

Lee & Man Paper Announces 2023 Annual Results

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New Pulp Production Lines Stabilize Raw Material Supply Overseas Operations Deliver Substantial Profits

(Hong Kong, 8 March 2024) – **Lee & Man Paper Manufacturing Limited** (“Lee & Man Paper” or the “Group”) (HKEX: 2314), one of the largest containerboard manufacturers in China, today announced its annual results for the year ended 31 December 2023. During the year, the Group recorded total revenue of HK\$24.9 billion (2022: HK\$29.2 billion). Net profit for the year was HK\$1.15 billion (2022: HK\$1.3 billion) and net profit per ton was HK\$176 (2022: HK\$216). Earnings per share were HK24.39 cents (2022: HK27.46 cents).

The Board of Directors declared the payment of an annual dividend of HK6.1 cents per share for the year ended 31 December 2023 (2022: HK3.3 cents per share). Together with the interim dividend of HK2.5 cents per share already paid (2022: HK6.5 cents per share), the total dividend for the year was HK8.6 cents per share (2022: HK9.8 cents per share), representing a payout ratio of approximately 35% (2022: 36%).

Dr. Raymond Lee, Chairman of Lee & Man Paper, said, “During the year under review, as the PRC government implemented the ‘zero tariff’ on the import of various paper products and the industry’s newly added production capacity was progressively put into operation, paper manufacturing companies generally adjusted their prices downward in the face of the competition. On the other hand, weak market demand and the industry’s destocking cycle in the first half of the year put pressure on operating efficiency. During the second half of the year, the traditional peak season saw a rebound in demand for paper products, and the profitability of the entire industry improved in line with the gradual increase in paper prices. The Group has been actively pursuing a vertical business model, and the newly added pulp production lines in Chongqing, Jiangxi and Guangxi have also gradually been put into operation, which effectively stabilized the supply of raw materials, controlled costs, and improved profitability. In addition, with the launch of the fourth paper-making machine production line in Malaysia, the Group’s overseas production bases have further leveraged their cost advantages to achieve significant profitability, resulting in a notable improvement in the second half of the year as compared with the first half.”

Looking ahead, the Group believes that the national policy of tightening control on plastic packaging and promoting the use of paper packaging as a substitute will benefit the Group’s packaging paper business. As the PRC government has placed greater emphasis on supporting economic recovery, domestic consumption sentiment is expected to improve and demand for key paper products such as packaging paper will also gradually pick up.

With respect to the tissue paper business, the economic outlook in Mainland China is expected to gradually improve, resulting in a steady increase in demand for tissue paper. The Group will continue to proactively tap the potential of its tissue paper business based on consumer demand in order to expand the market share of the Group’s tissue paper business.

The Group has also devoted substantial resources to the pulp business and actively integrated the pulp production lines in Chongqing, Jiangxi and Guangxi. By implementing the vertical integration strategy, the Group has further secured the stable supply of raw materials with a view to achieving desirable production costs, thereby maximizing the profitability of its pulp business and tissue paper business.

As at 31 December 2023, the Group maintained a strong financial position with bank balances and cash of HK\$1,517 million (31 December 2022: HK\$1,798 million). The Group's net gearing ratio increased from 0.51 as at 31 December 2022 to 0.62 as at 31 December 2023.

Mr. Edmond Lee, Chief Executive Officer of Lee & Man Paper, concluded, "As the PRC government has put more focus on supporting economic recovery, domestic consumption sentiment is expected to improve and demand for key paper products is expected to gradually pick up. In the long term, the paper manufacturing industry still has tremendous room for development. The Group will continue to implement a prudent operating strategy, actively explore business opportunities in the paper manufacturing industry, further expand and optimize the operation of its various business segments, develop its integrated industrial chain for more stable operation, broaden its profit base, and maintain its market competitiveness in the paper manufacturing industry. Leveraging its leading position in the paper manufacturing industry, consistently solid development advantages, and improved profitability, the Group will continue to create greater value 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 in the MSCI China Index in 2017. The Group mainly engages in large-scale paper manufacturing businesses, specialises in producing paper products such as kraft linerboard, coated duplex board, corrugated paperboard, tissue paper and pulp. The Company has also entered the tissue paper market in recent years. Currently, the Group has six paper production plants in China, located in Huangyong in Dongguan, Hongmei in Guangdong, Changshu in Jiangsu, Yongchuan in Chongqing, Jiujiang in Jiangxi and Chongzuo in Guangxi; and two production plants in Southeast Asia, one in Hau Giang, Vietnam and one in Selangor, Malaysia. The Group's total annual production capacity is currently 7.58 million tons of containerboard, 1.2 million tons of pulp, and 1.1 million tons of tissue paper.

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