

Lee & Man Paper Announces 2023 Interim Results

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Continuously Optimising Industrial Chain, Expanding Presence into International Markets

(Hong Kong, 1 August 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 interim results for the six months ended 30 June 2023. During the period, the Group recorded total revenue of HK\$12.21 billion (corresponding period in 2022: HK\$15.28 billion). Profit for the year was HK\$361 million (corresponding period in 2022: HK\$863 million) and net profit per ton was HK\$119 (corresponding period in 2022: HK\$292). Earnings per share were HK7.15 cents (corresponding period in 2022: HK18.46 cents).

The Board of Directors have declared the payment of an interim dividend of HK2.50 cents per share for the six months ended 30 June 2023 (corresponding period in 2022: HK6.50 cents per share).

Dr Raymond Lee, Chairman of Lee & Man Paper, said, “During the period under review, as the release of production capacity of foreign pulp mills accelerated, which mitigated the shortage in supply of pulp. Moreover, market demand has remained lacklustre due to weak consumer sentiment, and the industry was still in a destocking cycle, which brought pressure on the Group’s profitability. Although the overseas production bases set up by the Group have proved to be competitive edges and has expanded the Group’s revenue sources, overall revenue was still affected by the generally slow recovery of economic activity and rising interest costs caused by higher lending rates. In the future, the Group will strengthen its export sales, expand its international industrial layout, make good use of local resources, optimise operational efficiency, and continue to explore business opportunities in countries and cities along the Belt and Road region.”

With regard to the packaging paper business, and specifically in response to the carbon emission reduction targets set by the PRC government, the authorities have promoted the adoption of recyclable packaging and improved relevant support mechanisms. It is expected that in the future, the government will continue to tighten control of plastic packaging use, which may stimulate the use of paper packaging as an alternative. This would in turn benefit the Group’s packaging paper business. Separately, as the second half of the year is traditionally a peak season, the demand for packaging paper is expected to pick up.

Regarding the tissue paper business, the Group’s total annual production capacity of consumer tissue paper has reached approximately 1,000,000 tons. Looking ahead, the Group will adopt effective strategies based on market and customer demand to proactively develop its tissue paper business, which it believes possesses tremendous potential.

As for the pulp business, on top of the existing pulp production lines in Chongqing, the Group has established new production lines in Jiangxi and Guangxi Provinces, which are expected to commence operation in the second half of this year. In response to market developments, the Group has actively consolidated its upstream resources to develop a vertical business model covering pulp-making and waste paper recycling. The price of pulp has stabilised and recovered gradually recently. In addition to providing a stable supply of raw materials for the Group and controlling its costs, the pulp business has the potential for contributing additional revenue and profit through external sales. The management is confident about the future development of the pulp business.

As at 30 June 2023, the Group has maintained a strong financial position with bank balances and cash totalling HK\$2,231 million (31 December 2022: HK\$1,798 million).

Mr Edmond Lee, Chief Executive Officer of Lee & Man Paper, concluded, “The Group is committed to differentiating itself from its peers through quality products at reasonable prices, while fulfilling its corporate social responsibility by reducing pollution and carbon emissions via waste paper recycling and advanced production technologies, thereby also bringing more environmentally friendly products to customers. As the paper manufacturing industry still has tremendous room for development in the long term, the Group will seize opportunities to expand its market presence and continuously optimise its supply chain. At the same time, we will develop an integrated industrial chain to diversify the Group’s paper manufacturing and pulp businesses, further enhance operational stability and strengthen the profit base as well as maintain our market competitiveness in the paper manufacturing industry. Leveraging the Group’s leading position in the paper manufacturing industry and consistently solid development advantages, we intend to further improve our 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 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 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 7.58 million tons of containerboard, 250,000 tons of pulp and 995,000 tons of tissue paper.

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