



Lee & Man Paper Announces 2021 Annual Results

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Actively Strengthening Foothold and Creating More Opportunities for Growth

(Hong Kong, 7 March 2022) – **Lee & Man Paper Manufacturing Limited** (“Lee & Man Paper” or the “Group”) (HKEX: 2314), one of the largest containerboard manufacturers in China, announced today its annual results for the year ended 31 December 2021. During the year, the Group recorded total revenue of HK\$32.51 billion (2020: HK\$25.87 billion), representing an increase of 25.7% from that of the previous year. Annual profit for the year decreased by 11.0% to HK\$3.25 billion (2020: HK\$3.65 billion) as a result of rising costs and net profit per ton was HK\$513 (2020: HK\$587). Earnings per share were HK71.87 cents (2020: HK80.99 cents).

The Board of Directors declared payment of an annual dividend of HK11 cents per share for the year ended 31 December 2021 (2020: HK18 cents per share). Together with the interim dividend of HK15 cents per share already paid (2020: HK12 cents per share), total dividends for the year amounted to HK26 cents per share (2020: HK30 cents per share), representing a payout ratio of about 36% (2020: 37%).

Dr Raymond Lee, Chairman of Lee & Man Paper, said, “In 2021, the novel coronavirus pandemic situation remained unstable and a new variant of the virus brought further uncertainties to global economic recovery. The ongoing political tensions between the US and PRC governments, rising energy prices and intensifying inflationary pressures all meant that enterprises still faced challenges that could impact their business and operations.

“In 2021, the “waste ban” was fully implemented in Mainland China. As a result, waste paper has been in tight supply and pulp prices continued to rise. In addition, the restricted international shipping capacity has caused a supply chain bottleneck and transportation costs have skyrocketed as a result. After the National Development and Reform Commission published the “Proposal for Modifying the Mechanism of Dual Control of Energy Consumption Intensity and Volume (《完善能源消費強度和總量雙控制度方案》)”, various local governments imposed restrictions on power supply and production activity, resulting in a surge in energy prices which in turn led to a sharp rise in paper manufacturing costs. In the face of changes in market supply and demand and government policies, the Group has continued to consolidate upstream resources and develop a vertical business model covering pulp manufacturing and waste paper recycling in order to integrate the industrial chain and ensure the supply of raw materials. At the same time, the Group has continued to expand its scale, control costs, and increase production capacity, creating more opportunities for growth in its results.”

Packaging paper remains the Group’s core business. In the wake of the pandemic, online shopping has become more commonplace, which has driven up the demand for packaging paper. In addition, the plastic restriction order implemented by the Chinese government has led to a trend of using paper packaging instead of plastic, which has in turn driven the demand for packaging paper. The Group is actively expanding its recycled pulp business and the coverage and diversifications of its production capacity with the aim of sustainably enhancing the Group’s profitability. The second paper-making machine in the Malaysian plant was put into production in April 2021 with an annual capacity of 350,000 tons. The Group

also completed the acquisition of an enterprise in Cambodia and the project is currently in the early stages of coordinating the land acquisition and plant construction. In addition, the Group plans to add semi-chemical pulp production lines at its plants in Jiangxi province and Chongqing, respectively, in order to increase the supply of virgin fiber pulp for packaging paper.

Regarding the tissue paper business, the market demand for consumer tissue is increasing thanks to the growing economy, the increase of per capita disposable income and the pandemic, which has increased hygiene awareness among the public. The Group considers the consumer tissue business its major focus and has endeavored to improve the quality and boost its scale of production. The Group produces natural bamboo unbleached tissue in order to satisfy the needs for health and environmental protection as well as consumption requirements. The Group will expand its capacity in line with market and customer demand, and will add new production lines for consumer tissue paper at its Jiangxi plant.

As at 31 December 2021, the Group maintained a strong financial position with bank balances and cash of HK\$1,909 million (2020: HK\$1,185 million). The Group's net gearing ratio increased from 0.33 as at 31 December 2020 to 0.36 as at 31 December 2021.

Mr Edmond Lee, Chief Executive Officer of Lee & Man Paper, concluded, "Stepping into 2022, the Group will continue to optimize its industrial chain so as to diversify its paper and pulp business, further improve operational stability and strengthen its profit base. The Group has supported the "Belt and Road" initiative by targeting the Southeast Asian market, expanding its presence into international markets and making good use of local resources to optimize its operating efficiency. It has already added new production capacity and established production factories in countries such as Vietnam, Malaysia and Indonesia, and will continue to seek business opportunities in Belt and Road countries and cities in the future. Leveraging its leading position in the paper manufacturing industry and its consistently solid development advantages, the Group intends to further enhance its profitability and create greater benefits for shareholders, employees and society."

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About Lee & Man Paper Manufacturing Limited

Lee & Man Paper Manufacturing Limited is one of the leading paper manufacturers in China, and was included into the MSCI China Index in 2017. The Group specialises in the production of a range of linerboard, corrugating medium and coated duplex board used to produce cardboard boxes for packaging purposes. The Company has also entered the tissue paper market in recent years. Currently, the Group has five paper production plants in China, located at Huangyong in Dongguan, Hongmei in Guangdong, Changshu in Jiangsu, Yongchuan in Chongqing and Jiujiang in Jiangxi; And two production plants in Southeast Asia, one in Hau Giang, Vietnam and one in Selangor, Malaysia. Total annual production capacity of the Group is currently 6.88 million tons of containerboard, 180,000 tons of pulp and 995,000 tons of tissue paper.

For Media Enquiries:

Strategic Financial Relations Limited

Ms. Cindy Lung	Tel: (852) 2864 4867	Email: cindy.lung@sprg.com.hk
Ms. Phoebe Leung	Tel: (852) 2114 4172	Email: phoebe.leung@sprg.com.hk
Ms. Aggie Fang	Tel: (852) 2114 4987	Email: aggie.fang@sprg.com.hk