016**	74,413
	17,615,641	17,099,134

Geographical information

Over 95% (2014: 95%) of the Group's revenue were derived from external customers in the People's Republic of China (the "PRC").

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

	Non-current assets	
	2015 ***HK$'000***	2014 *HK$'000*
The PRC other than Hong Kong	**23,247,089**	23,059,915
Socialist Republic of Vietnam ("Vietnam")	**1,288,740**	399,200
Hong Kong	**21,631**	60,769
	24,557,460	23,519,884

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.

4. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Income from supply of steam and electricity	**82,547**	107,310
Income from wharf cargo handling	**62,185**	54,454
Sales of materials and waste paper	**57,118**	75,524
Value added tax and other tax refund	**156,881**	68,410
Net foreign exchange gains	**–**	44,215
Interest income from banks	**10,199**	16,170
Government subsidy for pier facilities *(note)*	**23,153**	30,410
Compensation for damaged goods from suppliers and insurance companies	**–**	7,963
Others	**35,738**	21,941
	427,821	426,397

note: The Group received unconditional subsidies from a local municipal government of Rui Chang, Jiangxi Province in the PRC, in relation to the development and advancement of a pier owned by the Group in Rui Chang. No other contingencies attach to the government subsidies that have been recognised.

5. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank borrowings	**303,442**	335,793
Less: amounts capitalised to property, plant and equipment	**(148,582)**	(121,153)
	154,860	214,640

Borrowing costs capitalised during the year arose from the general borrowings and are calculated by applying a capitalisation rate of 3.3% (2014: 3.5%) per annum to expenditures on qualifying assets.

6. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Income tax recognised in profit or loss:		
Current tax		
– The PRC Enterprise Income Tax ("EIT")	**223,563**	151,933
(Over) underprovision in previous year		
– The PRC EIT	**(1,834)**	14,135
– Hong Kong	**74,600**	–
Deferred tax		
– Charge to profit or loss	**122,158**	138,468
Total income tax recognised in profit or loss	**418,487**	304,536

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.

The PRC

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except that five (2014: four) of these subsidiaries are entitled to preferential rate of 15% for the Group's financial year ended 31 December 2015.

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, mainly on their source of profits. Since then the IRD has issued protective profits tax assessments against these subsidiaries in the aggregate amount of HK$374,385,000 for the years of assessment from 2003/2004 to 2008/2009 (i.e. the six financial years ended 31 March 2009). The Group lodged objections with the IRD and the IRD agreed to holdover the tax claimed on the basis that tax reserve certificates at certain amounts were purchased. As at 31 December 2015, tax reserve certificates of HK$72,430,000 (2014: HK$62,988,000) have been purchased by the Group.

It was the opinion of the directors that those subsidiaries had not conducted any sales or manufacturing activities in Hong Kong and no Hong Kong Profits Tax should therefore be payable. However, having considered the different opinion of the IRD on such controversial issue, and in order to avoid a further protracted exchange of correspondences, which may not be the best interest from the commercial perspective, the directors decided to take a compromised settlement approach to resolve the case.

Against this background and following a series of subsequent negotiations with the IRD, a compromised settlement was reached with the IRD in December 2015 at a sum of HK$74,600,000 as a full and final settlement of the whole case for the years of assessment 2003/2004 to 2014/2015. This sum payable has been charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

After offsetting the tax reserve certificates of HK$72,430,000 previously purchased, an additional amount of HK$2,170,000 was paid in January 2016.

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 22%. No provision for Vietnam Corporate Income Tax has been made for both years as the Vietnam subsidiaries incurred losses for both years.

Other

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

7. PROFIT FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**37,597**	30,946
Staff salaries and other benefits, excluding those of directors	**782,631**	801,455
Contributions to retirement benefit schemes, excluding those of directors	**54,208**	55,177
Total employee benefit expense	**874,436**	887,578
Auditor's remuneration		
– Audit services	**5,801**	6,111
– Non-audit services	**2,154**	572
Cost of inventories recognised as expense	**14,037,356**	14,027,532
Amortisation of prepaid lease payments	**13,168**	12,775
Depreciation of property, plant and equipment	**857,735**	819,912
Total depreciation and amortisation	**870,903**	832,687
Loss on disposal of property, plant and equipment	**5,609**	5,226
Net exchange loss	**37,285**	–
Operating lease rentals in respect of land and buildings	**9,700**	10,820
Write-off of trade receivables	**1,825**	1,689
Reversal of impairment loss on trade receivables	**–**	(4,600)

8. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution:		
Final dividend of HK$0.075 in respect of the year ended 31 December 2014 (Final dividend of HK$0.073 in respect of the year ended 31 December 2013) per share	**348,750**	341,640
Interim dividend of HK$0.085 in respect of the year ended 31 December 2015 (Interim dividend of HK$0.068 in respect of the year ended 31 December 2014) per share	**390,329**	317,907
	739,079	659,547

A final dividend of HK$0.095 per share in respect of the year ended 31 December 2015 (2014: final dividend of HK$0.075 per share in respect of the year ended 31 December 2014) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year of HK$2,331,675,000 (2014: HK$1,904,394,000) and 4,624,029,789 (2014: 4,680,422,244) shares in issue during the year.

No diluted earnings per share in both years was calculated as there were no potential ordinary shares outstanding during both years.

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and bills receivables of HK$3,523,107,000 (2014: HK$4,608,263,000).

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.

	2015	2014
	HK$'000	*HK$'000*
Aged:		
Not exceeding 30 days	**2,602,159**	3,476,684
31–60 days	**709,137**	842,643
61–90 days	**148,794**	202,880
91–120 days	**12,497**	39,624
Over 120 days	**50,520**	46,432
	3,523,107	4,608,263

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK$2,251,351,000 (2014: HK$2,406,140,000).

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.

	2015	2014
	HK$'000	*HK$'000*
Aged:		
Not exceeding 30 days	**837,045**	933,141
31–60 days	**512,816**	606,852
61–90 days	**468,990**	473,231
91–120 days	**409,687**	375,957
Over 120 days	**22,813**	16,959
	2,251,351	2,406,140

FINAL DIVIDEND

The Directors have proposed a final dividend of HK9.5 cents (2014: HK7.5 cents) per share for the year ended 31 December 2015 to shareholders whose names appear on the Register of Members on 17 May 2016. 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 26 May 2016.

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The annual general meeting (the "AGM") of the Company is scheduled to be held on 9 May 2016. For ascertaining shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from 5 May 2016 to 9 May 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all completed transfer from accompanied 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 p.m. on 4 May 2016.

In relation to the proposed final dividend

The board of directors of the Company has resolved to recommend the payment of a final dividend of HK9.5 cents per share in cash for the year ended 31 December 2015 to shareholders whose names appear on the register of members of the Company on 17 May 2016 subject to the approval of the shareholders of the Company at the AGM. For ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from 13 May 2016 to 17 May 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied 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 p.m. on 12 May 2016.

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 December 2015, the Group recorded a total sales volume of 5.44 million tons, a total revenue of HK$17.62 billion, an annual net profit of HK$2.33 billion, and a net profit per ton of HK$429.

The PM20 paper machine with an annual production volume of 320,000 tons and four tissue paper machines with an annual production volume of 135,000 tons — all of which are located in the Chongqing Industrial Park — have commenced full production since last year. Benefitting from factories being shutdown in Dongguan which reduced overcapacity, falling fuel and raw material prices, and refund policies for value-added taxes, both sales revenue and profit recorded growth.

The Group has entered the tissue paper market in 2014 to expand its business. Apart from establishing the brand name of its products, the tissue paper with the corporate brand "Hanky" has commenced production in the fourth quarter of 2015. The Group's four tissue paper machines with a production volume of 135,000 tons have been operating at full capacity since 2015. In order to cope with market demand, the Group is planning increasing its production capacity by 220,000 tons by the fourth quarter in 2016. The Group will be able to reduce the production cost of tissue paper by utilizing its pulp production facilities in Chongqing, and it expects that the profit contribution from the tissue paper business will increase. The Group is also considering the possibility of developing the tissue paper business in other locations.

Apart from the tissue business, the Group will expand into overseas packaging paper markets and invest in the construction of overseas 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 — which can provide 400,000 tons of production capacity — will begin operations in the second half of 2016. As the overseas packaging paper market possesses enormous potential, the Group may invest more resources in this sector.

In order to solve the overcapacity and the environmental issues for the paper industry, the PRC Government has steadily closed down obsolete production capacities in previous years. Local government authorities will impose more stringent environmental monitoring policies, which will shut down even more obsolete production capacities, thereby alleviating the supply over demand situation for the paper industry and restoring the industry's bargaining power. Despite the slowdown in the growth of the domestic economy and the consumption for packaging paper, the demand for packaging paper in China is expected to grow steadily in the long run. In addition, the rapid development of online shopping has led to fundamental changes in consumption and logistics models, benefitting the packaging paper industry which is currently in the process of consolidation. Hence, the Group is optimistic about the outlook of the paper industry.

Based on its consistent adoption of prudent strategies, and with a reasonable debt level, the Group will continue to increase its capacity in tissue paper and develop its new industrial park in Vietnam in tandem with the pace of economic development. The management of the Group will continue to make efforts to enhance production efficiencies, strictly control costs and strengthen capital operation in order to maintain the Group's competitiveness in the paper industry. The Group's business will continue 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 2015 was HK$17.62 billion and HK$2.33 billion respectively.

The Group maintained an overall growth in profit and the sales volume of the containerboard increased to 5.44 million tons for the year and the average net profits per ton of the products achieved at about HK$429 for the year.

The earnings per share for the year was HK50.43 cents when compared with HK40.69 cents for the year ended 31 December 2014.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK$318 million for the year ended 31 December 2015 as compared to HK$330 million for the year ended 31 December 2014. It represented about 1.8% of the revenue for the year ended 31 December 2015 and was slightly decreased as compared to about 1.9% for the year ended 31 December 2014.

General and Administrative Expenses

The Group's general and administrative expenses was HK$797 million for the year ended 31 December 2015 as compared to HK$709 million for the year ended 31 December 2014. It represented about 4.5% of the revenue for the year ended 31 December 2015 and was increased as compared to that of 4.1% for the year ended 31 December 2014. The increase was mainly due to the result of the expansion of the Group during the year.

Finance Costs

The Group's total finance costs (including the amounts capitalised) was HK$303 million for the year ended 31 December 2015 as compared to HK$336 million for the year ended 31 December 2014. The average interest rate on bank borrowings of the Group for the year was slightly decreased as compared to the year ended 31 December 2014.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group's raw materials and finished products were 78 days and 12 days, respectively, for the year ended 31 December 2015 as compared to 75 days and 18 days, respectively, for the year ended 31 December 2014.

The Group's debtors' turnover days were 50 days for the year ended 31 December 2015 as compared to 57 days for the year ended 31 December 2014. 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 70 days for the year ended 31 December 2015 as compared to 74 days for the year ended 31 December 2014. 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 2015 was HK$17,236 million (2014: HK$17,477 million). As at 31 December 2015, the Group had current assets of HK$11,042 million (2014: HK$11,217 million) and current liabilities of HK$8,449 million (2014: HK$10,317 million). The current ratio was 1.31 as at 31 December 2015 as compared to 1.09 at 31 December 2014.

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 2015, the Group had outstanding bank borrowings of HK$14,262 million (2014: HK$12,861 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 December 2015, the Group maintained bank balances and cash of HK$2,959 million (2014: HK$2,033 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) increased from 0.62 as at 31 December 2014 to 0.66 as at 31 December 2015. If excluded the decrease of translation reserve of HK$1.42 billion as a result of RMB depreciation, the net debt-to-equity ratio should have been 0.61.

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 2015. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

Employees

As at 31 December 2015, 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 91,000,000 shares of HK$0.025 per share through The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK$411,337,000 (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	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration paid (including expenses)**
		HK$	*HK$*	*HK$'000*
March	18,700,000	3.79	3.61	69,542
April	1,300,000	3.82	3.82	5,051
June	10,440,000	4.96	4.73	51,135
July	33,360,000	5.05	4.33	163,661
August	19,200,000	4.87	4.24	89,084
September	6,500,000	4.42	3.80	26,509
December	1,500,000	4.24	4.19	6,355
Total	91,000,000			411,337

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 he 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 of the Company 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 the 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 different 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 2015, 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 2015. 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 9 May 2016. 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, 1 March 2016

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