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 2016

FINANCIAL HIGHLIGHTS

- Revenue for the year of HK$18,342 million (2015: HK$17,616 million)
- Net profit for the year of HK$2,863 million (2015: HK$2,332 million)
- Net profit per ton about HK$508 for the year
- Stable payout ratio of about 35%, with proposed final dividend of HK11 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 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Revenue	*3*	**18,341,677**	17,615,641
Cost of sales		**(14,261,143)**	(14,037,356)
Gross profit		**4,080,534**	3,578,285
Other income	*4*	**545,701**	427,821
Other gains and losses	*5*	**22,250**	(31,475)
Share of loss of a joint venture		**–**	(152)
Distribution and selling expenses		**(251,943)**	(317,659)
General and administrative expenses		**(875,307)**	(751,798)
Finance costs	*6*	**(167,218)**	(154,860)
Profit before tax		**3,354,017**	2,750,162
Income tax expense	*7*	**(491,274)**	(418,487)
Profit for the year	*8*	**2,862,743**	2,331,675
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,142,492)**	(1,422,056)
Total comprehensive income for the year		**720,251**	909,619
		HK cents	*HK cents*
Earnings per share	*10*	**62.64**	50.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**24,312,225**	23,351,149
Prepaid lease payments		**877,980**	721,498
Investment properties		**371,409**	–
Deposits paid for acquisition of property, plant and equipment		**149,685**	388,860
Interest in a joint venture		**–**	–
Loan to a joint venture		**95,953**	95,953
		25,807,252	24,557,460
CURRENT ASSETS			
Inventories		**2,914,432**	3,092,018
Prepaid lease payments		**21,111**	17,486
Trade and other receivables	*11*	**4,959,863**	4,869,211
Amounts due from related companies		**21,730**	19,879
Tax recoverable		**–**	72,430
Derivative financial instruments		**231**	1,532
Margin deposits		**1,450**	10,391
Bank balances and cash		**1,274,197**	2,958,656
		9,193,014	11,041,603
CURRENT LIABILITIES			
Trade and other payables	*12*	**3,549,231**	3,042,968
Amount due to related companies		**4,288**	3,852
Derivative financial instruments		**11,267**	14,824
Tax payable		**158,938**	136,881
Bank borrowings		**4,240,105**	5,250,362
		7,963,829	8,448,887
NET CURRENT ASSETS		**1,229,185**	2,592,716
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,036,437**	27,150,176

	2016	2015
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Bank borrowings	**9,306,737**	9,012,017
Deferred tax liabilities	**906,735**	901,972
	10,213,472	9,913,989
	16,822,965	17,236,187
CAPITAL AND RESERVES		
Share capital	**113,642**	114,475
Reserves	**16,709,323**	17,121,712
	16,822,965	17,236,187

Notes:

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

Amendments to HKFRSs that are mandatorily effective for the current year

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 HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of the above amendments to 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 amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 17	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 that are relevant to the Group are:

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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. For more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$16,578,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

In the opinion of the directors, the application of these amendments will not result in any impact on the financial performance or financial position of the Group in these consolidated financial statements, except for the disclosure of changes in foreign exchange rates of bank borrowings.

Except as described above, the directors of the Company anticipated that the application of other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the Group's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 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 2016

	Packaging paper *HK$'000*	Pulp *HK$'000*	Tissue paper *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE						
External sales	**17,036,779**	**303,086**	**1,001,812**	**18,341,677**	**–**	**18,341,677**
Inter-segment sales	**–**	**369,230**	**–**	**369,230**	**(369,230)**	**–**
	17,036,779	**672,316**	**1,001,812**	**18,710,907**	**(369,230)**	**18,341,677**
SEGMENT PROFIT	**3,293,194**	**23,454**	**86,003**	**3,402,651**	**–**	**3,402,651**
Net gain from fair value changes of derivative financial instruments						**7,412**
Unallocated income						**123,509**
Unallocated expenses						**(12,337)**
Finance costs						**(167,218)**
Profit before tax						**3,354,017**

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

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, rental income, interest income, net exchange gain (loss), 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 segment:

As at 31 December 2016

	Packaging paper ***HK$'000***	**Pulp** ***HK$'000***	**Tissue paper** ***HK$'000***	**Consolidated** ***HK$'000***
Segment assets	**26,911,905**	**2,441,548**	**3,832,784**	**33,186,237**
Unallocated assets				**1,814,029**
Consolidated total assets				**35,000,266**
Segment liabilities	**2,419,891**	**23,288**	**116,304**	**2,559,483**
Unallocated liabilities				**15,617,818**
Consolidated total liabilities				**18,177,301**

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

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than certain prepaid lease payments, investment properties, 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, deferred tax liabilities and other liabilities for which reportable segments are jointly liable.

Other segment information

At 31 December 2016

	Packaging paper ***HK$'000***	**Pulp** ***HK$'000***	**Tissue paper** ***HK$'000***	**Consolidated** ***HK$'000***
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets *(note)*	**1,938,221**	**88,853**	**1,942,879**	**3,969,953**
Depreciation of property, plant and equipment	**823,487**	**91,495**	**11,774**	**926,756**
Loss on disposal of property, plant and equipment	**48,495**	**280**	**–**	**48,775**
Amortisation of prepaid lease payments	**12,625**	**928**	**388**	**13,941**
Impairment loss on trade receivables	**16,370**	**–**	**8,514**	**24,884**
Write-off of trade receivables	**9,502**	**–**	**–**	**9,502**

At 31 December 2015

	Packaging paper *HK$'000*	Pulp *HK$'000*	Tissue paper *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets *(note)*	2,051,406	152,445	916,376	3,120,227
Depreciation of property, plant and equipment	785,703	68,456	3,576	857,735
Loss (gain) on disposal of property, plant and equipment	5,716	(107)	–	5,609
Amortisation of prepaid lease payments	12,157	981	30	13,168
Write-off of trade receivables	1,825	–	–	1,825

note: Amounts included additions to property, plant and equipment, prepaid lease payments and deposits paid for acquisition of property, plant and equipment.

No other amounts are regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets.

Revenue from major products

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

	2016 ***HK$'000***	2015 *HK$'000*
Packaging paper (including linerboard and corrugating medium)	**17,036,779**	16,516,763
Pulp	**303,086**	674,862
Tissue paper	**1,001,812**	424,016
	18,341,677	17,615,641

Geographical information

Over 95% (2015: 95%) of the Group's revenue were derived from external customers in the People's Republic of China ("PRC").

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

	Non-current assets	
	2016 ***HK$'000***	2015 *HK$'000*
The PRC other than Hong Kong	**23,769,900**	23,247,089
Socialist Republic of Vietnam ("Vietnam")	**2,019,507**	1,288,740
Hong Kong	**17,845**	21,631
	25,807,252	24,557,460

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

	2016	2015
	HK$'000	*HK$'000*
Value added tax and other tax refund	**283,187**	156,881
Income from supply of steam and electricity	**74,606**	82,547
Income from wharf cargo handling	**53,876**	62,185
Sales of materials and waste paper	**45,597**	57,118
Interest income from banks	**18,005**	10,199
Others	**70,430**	58,891
	545,701	427,821

5. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Net foreign exchange gain (loss)	**97,999**	(37,285)
Net gain from fair value changes of derivative financial instruments	**7,412**	13,244
Loss on disposal of property, plant and equipment	**(48,775)**	(5,609)
Impairment loss on trade receivables	**(24,884)**	–
Write-off trade receivables	**(9,502)**	(1,825)
	22,250	(31,475)

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank borrowings	**346,337**	303,442
Less: amounts capitalised to property, plant and equipment	**(179,119)**	(148,582)
	167,218	154,860

Borrowing costs capitalised during the year arose from the general borrowings and are calculated by applying a capitalisation rate of 3.3% (2015: 3.3%) per annum to expenditures on qualifying assets.

7. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Income tax recognised in profit or loss:		
Current tax		
– The PRC Enterprise Income Tax ("EIT")	**373,132**	223,563
(Over) underprovision in previous year		
– The PRC EIT	**(2,135)**	(1,834)
– Hong Kong	**361**	74,600
Deferred tax		
– Charge to profit or loss	**119,916**	122,158
Total income tax recognised in profit or loss	**491,274**	418,487

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 underprovision for the year ended 31 December 2015 of HK$74,600,000 represented additional Hong Kong income tax expense on the compromised settlement reached with the Hong Kong Inland Revenue Department ("IRD").

The PRC

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except that five (2015: five) of these subsidiaries are entitled to preferential rate of 15% for the Group's financial year ended 31 December 2016.

Hong Kong

During the year ended 31 December 2015, the field audit previously conducted by the IRD on the Hong Kong tax affairs of certain subsidiaries of the Company for the years of assessment from 2003/2004 to 2014/2015 was settled on a compromised basis at a sum of HK$74,600,000. This sum payable had 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 during the field audit, 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 rate of 10%. They are entitled to a corporate income tax exemption for four years from the first profit-making year and a reduction of 50% for the following nine years. 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.

8. PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**37,600**	37,597
Staff salaries and other benefits, excluding those of directors	**903,038**	782,631
Contributions to retirement benefit schemes, excluding those of directors	**48,718**	54,208
Total employee benefit expense	**989,356**	874,436
Capitalised in inventories	**(640,520)**	(578,258)
	348,836	296,178
Auditors' remuneration		
– Audit services	**6,486**	5,801
– Non-audit services	**1,595**	2,154
Cost of inventories recognised as expense	**14,261,143**	14,037,356
Amortisation of prepaid lease payments	**13,941**	13,168
Depreciation of property, plant and equipment	**926,756**	857,735
Depreciation of investment properties	**2,599**	–
Total depreciation and amortisation	**943,296**	870,903
Capitalised in inventories	**(864,342)**	(792,624)
	78,954	78,279
Operating lease rentals in respect of land and buildings	**10,825**	9,700

9. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distribution:		
Final dividend of HK$0.095 in respect of the year ended 31 December 2015 (2015: final dividend of HK$0.075 in respect of the year ended 31 December 2014) per share	**432,950**	348,750
Interim dividend of HK$0.110 in respect of the year ended 31 December 2016 (2015: interim dividend of HK$0.085 in respect of the year ended 31 December 2015) per share	**501,226**	390,329
	934,176	739,079

A final dividend of HK$0.011 per share in respect of the year ended 31 December 2016 (2015: final dividend of HK$0.095 per share in respect of the year ended 31 December 2015) 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 earnings per share is based on the profit for the year of HK$2,862,743,000 (2015: HK$2,331,675,000) and 4,569,900,468 (2015: 4,624,029,789) shares in issue during the year.

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

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and bills receivables of HK$3,613,131,000 (2015: HK$3,523,107,000).

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.

	2016	2015
	HK$'000	*HK$'000*
Aged:		
Not exceeding 30 days	**3,210,017**	2,602,159
31–60 days	**293,645**	709,137
61–90 days	**57,991**	148,794
91–120 days	**25,873**	12,497
Over 120 days	**25,605**	50,520
	3,613,131	3,523,107

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK$2,555,195,000 (2015: HK$2,251,351,000).

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.

	2016	2015
	HK$'000	*HK$'000*
Aged:		
Not exceeding 30 days	**1,213,666**	837,045
31–60 days	**603,054**	512,816
61–90 days	**350,298**	468,990
91–120 days	**370,937**	409,687
Over 120 days	**17,240**	22,813
	2,555,195	2,251,351

FINAL DIVIDEND

The Directors have proposed a final dividend of HK11.0 cents (2015: HK9.5 cents) per share for the year ended 31 December 2016 to shareholders whose names appear on the Register of Members on 18 May 2017. 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 25 May 2017.

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 10 May 2017. For ascertaining shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from 8 May 2017 to 10 May 2017, 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 5 May 2017.

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 HK11.0 cents per share in cash for the year ended 31 December 2016 to shareholders whose names appear on the register of members of the Company on 18 May 2017 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 16 May 2017 to 18 May 2017, 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 15 May 2017.

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 December 2016, the Group recorded a total sales volume of 5.63 million tons and total revenue of HK$18.34 billion. Its annual net profit strongly increased by 22.7% year-on-year to HK$2.86 billion, while its net profit per ton was HK$508.

The Chinese government's efforts to eliminate obsolete production facilities while embarking on environmentally-friendly policies has gradually reduced overcapacity in the industry over the last year. The recovery in demand within the paper industry has also notably improved the demand and supply situation within the industry. The price of paper has increased in recent months as a result of the surge in energy, raw materials and transportation costs. The higher demand plus the value-added tax refund policy have enabled the Group to achieve growth in both sales revenue and profit despite the depreciation of the Renminbi.

The Group will expand into overseas packaging paper markets and invest in the construction of overseas paper factories to keep pace with the expansion of the Southeast Asian markets. It is expected that the paper machine project in Hau Giang, Vietnam with an annual production capacity of 400,000 tons will begin operation in March this year. As the overseas packaging paper market offers enormous potential, the Group may invest more resources in this sector. The PM21 paper machine with an annual production volume of 400,000 tons at the Jiangxi plant is also under construction and will begin operation in August this year. Upon commencing full production, the annual production capacity of the Group's packaging paper will exceed 6 million tons.

In order to address the overcapacity and the environmental issues in the paper industry, obsolete production capacities have steadily been eliminated in China as approval standards for new production capacities have become more stringent in recent years. Local government authorities intend to impose more stringent environmental monitoring policies and implement stricter requirements on environmental protection, which will lead to shutting down even more obsolete production capacities which fail to measure up to environmental standards. Despite the slowdown in the economic growth of the Mainland economy, the demand for packaging paper in China is expected to grow steadily in the long run. In addition, the rapid development of e-commerce and online shopping has led to fundamental changes in consumption and logistics models, benefitting the packaging paper industry which is currently undergoing consolidation. Looking ahead, overall paper consumption still possesses considerable room for growth, thus the Group is optimistic about the outlook of both the packaging paper segment and the paper industry as a whole.

As for the tissue paper business, the eight tissue paper manufacturing machines with a total annual production volume of 355,000 tons located in the Chongqing Industrial Park have commenced full production since last year. The Group will be able to further reduce the production cost of tissue paper through economies of scale leveraging the increase in production volume and utilizing its pulp production facilities in Chongqing. The Group will also expand tissue paper business in Jiangxi, Guangdong and Chongqing Provinces. Another six new production lines with a combined annual production capacity of 330,000 tons will commence production within this year. After all of the production lines ramp up operation, the Group's annual production capacity for tissue paper will reach 685,000 tons. The tissue paper business is therefore expected to contribute a considerable profit to the Group as it becomes another new growth driver in the future.

Adhering to its long-held prudent strategies and with debts maintained at a reasonable level, the Group will monitor the pace of economic development while it continues to bolster the production capacity in packaging and tissue paper. The management will proceed with 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 experienced and capable management team will continue to lead the development of the Group's businesses and exert its best efforts to raise profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Revenue and net profit attributable to owners of the Company for the year ended 31 December 2016 was HK$18.34 billion and HK$2.86 billion respectively.

As a result of the recovery in demand within the paper industry, the Group maintained a steady growth in sales volume of the products to 5.63 million tons for the year and the average net profits per ton of the products achieved at about HK$508 for the year.

The earnings per share for the year was HK62.64 cents when compared with HK50.43 cents for the year ended 31 December 2015.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK$252 million for the year ended 31 December 2016 as compared to HK$318 million for the year ended 31 December 2015. It represented about 1.4% of the revenue for the year ended 31 December 2016 and was decreased as compared to about 1.8% for the year ended 31 December 2015. This was mainly due to more customers were to pick up the finished goods by themselves instead of delivery by the Group.

General and Administrative Expenses

The Group's general and administrative expenses was HK$875 million for the year ended 31 December 2016 as compared to HK$752 million for the year ended 31 December 2015. It represented about 4.8% of the revenue for the year ended 31 December 2016 and was increased as compared to that of 4.3% for the year ended 31 December 2015. 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$346 million for the year ended 31 December 2016 as compared to HK$303 million for the year ended 31 December 2015. The increase was mainly due to the increase in average amount of outstanding bank borrowings during the year.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group's raw materials and finished products were 85 days and 3 days, respectively, for the year ended 31 December 2016 as compared to 78 days and 12 days, respectively, for the year ended 31 December 2015. This exhibits strong demand from our customers.

The Group's debtors' turnover days were 42 days for the year ended 31 December 2016 as compared to 50 days for the year ended 31 December 2015. 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 80 days for the year ended 31 December 2016 as compared to 70 days for the year ended 31 December 2015. 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 2016 was HK$16,823 million (2015: HK$17,236 million). As at 31 December 2016, the Group had current assets of HK$9,193 million (2015: HK$11,042 million) and current liabilities of HK$7,964 million (2015: HK$8,449 million). The current ratio was 1.15 as at 31 December 2016 as compared to 1.31 at 31 December 2015.

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 2016, the Group had outstanding bank borrowings of HK$13,547 million (2015: HK$14,262 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 December 2016, the Group maintained bank balances and cash of HK$1,274 million (2015: HK$2,959 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) increased from 0.66 as at 31 December 2015 to 0.73 as at 31 December 2016 as a result of the increase in capital expenditure during the year, and if excluded the decrease of translation reserve of HK$2,142 million as a result of Renminbi depreciation, the net debt-to-equity ratio should have been 0.65.

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 2016. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

Employees

As at 31 December 2016, the Group had a workforce of about 6,900 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 40,400,000 shares of HK$0.025 per share through The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK$199,297,000 (including transaction costs). The shares repurchased were subsequently cancelled. 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*
January	20,951,000	4.20	3.92	85,618
March	680,000	5.00	4.97	3,397
May	770,000	5.00	4.97	3,859
December	17,999,000	5.98	5.79	106,423
Total	40,400,000			199,297

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 2016, 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 2016. 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 10 May 2017. 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, 28 February 2017

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.