Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

理 文 造 紙 有 限 公 司*

Lee & Man Paper Manufacturing Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2314)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

FINANCIAL HIGHLIGHTS

- Record revenue of HK$14,034 million for FY11, a year on year increase of 26.4%
- Stable EBITDA of HK$2,744 million for FY11, EBITDA per ton for containerboard was HK$746
- Record net profit attributable to owners of the Company of HK$1,848 million for FY11
- Stable net profit per ton for containerboard of HK$504
- Operating cash flows before working capital movements of HK$2,740 million for FY11
- Net gearing ratio reduced from 64% in March 10 to 55% in March 11
- Working capital cycle reduced from 111 days in FY10 to 86 days in FY11
- Stable payout ratio of 33-35%, with proposed final dividend of HK8 cents per share

* *For identification purposes only*

ANNUAL 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 March 2011 ("FY11") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	3	**14,034,285**	11,099,263
Cost of sales		**(11,452,435)**	(8,312,782)
Gross profit		**2,581,850**	2,786,481
Other income		**335,883**	228,045
Net gain (loss) from fair value changes of derivative financial instruments		**3,138**	(27,293)
Distribution and selling expenses		**(209,429)**	(229,748)
Administrative expenses		**(519,991)**	(507,668)
Finance costs		**(207,325)**	(179,619)
Profit before tax		**1,984,126**	2,070,198
Income tax expense	4	**(136,147)**	(236,893)
Profit for the year	5	**1,847,979**	1,833,305
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**582,506**	(35,022)
Gain on hedging instruments in cash flow hedges		**61,611**	36,547
Cumulative loss on hedging instruments reclassified to profit or loss upon early termination		**–**	37,342
Other comprehensive income for the year		**644,117**	38,867
Total comprehensive income for the year		**2,492,096**	1,872,172
Profit for the year attributable to:			
Owners of the Company		**1,847,979**	1,833,305
Total comprehensive income attributable to:			
Owners of the Company		**2,492,096**	1,872,172
		HK cents	*HK cents*
Earnings per share	7		
– Basic		**40.13**	40.30
– Diluted		**39.25**	39.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**13,953,105**	12,401,446
Prepaid lease payments		**471,121**	373,826
Deposits paid for acquisition of property, plant and equipment and land use rights		**225,237**	245,869
Interest in an associate		**–**	–
Tax recoverable		**39,670**	–
Retirement benefit assets		**914**	842
		14,690,047	13,021,983
CURRENT ASSETS			
Inventories		**2,966,738**	2,203,858
Prepaid lease payments		**9,873**	7,670
Trade and other receivables	*8*	**4,075,048**	3,317,779
Amounts due from an associate		**–**	437,753
Amounts due from related companies		**22,271**	58,683
Derivative financial instruments		**809**	434
Tax recoverable		**80,614**	35,160
Restricted bank deposits		**949**	1,908
Bank balances and cash		**1,228,116**	625,244
		8,384,418	6,688,489
CURRENT LIABILITIES			
Derivative financial instruments		**46,530**	120,836
Trade and other payables	*9*	**2,315,304**	1,954,831
Tax payable		**54,393**	69,811
Bank borrowings		**2,703,696**	2,473,383
		5,119,923	4,618,861
NET CURRENT ASSETS		**3,264,495**	2,069,628
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,954,542**	15,091,611

	Notes	**2011** **HK$'000**	2010 *HK$'000*
NON-CURRENT LIABILITIES			
Derivative financial instruments		**9,456**	21,910
Bank borrowings		**5,284,910**	4,599,316
Deferred tax liabilities		**360,363**	319,539
		5,654,729	4,940,765
		12,299,813	10,150,846
CAPITAL AND RESERVES			
Share capital		**117,241**	113,770
Reserves		**12,182,572**	10,037,076
		12,299,813	10,150,846

Notes:

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

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Right Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 April 2010 in accordance with the relevant transitional provisions.

HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 April 2010 in accordance with the relevant transitional provisions.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

As no transaction during the current year in which HKFRS 3 (as revised in 2008) is applicable and there is no change in ownership interest in subsidiaries in which HKAS 27 (as revised in 2008) is applicable, the application of HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) had no impact on the consolidated financial statements of the Group for the current accounting period. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

HKAS 28 (as revised in 2008) Investments in Associates

The principle adopted under HKAS 27 (as revised in 2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

As no partial disposal of the Group's interest in associate in the current year, the application of HKAS 28 (as revised in 2008) had no impact on the consolidated financial statements of the Group for the current accounting period.

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. The application of the amendment to HKAS 17 does on affect the classification of the Group's leasehold land.

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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.

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 and by the Hong Kong Companies Ordinance.

3. REVENUE AND SEGMENT INFORMATION

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

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

(ii) Pulp

Segment revenues and results

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

For the year ended 31 March 2011

	Packaging Paper	**Pulp**	**Segment total**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	**13,341,879**	**692,406**	**14,034,285**	**–**	**14,034,285**
Inter-segment sales	**–**	**100,589**	**100,589**	**(100,589)**	**–**
	13,341,879	**792,995**	**14,134,874**	**(100,589)**	**14,034,285**
SEGMENT PROFIT	**2,056,733**	**82,508**	**2,139,241**	**–**	**2,139,241**
Net gain from fair value changes of derivative financial instruments					**3,138**
Unallocated corporate income					**54,183**
Unallocated corporate expenses					**(5,111)**
Finance costs					**(207,325)**
Profit before tax					**1,984,126**

For the year ended 31 March 2010

	Packaging Paper *HK$'000*	Pulp *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE					
External sales	10,666,243	433,020	11,099,263	–	11,099,263
Inter-segment sales	–	238,077	238,077	(238,077)	–
	10,666,243	671,097	11,337,340	(238,077)	11,099,263
SEGMENT PROFIT	2,239,629	30,241	2,269,870	–	2,269,870
Net loss from fair value changes of derivative financial instruments					(27,293)
Unallocated corporate income					13,217
Unallocated corporate expenses					(5,977)
Finance costs					(179,619)
Profit before tax					2,070,198

The accounting policies of the reportable 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 gain (loss), gain on disposal of interest in an associate, finance costs and other unallocated corporate income and expenses. This is the measure reported to the board of directors 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:

2011

	Packaging Paper ***HK$'000***	**Pulp** ***HK$'000***	**Consolidated** ***HK$'000***
Segment assets	**20,225,308**	**1,274,007**	**21,499,315**
Unallocated corporate assets			**1,575,150**
Consolidated total assets			**23,074,465**
Segment liabilities	**1,795,889**	**29,351**	**1,825,240**
Unallocated corporate liabilities			**8,949,412**
Consolidated total liabilities			**10,774,652**

2010

	Packaging Paper *HK$'000*	Pulp *HK$'000*	Consolidated *HK$'000*
Segment assets	17,492,035	955,949	18,447,984
Unallocated corporate assets			1,262,488
Consolidated total assets			19,710,472
Segment liabilities	1,053,603	40,688	1,094,291
Unallocated corporate liabilities			8,465,335
Consolidated total liabilities			9,559,626

For the purposes of monitoring segment performance and allocating resources among segments, all assets are allocated to reportable segments other than retirement benefit assets, amounts due from an associate, amounts due from related companies, 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 reportable segments other than derivative financial instruments, tax payable, bank borrowings and deferred tax liabilities 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:

	2011 ***HK$'000***	2010 *HK$'000*
Packaging Paper (including linerboard and corrugating medium)	**13,341,879**	10,666,243
Pulp	**692,406**	433,020
	14,034,285	11,099,263

Geographical information

Over 95% (2010: 95%) of the Group's revenue from external customers are in the PRC.

The following is an analysis of the non-current assets, analysed by the geographical location of the assets are detailed below:

	Non-current assets	
	2011 ***HK$'000***	2010 *HK$'000*
PRC other than Hong Kong	**14,238,759**	12,280,005
Vietnam	**407,776**	737,984
Hong Kong	**42,598**	3,152
	14,689,133	13,021,141

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 either year.

4. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Income tax recognised in profit or loss:		
Current tax		
– PRC Enterprise Income Tax	**95,268**	75,085
– Overseas income tax	**55**	47
Overprovision in previous year		
– PRC Enterprise Income Tax	**–**	(199)
Deferred tax		
– Charge to profit or loss	**69,850**	161,960
– Change in tax rate of certain subsidiaries	**(29,026)**	–
Total income tax recognised in profit or loss	**136,147**	236,893

PRC

The subsidiaries in the PRC are entitled to exemption from PRC Enterprise Income Tax ("EIT") for two years starting from their respective first profit-making year, followed by a 50% relief for the three years thereafter ("Tax Holiday").

All the Group's PRC subsidiaries were within the tax exemption period during both years ended 31 March 2011 and 31 March 2010, except the following:

The tax exemption period of a subsidiary, Chongqing Lee & Man Paper Manufacturing Limited expired on 31 December 2009 and its applicable preferential tax rate is 12.5% for the period from 1 January 2010 to 31 December 2012.

The tax exemption period of a subsidiary, Guangdong Lee & Man Paper Manufacturing Limited ("Guangdong Lee & Man") expired on 31 December 2008 and its applicable preferential tax rate is 12.5% for the period from 1 January 2009 to 31 December 2011. Besides, pursuant to approvals from the PRC tax authority, Guangdong Lee & Man was exempted from EIT for income that resulted from its purchase of plant and equipment manufactured in the PRC for both years ended 31 March 2011 and 31 March 2010. The tax exemption is calculated with reference to 40% of the cost of the qualifying plant and equipment approved by the relevant tax authority. Accordingly, Guangdong Lee & Man does not have any EIT tax payable for year ended 31 March 2010 as a result of such tax exemption.

The tax exemption period of a subsidiary, Jiangsu Lee & Man Paper Manufacturing Company Limited ("Jiangsu Lee & Man") expired on 31 December 2006 and it is subject to a reduced tax rate of 10%, 22% and 24% for the calendar years of 2009, 2010 and 2011, respectively.

On 14 December 2009, Dongguan Lee & Man Paper Factory Co., Ltd. ("Dongguan Lee & Man") was named as one of the 2009 Guangdong Province New and High Technical Enterprise (廣東省高新技術企業). According to the PRC Law on Enterprise Income Tax promulgated on 16 March 2007, Dongguan Lee & Man is entitled to a concessionary rate of income tax at 15% over 3 years, beginning on 1 January 2009.

On 28 December 2010, Guangdong Lee & Man was named as one of the 2010 Guangdong Province New and High Technical Enterprise (廣東省高新技術企業). According to the PRC Law on Enterprise Income Tax promulgated on 16 March 2007, Guangdong Lee & Man is entitled to a concessionary rate of income tax at 15% over 3 years, beginning on 1 January 2010.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The EIT Law and Implementation Regulations increase the tax rate for the Group's PRC subsidiaries to 25% with effect from the expiry of the Tax Holiday and in the case of Jiangsu Lee & Man, is on a progressive basis over a period of five years.

Malaysia

The subsidiary in Malaysia carries on offshore trading activities in Labuan, with other group companies which are non-residents of Malaysia. As such, it is qualified as an offshore trading company in Labuan and is charged at a fixed annual rate of Malaysian RM20,000.

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 the year as the Vietnam subsidiaries incurred losses for the year.

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. In March 2010, the IRD issued protective profits tax assessments of HK$52,325,000 relating to the year of assessment 2003/2004, that is, for the financial year ended 31 March 2004, against certain subsidiaries of the Company.

In March 2011, the IRD issued further protective profits tax assessments of HKD78,050,000 relating to the year of assessment 2004/2005, that is, for the financial year ended 31 March 2005, against certain subsidiaries of the Company.

Subsequently, the IRD agreed to hold over the tax claimed for the years of assessment 2003/2004 and 2004/2005 completely after the Group purchased tax reserve certificates of HK$39,670,000.

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.

Other

The Group's profit is subject to taxation in the place where its profit is generated. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. PROFIT FOR THE YEAR

	2011 *HK$'000*	2010 *HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**38,189**	64,365
Staff salaries and other benefits, excluding those of directors	**418,266**	351,284
Share-based payments, excluding those of directors	**–**	307
Contributions to retirement benefit schemes, excluding those of directors	**30,591**	18,875
Total employee benefit expense	**487,046**	434,831
Amortisation of prepaid lease payments	**8,485**	12,862
Auditors' remuneration	**4,294**	4,676
Cost of inventories recognised as expense	**11,452,435**	8,312,782
Depreciation of property, plant and equipment	**544,096**	484,252
Loss on disposal of property, plant and equipment	**1,169**	5,621
Net foreign exchange loss	**–**	676
Operating lease rentals in respect of land and buildings	**4,437**	3,115

6. DIVIDENDS

	2011 *HK$'000*	2010 *HK$'000*
Dividends recognised as distribution:		
2010 final dividend of HK$0.08 (2009: 2009 final dividend of Nil) per share	**364,115**	–
2011 interim dividend of HK$0.06 (2010: 2010 interim dividend of HK$0.22) per share	**281,378**	250,224
	645,493	250,224

A final dividend of HK$0.08 per share in respect of the year ended 31 March 2011 (2010: final dividend of HK$0.08 in respect of the year ended 31 March 2010) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

If the 2010 interim dividend were adjusted for the effect of the share-subdivision, it would have been HK$0.055 per share.

7. 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:

	2011	2010
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**1,847,979**	1,833,305

	2011	2010
	Number of Shares	*Number of Shares*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,605,481,669**	4,549,682,963
Effect of dilutive potential ordinary shares:		
Share options	**103,335,070**	99,136,844
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,708,816,739**	4,648,819,807

The weighted average number of ordinary shares of both years for the purposes of basic and diluted earnings per share has been adjusted to reflect the effect of share subdivision.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and bills receivables of HK$3,027,264,000 (2010: HK$2,323,859,000).

The Group generally allows its customers an average credit period of 45 to 60 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.

	2011	2010
	HK$'000	*HK$'000*
Aged:		
Less than 30 days	**2,458,746**	1,661,081
31 – 60 days	**422,295**	379,278
61 – 90 days	**128,562**	261,922
91 – 120 days	**13,473**	11,192
Over 120 days	**4,188**	10,386
	3,027,264	2,323,859

9. **TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade and bills payables of HK$1,825,240,000 (2010: HK$1,094,287,000).

The average credit period taken for trade purchases ranges from 30 to 90 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.

	2011	2010
	HK$'000	*HK$'000*
Aged:		
Less than 30 days	**862,978**	639,232
31 – 60 days	**390,059**	220,105
61 – 90 days	**554,281**	158,494
Over 90 days	**17,922**	76,456
	1,825,240	1,094,287

FINAL DIVIDEND

The Directors recommend a final dividend of HK$0.08 for the year ended 31 March 2011 (2010: HK$0.08) to shareholders.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 25 July 2011 to 28 July 2011, 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 22 July 2011.

BUSINESS REVIEW AND OUTLOOK

Business Review

We are very pleased to share with you that the Group achieved revenue and profit attributable to owners of the Company for the year ended 31 March 2011 ("FY11"), of HK$14,034 million and HK$1,848 million respectively. During the year, we saw substantial increase in waste paper and coal prices which resulted in higher operating costs, as well as increased competition. However, in accordance with the Group's management principles and under the leadership of the board of directors and the collective efforts of the entire staff members, we are pleased with our results and confident looking forward.

The management also made a conscientious effort to reduce debt resulting in the net gearing ratio being reduced from 64% in March 2010 to 55% in March 2011. In addition, the working capital days was also reduced from 111 days in FY10 to 86 days in FY11. We also delivered strong operating cash flows of approximately HK$2,740 million for FY11, which was sufficient to finance our capital expenditure.

Outlook

The China market growth is slowing and interest rates are going up, we are prepared to meet these challenges. While managing debt at a reasonable level, we are expanding our capacities with special focus on what products to make and how to position them. Further, we are maximizing the synergy with Nippon Paper, our partner and second largest shareholder, as they provide technical know-how on the production of coated duplex board. In total, we will be starting four production lines (PMs15, 16, 17, and 18) with aggregate annual capacities of 1.6 million tons. We believe that these additional capacities will contribute to our profits when they begin production.

While pursuing growth, we will continue to control our investment costs and we believe it is important to be prepared for any economic uncertainties that may arise. Therefore, one of top priorities is to manage risk and to maintain a healthy and reasonable debt level. The Group has strong operating cash flows to meet substantially capital expenditure incurred in capacity expansion.

Last but not least, we will continue our efforts in developing new markets, controlling costs and optimizing the Group's capital structure to deliver better returns to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Revenue and net profit attributable to owners of the Company for the year ended 31 March 2011 was HK$14,034 million and HK$1,848 million, representing an increase of 26.4% and 0.8% respectively, as compared to HK$11,099 million and HK$1,833 million, respectively, for last year. The basic earnings per share for the year was HK40.13 cents when compared with HK40.30 cents for last year.

Both the Group's containerboard sales volume and net profit per ton were comparable to last year. The increase in revenue was mainly attributable to the increase in the Group's average selling price of containerboard.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK$209 million for the year ended 31 March 2011 as compared to HK$230 million for the year ended 31 March 2010. It represented about 1.5% of the revenue for the year ended 31 March 2011 and was slightly decreased as compared to that of 2.1% for the year ended 31 March 2010.

Administrative Expenses

The Group's administrative expenses increased by approximately 2.4% from HK$508 million for the year ended 31 March 2010 to HK$520 million for the year ended 31 March 2011 as a result of the expansion in the operation of the Group during the year.

Finance Costs

The Group's finance costs was HK$207 million for the year ended 31 March 2011 as compared to HK$180 million for the year ended 31 March 2010. 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 82 days and 16 days, respectively, for the year ended 31 March 2011 as compared to 82 days and 20 days, respectively, for the year ended 31 March 2010.

The Group's debtors' turnover days were 49 days for the year ended 31 March 2011 as compared to 60 days for the year ended 31 March 2010. This is in line with the credit terms of 45 days to 60 days granted by the Group to its customers.

The Group's creditors' turnover days were 61 days for the year ended 31 March 2011 as compared to 51 days for the year ended 31 March 2010. 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 March 2011 was HK$12,300 million (31 March 2010: HK$10,151 million). As at 31 March 2011, the Group had current assets of HK$8,384 million (31 March 2010: HK$6,688 million) and current liabilities of HK$5,120 million (31 March 2010: HK$4,619 million). The current ratio was 1.64 as at 31 March 2011 as compared to 1.45 at 31 March 2010.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 March 2011, the Group had outstanding bank borrowings of HK$7,989 million (31 March 2010: HK$7,073 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 March 2011, the Group maintained bank balances and cash of HK$1,228 million (31 March 2010: HK$625 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.64 as at 31 March 2010 to 0.55 as at 31 March 2011.

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 or United States dollars. 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 March 2011. During the year ended 31 March 2011, the Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

Employees

As at 31 March 2011, the Group had a workforce of about 7,400 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.

The Group has a Share Option Scheme whereby employees of the Group are granted options to acquire shares in the Company.

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

During the year, 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 year under review, the Company has complied with the Code on Corporate Governance Practices (the "Code") 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 difference persons hold the separate offices. Chief Executive Officer heads the management and focuses on the day-to-day operations of the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with management, the Group's consolidated financial statements for the year ended 31 March 2011, 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 March 2011. The Model Code also applies to other specified senior management of the Group.

On behalf of the Board
Lee Wan Keung, Patrick
Chairman

Hong Kong, 15 June 2011

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.