

Lee & Man Paper Announces 2022 Annual Results

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Expands Industrial Chain, Optimises Global Presence, and Consolidates Long-term Development

(Hong Kong, 1 March 2023) – **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 2022. During the year, the Group recorded total revenue of HK\$29.2 billion (2021: HK\$32.51 billion). Profit for the year was HK\$1.3 billion (2021: HK\$3.25 billion) and net profit per ton was HK\$216 (2021: HK\$513). Earnings per share were HK27.46 cents (2021: HK71.87 cents).

The Board of Directors declared the payment of an annual dividend of HK3.3 cents per share for the year ended 31 December 2022 (2021: HK11 cents per share). Together with the interim dividend of HK6.5 cents per share already paid (2021: HK15 cents per share), the total dividend for the year amounted to HK9.8 cents per share (2021: HK26 cents per share), representing a payout ratio of approximately 36% (2021: 36%).

Dr Raymond Lee, Chairman of Lee & Man Paper, said, “While demand for packaging paper remained weak and prices continued to decline, dragged down by the pandemic and low consumer sentiment in Mainland China, prices of pulp and other raw materials surged as a result of the Russo-Ukrainian war, which further squeezed the profitability of paper manufacturers. In the face of changes in market supply and demand and policy adjustments, the Group proactively expanded its pulp business and rationalised its raw material allocation in order to mitigate the impact of rising raw material costs on profits. The Group believes that consumer demand will be released after a long period of suppression, leading to a rebound in the paper manufacturing industry. Therefore, the Group insisted on expanding the production scale of its existing business, with a view to further enhancing the resilience of its operations and laying a more solid foundation for its long-term development by increasing production capacity and rationalising cost control. The Group also continued to support the ‘Belt and Road’ initiative by expanding its business presence in Southeast Asia and grasping opportunities in overseas markets.”

With regard to the packaging paper business, the third paper-making machine production line at the Malaysian plant commenced operation in the third quarter of 2022, adding an annual production capacity of 350,000 tons of packaging paper. The Group’s fourth paper-making machine production line in Malaysia will commence operation in the second quarter of this year, with an annual production capacity of 350,000 tons of packaging paper. In addition, the Group adds pulp production lines at its plants in Jiangxi province, Chongqing and Guangxi province, which are expected to be completed in the second, third and third quarters of 2023 respectively, adding a total annual production capacity of 950,000 tons.

Regarding the tissue paper business, the Group will adopt effective strategies to develop its tissue paper business in line with market and customer demand. At present, the Group's total annual production capacity of consumer tissue paper has reached approximately 1,000,000 tons.

As at 31 December 2022, the Group maintained a strong financial position with bank balances and cash of HK\$1,798 million (31 December 2021: HK\$1,909 million). The Group's net gearing ratio increased from 0.36 as at 31 December 2021 to 0.51 as at 31 December 2022.

Mr Edmond Lee, Chief Executive Officer of Lee & Man Paper, concluded, "Following the PRC government's optimisation of its anti-pandemic policy last December, various provinces introduced measures to increase investment, boost consumption and promote innovation to support economic stability and progress in 2023. With the increase in industrial and consumer activity, the paper manufacturing industry is expected to recover at a more promising pace in the second half of the year, leading to a cautiously optimistic outlook. The Group will continue to expand its industrial chain in order to diversify its paper and pulp businesses so as to reduce the pressure of rising raw material costs, respond flexibly to market demand for various products and further improve operating efficiency. The Group will seize opportunities to expand its markets and maintain its competitiveness in the paper manufacturing industry. Leveraging its leading position in the paper manufacturing industry and its consistently solid development advantages, the Group intends to further improve 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 in the MSCI China Index in 2017. The Group specialises in the production of a range of linerboard, corrugated 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 in 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. The Group's total annual production capacity is currently 7.23 million tons of containerboard, 250,000 tons of pulp and 995,000 tons of tissue paper.

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