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 NINE MONTHS ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Revenue for the nine months period of HK$11,424 million (year ended 31 March 2012 of HK$14,716 million);
- Net profit for the nine months period of HK$1,321 million (year ended 31 March 2012 of HK$1,351 million);
- Net profit per ton of containerboard about HK$416 for the nine months period as compared to about HK$363 for the year ended 31 March 2012, increased by 14.6%;
- Net gearing ratio decreased to 58% as compared to 65% as at 31 March 2012;
- Stable payout ratio of about 35%, with proposed final dividend of HK5 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 nine months ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2012

	Notes	**Nine months ended 31 December 2012** *HK$'000*	Year ended 31 March 2012 *HK$'000*
Revenue	*4*	**11,423,998**	14,715,553
Cost of sales		**(9,473,295)**	(12,652,109)
Gross profit		**1,950,703**	2,063,444
Other income	*5*	**274,374**	429,827
Net gain from fair value changes of derivative financial instruments		**3,631**	1,630
Reclassification of cumulative loss from hedging reserve upon early repayment of hedged item		**–**	(15,981)
Share of (loss) profit of a jointly controlled entity ("JCE")		**(263)**	6
Distribution and selling expenses		**(196,187)**	(236,405)
General and administrative expenses		**(464,047)**	(605,869)
Finance costs	*6*	**(70,095)**	(99,901)
Profit before tax		**1,498,116**	1,536,751
Income tax expense	*7*	**(177,098)**	(185,302)
Profit for the period/year	*8*	**1,321,018**	1,351,449
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**257,300**	388,750
Net adjustment of hedging reserve reclassified to profit or loss		**–**	52,361
Other comprehensive income for the period/year		**257,300**	441,111
Total comprehensive income for the period/year		**1,578,318**	1,792,560
Profit for the period/year attributable to:			
Owners of the Company		**1,321,018**	1,351,449
Total comprehensive income attributable to:			
Owners of the Company		**1,578,318**	1,792,560
		HK cents	*HK cents*
Earnings per share			
– Basic	*10*	**28.17**	28.82
– Diluted		**27.98**	28.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	31 December 2012 HK$'000	31 March 2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**18,790,213**	16,923,134
Prepaid lease payments		**547,912**	494,704
Deposits paid for acquisition of property, plant and equipment and land use rights		**44,761**	143,213
Interest in a JCE		**264**	25
Loan to a JCE		**64,390**	9,400
Tax recoverable		**52,670**	39,670
Retirement benefit assets		**1,066**	988
		19,501,276	17,611,134
CURRENT ASSETS			
Inventories		**2,879,733**	3,124,245
Prepaid lease payments		**12,376**	10,956
Trade and other receivables	*11*	**4,534,700**	5,241,830
Amounts due from related companies		**18,501**	19,531
Derivative financial instruments		**5,084**	867
Restricted bank deposits		**–**	972
Bank balances and cash		**657,106**	731,498
		8,107,500	9,129,899
CURRENT LIABILITIES			
Derivative financial instruments		**561**	9,434
Trade and other payables	*12*	**3,309,327**	3,127 287
Amounts due to related companies		**143**	–
Amount due to a substantial shareholder		**6,378**	7,626
Tax payable		**79,987**	66,159
Bank borrowings		**3,864,506**	2,895,518
		7,260,902	6,106,024
NET CURRENT ASSETS		**846,598**	3,023,875
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,347,874**	20,635,009

	31 December 2012 HK$'000	31 March 2012 HK$'000
NON-CURRENT LIABILITIES		
Bank borrowings	**5,209,001**	6,663,795
Deferred tax liabilities	**540,683**	473,001
	5,749,684	7,136,796
	14,598,190	13,498,213
CAPITAL AND RESERVES		
Share capital	**117,241**	117,241
Reserves	**14,480,949**	13,380,972
	14,598,190	13,498,213

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As set out in the announcement of the Company issued on 31 August 2012, the financial year end date of the Company and the Group has 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 period covers the nine-month period from 1 April 2012 to 31 December 2012 (the "Current Period"). The corresponding comparative amounts shown for the consolidated statement of comprehensive income and related notes cover a twelve-month period from 1 April 2011 to 31 March 2012 and therefore may not be comparable with the amounts shown for the Current Period.

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

Application of amendments to HKFRSs in the current reporting period

In the current period, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

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

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 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group for annual period beginning on 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual period beginning on 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 will have no material impact on the amounts reported but may result in more disclosures for the exposures on the master netting agreements in the consolidated financial statements.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK(SIC) – Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures.* HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for the Group for annual period beginning on or after 1 January 2013. Upon the application of HKFRS 11, the directors reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Group's investment in joint arrangement. The directors concluded that the adoption of HKFRS 11 has no significant impact on the consolidated financial statements.

The directors anticipate that the application of remaining four standards will not have a significant impact on amounts and classifications reported in the consolidated financial statements.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change 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. The amendments require all actuarial gains and losses to be 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, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for the Group for annual period beginning on 1 January 2013 and require retrospective application. Currently, the actuarial gains and losses are recognised in profit or loss. The directors anticipate that the application of the amendments to HKAS 19 will change the accounting policies to recognise actuarial gain and losses to other comprehensive income. In addition, net interest will be calculated by applying the discount rate to the net defined benefit asset. But the directors consider the application will have no material impact on the amounts reported in respect of the Groups' defined benefit plans.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be 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 to HKAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

The directors of the Company anticipate that the application of the other new or 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 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:

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 JCE					**(263)**
Unallocated income					**30,656**
Unallocated expenses					**(6,009)**
Finance costs					**(70,095)**
Profit before tax					**1,498,116**

Year ended 31 March 2012

	Packaging paper *HK$'000*	Pulp *HK$'000*	Segment Total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE					
External sales	14,336,951	378,602	14,715,553	–	14,715,553
Inter-segment sales	–	124,451	124,451	(124,451)	–
	14,336,951	503,053	14,840,004	(124,451)	14,715,553
SEGMENT PROFIT	1,579,801	25,576	1,605,377	–	1,605,377
Net gain from fair value changes of derivative financial instruments					1,630
Reclassification of cumulative loss from hedge reserves upon early repayment of hedged item					(15,981)
Share of profit of a JCE					6
Unallocated income					51,480
Unallocated expenses					(5,860)
Finance costs					(99,901)
Profit before tax					1,536,751

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 (loss) profit of a JCE, 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 segment:

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**

As at 31 March 2012

	Packaging paper	Pulp	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	**23,932,759**	**1,883,543**	**25,816,302**
Unallocated assets			**924,731**
Consolidated total assets			**26,741,033**
Segment liabilities	**2,424,285**	**38,256**	**2,462,541**
Unallocated liabilities			**10,780,279**
Consolidated total liabilities			**13,242,820**

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, restricted bank 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 deferred tax liabilities and other liabilities for which reportable segments are jointly liable.

For loan to a JCE, it was grouped into packaging paper segment as the loan forms part of the net investment in the JCE as an ancillary to production of packaging paper.

Revenue from major products

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

	Nine months ended 31 December 2012	Year ended 31 March 2012
	HK$'000	*HK$'000*
Packaging paper (including linerboard and corrugating medium)	**11,092,888**	14,336,951
Pulp	**331,110**	378,602
	11,423,998	14,715,553

Geographical information

Over 95% (31 March 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	
	31 December 2012	31 March 2012
	HK$'000	*HK$'000*
PRC other than Hong Kong	**19,279,884**	17,308,399
Vietnam	**150,307**	259,068
Hong Kong	**70,019**	42,679
	19,500,210	17,610,146

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

	Nine months ended 31 December 2012	Year ended 31 March 2012
	HK$'000	*HK$'000*
Compensation income from suppliers for damaged goods	**29,612**	11,320
Income from supply of steam and electricity	**61,530**	110,249
Income from wharf cargo handling	**32,755**	52,021
Interest income from banks	**11,774**	14,168
Net foreign exchange gains	**18,882**	37,312
Sales of scrap materials and waste paper	**23,398**	28,927
Value added tax and other tax refund	**58,721**	125,118
Others	**37,702**	50,712
	274,374	429,827

6. FINANCE COSTS

	Nine months ended 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Interest on bank borrowings wholly repayable within five years	**194,106**	196,983
Net adjustment on interest rate swap	**–**	39,610
Less: amounts capitalised to property, plant and equipment	**(124,011)**	(136,692)
	70,095	99,901

Borrowing costs capitalised during the period arose from the general borrowings pool and are calculated by applying a capitalisation rate of 4% (31 March 2012: 4%) per annum to expenditures on qualifying assets.

7. INCOME TAX EXPENSE

	Nine months ended 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Income tax recognised in profit or loss:		
Current tax		
– PRC Enterprise Income Tax	**119,984**	76,054
– Overseas income tax	**–**	52
Overprovision in previous year		
– PRC Enterprise Income Tax	**(10,568)**	(3,442)
Deferred tax		
– Charge to profit or loss	**67,682**	127,454
– Change in tax rate of certain subsidiaries	**–**	(14,816)
Total income tax recognised in profit or loss	**177,098**	185,302

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

Certain subsidiaries in the PRC are entitled to exemption from PRC Enterprise Income Tax ("EIT") for two years since their respective first profit-making year, followed by a 50% reduction in the applicable EIT rate for the three years thereafter ("Tax Holidays").

Under the EIT Law of the PRC and its Implementation Regulations, the statutory tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Those subsidiaries, however, are entitled to a reduced EIT rate due to entitlement of Tax Holiday and/or other preferential EIT treatment for the calendar years 2011 and 2012 which are summarized as follows:

(i) For the calendar years of 2011 and 2012, Jiangsu Lee & Man Paper Manufacturing Company Limited ("Jiangsu Lee & Man") 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 2011, Guangdong Lee & Man Paper Manufacturing Limited ("Guangdong Lee & Man") was in its last year of Tax Holiday and hence it was entitled to a 50% reduction in its EIT rate of 25%, i.e. 12.5%. For the calendar year of 2012, Guangdong Lee & Man 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 2011 and 2012, Chongqing Lee & Man Paper Manufacturing Limited ("Chongqing Lee & Man") was tentatively granted the China Western Development (西部大開發) tax concessions with a preferential EIT rate of 15%. Further, as Chongqing Lee & Man was in its fourth and fifth year of Tax Holiday respectively, it was entitled to a 50% reduction in its EIT rate of 15%. As a result, the applicable EIT rate is 7.5% for the calendar years 2011 and 2012. In addition, at the beginning of calendar year of 2011, Chongqing Lee & Man has an unutilised tax credit on purchase of locally manufactured equipment carried forward from prior years, which, however expired at the end of calendar year of 2011 and no such tax credit is available since calendar year of 2012. The total allowable tax credit is equal to 40% of the qualified investment on local-manufactured equipment acquired within the total investment amount and the excess unused amount can be carried forward to a maximum of 5 years.

(iv) Dongguan Lee & Man Paper Factory Co., Ltd. ("Dongguan Lee & Man") 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 2011 and 2012.

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$257,075,000 for the years of assessment 2003/2004, 2004/2005, and 2005/2006 (i.e. the three financial years ended 31 March 2006). These protective profits tax assessments were subsequently held over by the IRD completely after the Group purchased tax reserve certificates of HK$52,670,000. The subsidiaries lodged objections with the IRD and the IRD agreed to holdover the tax claimed on the basis that the tax reserve certificate at certain amounts were purchased by the subsidiaries. As at 31 December 2012, the tax reserve certificate of HK$52,670,000 (31 March 2012: HK$39,670,000) 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, the inquiries from the IRD are still at a fact-finding 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.

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 PERIOD/YEAR

	Nine months ended 31 December 2012	Year ended 31 March 2012
	HK$'000	*HK$'000*
Profit for the period/year has been arrived at after charging:		
Directors' emoluments	**4,590**	12,240
Staff salaries and other benefits, excluding those of directors	**423,150**	497,342
Contributions to retirement benefit schemes, excluding those of directors	**37,632**	41,159
Total employee benefit expense	**465,372**	550,741
Auditor's remuneration	**5,214**	4,660
Cost of inventories recognised as expense	**9,473,295**	12,652,109
Amortisation of prepaid lease payments	**7,926**	9,081
Depreciation of property, plant and equipment	**463,453**	556,765
Total depreciation and amortisation	**471,379**	565,846
Loss on disposal of property, plant and equipment	**1,177**	4,785
Operating lease rentals in respect of land and buildings	**5,664**	5,315
Allowance for doubtful debts	**–**	14,849

9. DIVIDEND

	Nine months ended 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Dividends recognised as distribution:		
Final dividend of HK$0.052 in respect of the year ended 31 March 2012 (Final dividend of HK$0.080 in respect of the year ended 31 March 2011) per share	**243,860**	375,170
Interim dividend of HK$0.050 in respect of the period ended 31 December 2012 (Interim dividend of HK$0.048 in respect of the year ended 31 March 2011) per share	**234,481**	225,102
	478,341	600,272

A final dividend of HK$0.050 per share in respect of the nine months ended 31 December 2012 (Year ended 31 March 2012: final dividend of HK$0.052 per share in respect of the year ended 31 March 2012) has been proposed by the directors and is subject to approval by 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:

	Nine months ended 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**1,321,018**	1,351,449

	Nine months ended 31 December 2012 *Number of shares*	Year ended 31 March 2012 *Number of shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,689,622,980**	4,689,622,980
Effect of dilutive potential ordinary shares: Share options	**32,460,064**	33,722,957
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,722,083,044**	4,723,345,937

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and bills receivables of HK$3,322,259,000 (31 March 2012: HK$4,032,536,000).

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.

	31 December 2012	31 March 2012
	HK$'000	*HK$'000*
Aged:		
Less than 30 days	**2,454,134**	3,345,194
31–60 days	**671,911**	563,536
61–90 days	**120,081**	81,818
91–120 days	**29,277**	23,194
Over 120 days	**46,856**	18,794
	3,322,259	4,032,536

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK$2,034,083,000 (31 March 2012: HK$2,454,913,000).

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.

	31 December 2012	31 March 2012
	HK$'000	*HK$'000*
Aged:		
Less than 30 days	**887,187**	893,370
31–60 days	**371,138**	668,137
61–90 days	**385,549**	583,127
91–120 days	**363,093**	292,963
Over 120 days	**27,116**	17,316
	2,034,083	2,454,913

FINAL DIVIDEND

The Directors have proposed a final dividend of HK5.0 cents for the nine months ended 31 December 2012 (Year Ended 31 March 2012: HK5.2 cents) to shareholders whose names appear on the Register of Members on 23 May 2013. 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 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 21 May 2013 to 23 May 2013, 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 Registrars, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 pm on 20 May 2013.

BUSINESS REVIEW AND OUTLOOK

Business Review

The Group achieved revenue of HK$11,424 million for the nine months ended 31 December 2012 and the nine-month net profit was HK$1,321 million. Benefited from improved economy and rebounded market demand of China, both sales volume and profit margin of the products increased, resulting to a rise of average net profits per ton of 14.6% to HK$416 from HK$363 last year.

With gradual recovery of the domestic market and the closure of inferior capacity due to environmental protection issue, the Group considers there is room for the growth of demand in paper industry. The production line of PM17 coated duplex board with annual capacity of 600,000 tons has commenced production in August last year, while the production line of PM18 paper machine at Jiangxi industrial park with annual capacity of 350,000 tons is expected to begin operation before May 2013. It is believed that additional capacities from the above two new paper machines will bring contribution to the Group in the second half year.

As at 31 December 2012, the Group's net gearing ratio was 58%. With currently healthy financial status, the debt level of the Group is considered to be reasonable. As such, the Group repurchased shares from the market month ago and cancelled the shares thereafter. Further repurchase of shares may be conducted if appropriate. The construction of production line of PM19 and PM20 paper machines with annual capacity of 350,000 tons and 300,000 tons at Jiangxi and Chongqing industrial parks is expediting, targeting to commence operation by the end of this year and June 2014 respectively. Given the buoyant development of the light industries in countries such as Vietnam, Myanmar and Laos, the Group will start the construction of its paper machine in Vietnam, and will help to diversify investments.

Outlook

Due to the environmental protection issue, closure of inferior capacity continues in the paper industry of China. In light of it, the Group will conduct on-going and stringent cost control and improve capital management in order to remain competitive in the industry. Depending on the pace of economic development, the Group will also develop new regional plants. Based on the current gearing ratio, the Group plans to add two paper machines with additional capacity of approximately 750,000 tons every year. Such plan will last for four years, until an aggregate production capacity of 10 million tons is realized. After years of consolidations and trainings, the Group has paved a solid foundation, particularly, a strong management structure. As the Chairman of the Company, I have been considering strategic matters in relation to the Company including management succession. I will be proposing that the Board and the Nomination Committee of the Company specifically review this issue to ensure the Group continues to be led by an experienced and capable management team so as to maximize return on investments to the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Revenue and net profit attributable to owners of the Company for the nine months ended 31 December 2012 was HK$11,424 million and HK$1,321 million respectively.

Benefited from improved economy and rebounded market demand of China, both sales volume and profit margin of the container board increased, resulting to a rise of average net profits per ton of 14.6% to HK$416 from HK$363 last year. The basic earnings per share for the period was HK28.17 cents when compared with HK28.82 cents for the year ended 31 March 2012.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK$196 million for the nine months ended 31 December 2012 as compared to HK$236 million for the year ended 31 March 2012. It represented about 1.7% of the revenue for the nine months ended 31 December 2012 and was slightly increased as compared to that of 1.6% for the year ended 31 March 2012.

Administrative Expenses

The Group's administrative expenses was HK$464 million for the nine months ended 31 December 2012 as compared to HK$606 million for the year ended 31 March 2012. It represented about 4.1% of the revenue for the nine months ended 31 December 2012 and was comparable to the year ended 31 March 2012.

Finance Costs

The Group's finance costs was HK$70 million for the nine months ended 31 December 2012 as compared to HK$100 million for the year ended 31 March 2012. The average interest rate on bank borrowings of the Group for the period was comparable to the year ended 31 March 2012.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group's raw materials and finished products were 73 days and 18 days, respectively, for the nine months ended 31 December 2012 as compared to 80 days and 17 days, respectively, for the year ended 31 March 2012.

The Group's debtors' turnover days were 51 days for the nine months ended 31 December 2012 as compared to 52 days for the year ended 31 March 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 69 days for the nine months ended 31 December 2012 as compared to 78 days for the year ended 31 March 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 2012 was HK$14,598 million (31 March 2012: HK$13,498 million). As at 31 December 2012, the Group had current assets of HK$8,108 million (31 March 2012: HK$9,130 million) and current liabilities of HK$7,261 million (31 March 2012: HK$6,106 million). The current ratio was 1.12 as at 31 December 2012 as compared to 1.50 at 31 March 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 2012, the Group had outstanding bank borrowings of HK9,074 million (31 March 2012: HK$9,559 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 December 2012, the Group maintained bank balances and cash of HK$657 million (31 March 2012: HK$731 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.65 as at 31 March 2012 to 0.58 as at 31 December 2012.

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 nine months ended 31 December 2012. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

Employees

As at 31 December 2012, the Group had a workforce of about 7,700 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 period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 period under review, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited.

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 nine months ended 31 December 2012, 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 nine months ended 31 December 2012. 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 13 May 2013. 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 Wan Keung Patrick
Chairman

Hong Kong, 18 March 2013

As at the date of this notice, the board of directors of the Company comprises four executive directors, namely Mr Lee Wan Keung Patrick, Mr Lee Man Chun Raymond, Mr Lee Man Bun and Mr Kunihiko Kashima, 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.