

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 and its members' liability is limited)

(Stock Code: 2314)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHTS

- Revenue for the year of HK\$29,170 million (2021: HK\$32,511 million);
- Net profit for the year of HK\$1,317 million (2021: HK\$3,252 million);
- Net profit per ton about HK\$216 for the year;
- Stable payout ratio of about 36%, with proposed final dividend of HK3.3 cents per share.

* *For identification purposes only*

FINAL 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 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	29,170,402	32,511,417
Cost of sales		(26,477,906)	(26,808,481)
Gross profit		2,692,496	5,702,936
Other income	4	908,884	828,456
Impairment losses on trade receivables, net of reversal		7,529	(15,834)
Other gains and losses, net	5	(3,455)	(71,655)
Distribution and selling expenses		(784,438)	(1,008,791)
General and administrative expenses		(1,238,554)	(1,564,265)
Share of result of an associate		55	–
Share of result of a joint venture		(27)	(1,175)
Finance costs	6	(123,769)	(75,389)
Profit before tax		1,458,721	3,794,283
Income tax expense	7	(141,531)	(542,523)
Profit for the year	8	1,317,190	3,251,760
Other comprehensive (expense)/income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(4,731,419)	1,044,715
Total comprehensive (expense)/income for the year		(3,414,229)	4,296,475

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company:			
– Ordinary shareholders		1,185,236	3,122,838
– Perpetual capital securities holders		131,096	128,409
Non-controlling interests		858	513
		<u>1,317,190</u>	<u>3,251,760</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company:			
– Ordinary shareholders		(3,545,710)	4,167,593
– Perpetual capital securities holders		131,096	128,409
Non-controlling interests		385	473
		<u>(3,414,229)</u>	<u>4,296,475</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share – Basic	<i>10</i>	<u>27.46</u>	<u>71.87</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	35,130,428	33,905,307
Right-of-use assets	<i>11</i>	998,273	1,122,222
Investment properties		518,644	605,591
Deposits paid for acquisition of property, plant and equipment		538,333	1,727,166
Interest in an associate		74,550	–
Interest in a joint venture		81,173	90,858
Loan to a joint venture		63,397	–
		37,404,798	37,451,144
CURRENT ASSETS			
Inventories	<i>12</i>	4,990,108	5,705,396
Loan to a joint venture		–	80,554
Trade and other receivables and prepayments	<i>13</i>	6,040,325	7,219,054
Amounts due from related companies		92,137	88,882
Bank balances and cash		1,798,317	1,908,813
		12,920,887	15,002,699
CURRENT LIABILITIES			
Trade and other payables	<i>14</i>	3,643,934	3,109,636
Amounts due to related companies		11,772	10,680
Tax payable		59,149	179,817
Lease liabilities		16,575	14,010
Contract liabilities		60,673	77,657
Advances drawn on bills receivables discounted with recourse		–	123,903
Bank borrowings		8,500,876	8,674,747
		12,292,979	12,190,450
NET CURRENT ASSETS		627,908	2,812,249
TOTAL ASSETS LESS CURRENT LIABILITIES		38,032,706	40,263,393

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Bank borrowings		7,826,554	5,386,012
Lease liabilities		65,710	53,032
Deferred tax liabilities		1,533,548	1,421,351
		<u>9,425,812</u>	<u>6,860,395</u>
		<u>28,606,894</u>	<u>33,402,998</u>
CAPITAL AND RESERVES			
Share capital		107,739	108,291
Reserves		26,634,104	30,963,891
		<u>26,741,843</u>	<u>31,072,182</u>
Perpetual capital securities	<i>15</i>	<u>1,856,664</u>	<u>2,322,814</u>
Equity attributable to owners of the Company		28,598,507	33,394,996
Non-controlling interests		8,387	8,002
		<u>28,606,894</u>	<u>33,402,998</u>

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements of the Group include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Companies Ordinance.

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "*Financial Instruments: Presentation*".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2022 Amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, Classification of Liabilities as Current or Non-current ("the 2020 Amendment") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income Taxes” (“HKAS 12”) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023, with early application permitted. The Group is in the process of assessing the full impact of the application of the amendments, specifically, whether deferred tax assets relating to deductible temporary differences meet the recognition criteria.

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating and reportable segments under HKFRS 8 *Operating Segments*, based on information reported to the Company's executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance, which focuses on types of goods delivered. The Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

- (i) Packaging paper – Kraft linerboard, test linerboard, coated duplex board, white top linerboard and high strength corrugating medium;
- (ii) Tissue paper; and
- (iii) Pulp.

Segment revenues and results

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

Year ended 31 December 2022

	Packaging paper <i>HK\$'000</i>	Tissue paper <i>HK\$'000</i>	Pulp <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	24,453,678	4,171,819	544,905	29,170,402	–	29,170,402
Inter-segment sales	–	–	1,268,785	1,268,785	(1,268,785)	–
	<u>24,453,678</u>	<u>4,171,819</u>	<u>1,813,690</u>	<u>30,439,187</u>	<u>(1,268,785)</u>	<u>29,170,402</u>
SEGMENT PROFIT	<u>748,021</u>	<u>677,494</u>	<u>91,121</u>	<u>1,516,636</u>	<u>–</u>	1,516,636
Net gain from fair value changes of derivative financial instruments and net exchange gain						20,241
Unallocated income						82,031
Unallocated expenses						(36,446)
Share of results of an associate						55
Share of result of a joint venture						(27)
Finance costs						<u>(123,769)</u>
Profit before tax						<u>1,458,721</u>

Year ended 31 December 2021

	Packaging paper HK\$'000	Tissue paper HK\$'000	Pulp HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	27,552,928	4,730,160	228,329	32,511,417	–	32,511,417
Inter-segment sales	–	–	1,067,611	1,067,611	(1,067,611)	–
	<u>27,552,928</u>	<u>4,730,160</u>	<u>1,295,940</u>	<u>33,579,028</u>	<u>(1,067,611)</u>	<u>32,511,417</u>
SEGMENT PROFIT	<u>3,481,329</u>	<u>334,130</u>	<u>7,516</u>	<u>3,822,975</u>	<u>–</u>	<u>3,822,975</u>
Net loss from fair value changes of derivative financial instruments and net exchange losses						(14,578)
Unallocated income						99,334
Unallocated expenses						(36,884)
Share of result of a joint venture						(1,175)
Finance costs						<u>(75,389)</u>
Profit before tax						<u>3,794,283</u>

The accounting policies of the operating 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, rental income, interest income, net foreign exchange gains (losses), share of result of an associate, share of result of a joint venture, finance costs and other unallocated administrative expenses. This is the measure reported to the CODM 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:

As at 31 December 2022

	Packaging paper HK\$'000	Tissue paper HK\$'000	Pulp HK\$'000	Consolidated HK\$'000
Segment assets	37,715,811	8,478,362	2,333,195	48,527,368
Unallocated asset				<u>1,798,317</u>
Consolidated total assets				<u>50,325,685</u>
Segment liabilities	1,962,224	747,673	30,042	2,739,939
Unallocated liabilities				<u>18,978,852</u>
Consolidated total liabilities				<u>21,718,791</u>

As at 31 December 2021

	Packaging paper <i>HK\$'000</i>	Tissue Paper <i>HK\$'000</i>	Pulp <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	40,410,980	8,240,520	1,893,530	50,545,030
Unallocated asset				<u>1,908,813</u>
Consolidated total assets				<u>52,453,843</u>
Segment liabilities	1,609,974	186,328	32,311	1,828,613
Unallocated liabilities				<u>17,222,232</u>
Consolidated total liabilities				<u>19,050,845</u>

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than bank balances and cash, and all liabilities are allocated to operating segments other than tax payable, bank borrowings, advances drawn on bills receivables discounted with recourse, deferred tax liabilities, construction fee payables, other payables and accruals.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Packaging paper (including linerboard and corrugating medium)	24,453,678	27,552,928
Tissue paper	4,171,819	4,730,160
Pulp	544,905	228,329
	<u>29,170,402</u>	<u>32,511,417</u>

Geographical information

Approximately 89% (2021: approximately 92%) of the Group's revenue were derived from external customers in the PRC. The remaining of the Group's revenue were mainly derived from external customers in Malaysia and Vietnam.

Information about the Group's non-current assets (excluding financial assets) is presented based on the geographical location of the assets.

	Non-current assets	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC other than Hong Kong and Macau	27,677,811	28,348,644
Malaysia	6,379,668	5,774,858
Vietnam	2,234,009	2,413,625
Hong Kong, Macau and others	1,049,913	914,017
	<u>37,341,401</u>	<u>37,451,144</u>

Information about major customers

None of the Group's customers contributed over 10% of the Group's total revenue for the current and prior reporting period.

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Value added tax and other tax refund	385,227	544,666
Income from supply of steam and electricity, net	40,645	42,842
Income from wharf cargo handling, net	29,960	37,901
Interest income from banks	26,822	30,726
Gain on disposal of right-of-use assets	14,378	–
Government subsidy income	167,830	49,402
Rental income	55,209	66,286
Write back of trade and other payables	137,679	2,922
Others	51,134	53,711
	<u>908,884</u>	<u>828,456</u>

5. OTHER GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net foreign exchange gain/(losses)	19,765	(14,543)
Net gain/(loss) from fair value changes of derivative financial instruments	476	(35)
Loss on disposal of property, plant and equipment, net	(23,696)	(78,341)
Gain on disposal of a subsidiary	–	21,264
	<u>(3,455)</u>	<u>(71,655)</u>

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expense on lease liabilities	3,397	3,192
Interest on bank borrowings and advances drawn on bills receivables discounted with recourse	361,261	189,054
Less: amounts capitalised to property, plant and equipment	<u>(240,889)</u>	<u>(116,857)</u>
	<u>123,769</u>	<u>75,389</u>

Borrowing costs capitalised during the year arose from the general borrowings and are calculated by applying a capitalisation rate ranging from 1.30% to 5.19% (2021: ranging from 1.17% to 1.66%) per annum to expenditures on qualifying assets.

7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income tax recognised in profit or loss:		
Current tax		
– The PRC Enterprise Income Tax (“EIT”)	61,386	359,107
– PRC withholding tax on dividend distribution	–	30,694
– Other jurisdictions	19,202	78,618
	<u>80,588</u>	<u>468,419</u>
Over provision in previous years		
– The PRC EIT	(52,400)	(8,257)
– Other jurisdictions	(3,786)	–
Deferred tax		
– Charge to profit or loss	117,129	82,361
	<u>141,531</u>	<u>542,523</u>
Total income tax recognised in profit or loss		

The Group’s profit is subject to taxation from the place of its operations where its profit is generated and is calculated at the rate prevailing in the relevant jurisdictions.

The PRC

The Group’s subsidiaries in the PRC are subject to corporate income tax at the rate of 25% (2021: 25%) except that seven (2021: six) of these subsidiaries are entitled to preferential rate of 15% (2021: 15%) for the Group’s financial year ended 31 December 2022.

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Macau

Macau Complementary Tax are calculated at 12% on the estimated assessable profits for both years.

Vietnam

The Vietnam subsidiaries are subjected to Vietnam Corporate Income Tax at a rate of 10% during the years ended 31 December 2022 and 2021. They are entitled to a corporate income tax exemption for four years from the first profit-making year and a reduction of 50% for the following nine years. During the years ended 31 December 2022 and 2021, the Vietnam subsidiaries are entitled a reduction of 50% of Vietnam Corporate Income Tax rate of 10%.

Malaysia

The Malaysia subsidiaries are subjected to Malaysia Corporate Income Tax at a rate of 24% during the years ended 31 December 2022 and 2021.

Others jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	51,300	47,050
Staff salaries and other benefits, excluding those of directors	1,461,102	1,584,427
Contributions to retirement benefit schemes, excluding those of directors	141,284	136,674
	<u>1,653,686</u>	<u>1,768,151</u>
Total employee benefit expense	1,653,686	1,768,151
Capitalised in inventories	(1,160,142)	(1,235,846)
	<u>493,544</u>	<u>532,305</u>
Auditor's remuneration		
– Audit services	10,188	9,839
– Non-audit services	819	1,812
Cost of inventories recognised as expense	26,477,906	26,808,481
Depreciation of property, plant and equipment	1,360,801	1,486,381
Depreciation of investment properties	24,343	24,818
Depreciation of right-of-use assets	42,930	39,122
	<u>1,428,074</u>	<u>1,550,321</u>
Total depreciation and amortisation	1,428,074	1,550,321
Capitalised in inventories	(1,236,573)	(1,385,070)
	<u>191,501</u>	<u>165,251</u>
Gross rental income from investment properties	(31,602)	(34,833)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	310	378
	<u>(31,292)</u>	<u>(34,455)</u>

9. DIVIDENDS/DISTRIBUTION TO PERPETUAL CAPITAL SECURITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution to ordinary shareholders:		
Final dividend of HK\$0.11 in respect of the year ended 31 December 2021 (2021: final dividend of HK\$0.18 in respect of the year ended 31 December 2020) per ordinary share	474,927	782,396
Interim dividend of HK\$0.065 in respect of the year ended 31 December 2022 (2021: interim dividend of HK\$0.15 in respect of the year ended 31 December 2021) per ordinary share	<u>280,575</u>	<u>651,996</u>
	<u>755,502</u>	<u>1,434,392</u>

A final dividend of HK\$0.033 per ordinary share in respect of the year ended 31 December 2022 (2021: final dividend of HK\$0.11 per ordinary share in respect of the year ended 31 December 2021) has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

In addition, the Company has made a distribution on perpetual capital securities of HK\$131,096,000 (2021: HK\$128,409,000) to the securities holders during the year ended 31 December 2022.

10. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year attributable to owners of the Company, ordinary shareholders of HK\$1,185,236,000 (2021: HK\$3,122,838,000) and weighted average number of 4,316,586,025 (2021: 4,345,151,304) ordinary shares in issue during the year.

No diluted earnings per share in both years was presented as there were no potential ordinary shares outstanding during both years.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the year, there were additions of HK\$5,968 million (2021: HK\$3,093 million) to property, plant and equipment to expand its operations.

During the year, the Group entered into leases for certain of its staff quarters and office premises for 1 year to 19 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognises HK\$59,676,000 (2021: HK\$12,968,000) of right-of-use assets and HK\$59,676,000 (2021: HK\$12,968,000) of lease liabilities.

12. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Raw materials	2,969,872	3,835,648
Finished goods	<u>2,020,236</u>	<u>1,869,748</u>
	<u>4,990,108</u>	<u>5,705,396</u>

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Included in trade and other receivables and prepayments are trade receivables amounting to HK\$3,670,588,000 (2021: HK\$4,658,694,000).

The Group allows its customers an average credit period of 45 to 90 days. The following is an aged analysis of trade receivables (excluding those backed by bills) presented based on the invoice date.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Aged:		
Not exceeding 30 days	2,140,193	2,484,000
31–60 days	625,997	815,845
61–90 days	89,124	145,587
91–120 days	46,249	36,425
Over 120 days	156,997	130,504
	<u>3,058,560</u>	<u>3,612,361</u>

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK\$2,585,210,000 (2021: HK\$1,673,234,000).

The average credit period taken for trade purchases ranges from 30 to 120 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Aged:		
Not exceeding 30 days	1,114,570	926,901
31–60 days	546,457	279,882
61–90 days	398,785	235,635
91–120 days	437,258	190,296
Over 120 days	88,140	40,520
	<u>2,585,210</u>	<u>1,673,234</u>

15. PERPETUAL CAPITAL SECURITIES

On 29 May 2019, the Company (the “Issuer”) issued USD300 million 5.50% senior perpetual capital securities (the “Securities”) at an issue price of 100 per cent which are listed on the Stock Exchange. Distribution is payable semi-annually in arrears based on a fixed rate of 5.5 per cent per annum. Distribution by the Issuer may be deferred at its sole discretion. These perpetual capital securities have no fixed maturity and are redeemable in whole, but not in part, at the Issuer’s option on 29 May 2024, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem, reduce, cancel, buy-back or otherwise acquire any securities of lower rank.

On 6 December 2022, the Issuer has offered to all holders of the Securities to purchase for cash up to US\$130,000,000 in principal amount at the fixed purchase price of US\$860 per US\$1,000 principal amount (the “Tender Offer”). The Tender Offer expired on 16 December 2022 and US\$59,420,000 (approximately of HK\$466,150,000) in aggregate principal amount of the Securities were subsequently purchased and redeemed by the Issuer on 21 December 2022 and cancelled pursuant to the terms and conditions of the Securities. US\$240,580,000 (approximately of HK\$1,856,664,000) in aggregate principal amount of the Securities remain outstanding as at 31 December 2022.

FINAL DIVIDEND

The Directors have proposed a final dividend of HK3.3 cents (2021: HK11.0 cents) per share for the year ended 31 December 2022 to shareholders whose names appear on the Register of Members on 18 May 2023. The final dividend is subject to approval by the shareholders in the forthcoming annual general meeting. It is expected that the final dividend will be paid around 31 May 2023.

CLOSURE OF REGISTER OF MEMBERS

In relation to the AGM

The annual general meeting (the “AGM”) of the Company is scheduled to be held on 9 May 2023. For ascertaining shareholders’ right to attend and vote at the AGM, the register of members of the Company will be closed from 4 May 2023 to 9 May 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 3 May 2023.

In relation to the proposed final dividend

The board of directors of the Company has resolved to recommend the payment of a final dividend of HK3.3 cents per share in cash for the year ended 31 December 2022 to shareholders whose names appear on the register of members of the Company on 18 May 2023 subject to the approval of the shareholders of the Company at the AGM. For ascertaining shareholders’ entitlement to the proposed final dividend, the register of members of the Company will be closed from 15 May 2023 to 18 May 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 12 May 2023.

BUSINESS REVIEW AND OUTLOOK

Business Review and Outlook

Against the backdrop of the impact of COVID-19 pandemic, geo-political tension and other factors, global economic growth continued to slow down in 2022. Inflation, coupled with supply chain disruptions, drove up the transportation, energy and raw material costs. In addition, consumer sentiment was affected by the pandemic prevention and control policies, resulting in a lower downstream demand, which continued to bring pressure on paper manufacturers.

For 2022, the Group recorded total revenue of HK\$29.2 billion, representing a decrease of 10% from that of the previous year, while the profit for the year decreased by 60% to HK\$1.3 billion as compared with that for the previous year. The earnings per share for the year were HK27.46 cents (2021: HK71.87 cents).

The board of directors has proposed a final dividend of HK3.3 cents per share for 2022 (2021: HK11.0 cents). The aggregate sales of the Group for 2022 amounted to 6.09 million tons, while its net profit per ton was HK\$216.

Industry and Business Review

During the year under review, dragged by the pandemic and the sluggish consumer sentiment in the Mainland China, the demand for packaging paper remained weak with price slipping lower, but the prices for pulp and other raw materials surged as the result of the Russo-Ukrainian War, which further squeezed the profitability of paper manufacturers. Under the pressure of high pulp prices, some of the paper manufacturers voluntarily suspended or reduced their production.

In the face of changes in market supply and demand and policy adjustments, the Group proactively expanded its pulp business and rationalized its raw material allocation in order to mitigate the impact of rising raw material costs on our profitability. The Group also believes that consumer demand is set to be unleashed after a long period of suppression, leading to a rebound in the paper manufacturing industry. Therefore, the Group insisted on expanding the scale of production of its existing business, including the addition of new production lines at its plants in Jiangxi province and Chongqing and the plan of building a new pulp mill in Guangxi province, 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 rationalizing cost control.

In addition, the Group continued to support the “Belt and Road” initiative by expanding its business presence in Southeast Asia and grasping opportunities in overseas markets. During the year, the Group’s production bases in Vietnam and Malaysia operated smoothly with satisfactory business performance. The production line of the third paper-making machine at our Malaysian plant commenced production in the third quarter of 2022, adding an annual production capacity of 350,000 tons of packaging paper.

Business Prospects

After the PRC government optimized its anti-pandemic policy in last December, measures to increase investment, boost consumption and promote innovation were introduced in various provinces so as to support economic stability and progress in 2023. With the increase in industrial and consumer activities, 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 business so as to reduce the pressure of rising raw material costs, respond flexibly to market demand for various products and further enhance our operational efficiency.

Packaging paper remains the Group's core business. With the tightening control on plastic packaging material in the Mainland China, we see much of growth potential for packaging paper as an excellent alternative to plastic packaging material. As the popularity of online shopping grew during the pandemic, demand for packaging paper is expected to pick up upon the implementation of the post-pandemic consumption stimulation measures. The Group will continue to expand its coverage of the production capacity to enhance its profitability. 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. For our overseas operation, the production line of the Group's fourth paper-making machine in Malaysia will commence operation in the second quarter of this year, with an annual production capacity of 350,000 tons of packaging paper.

Regarding the tissue paper business, the Group has endeavored to improve the quality of consumer tissue paper. The Group produces natural bamboo unbleached tissue in order to satisfy the needs for health and environmental protection. The Group's total annual production capacity of consumer tissue paper has reached approximately 1,000,000 tons, and will adopt effective strategies to develop its tissue paper business in line with market and customer demand.

The Group is committed to providing quality products at reasonable price while also fulfilling its corporate social responsibility by reducing pollution and carbon emissions through waste paper recycling and advanced production technologies, thereby bringing more environmentally friendly products to customers. In the long term, the paper manufacturing industry still has tremendous room for development. The Group will seize opportunities to expand its market and maintain competitiveness in the paper manufacturing industry.

Conclusion

The Group would like to express its sincere gratitude to its employees and shareholders for their continued support. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operation

Revenue and the profit attributable to owners of the Company, ordinary shareholders for the year ended 31 December 2022 was HK\$29.2 billion and HK\$1.19 billion respectively, while its net profit per tonne was HK\$216.

The earnings per share for the year was HK27.46 cents when compared with HK71.87 cents for the year ended 31 December 2021.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK\$784 million for the year ended 31 December 2022 as compared to HK\$1,009 million for the year ended 31 December 2021. It represented about 2.7% of the revenue for the year ended 31 December 2022 and was decreased as compared to about 3.1% for the year ended 31 December 2021.

General and Administrative Expenses

The Group's general and administrative expenses was HK\$1,239 million for the year ended 31 December 2022 as compared to HK\$1,564 million for the year ended 31 December 2021. It represented about 4.2% of the revenue for the year ended 31 December 2022 and was decreased as compared to that of 4.8% for the year ended 31 December 2021.

Finance Costs

The Group's total finance costs (including the amounts capitalised) was HK\$365 million for the year ended 31 December 2022 as compared to HK\$192 million for the year ended 31 December 2021. The increase was mainly due to the increase in both bank borrowing amounts and average interest rate on bank borrowings during the year.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group's raw materials and finished products were 47 days and 24 days, respectively, for the year ended 31 December 2022 as compared to 59 days and 17 days, respectively, for the year ended 31 December 2021.

The Group's debtors' turnover days were 38 days for the year ended 31 December 2022 as compared to 41 days for the year ended 31 December 2021. This is in line with the credit terms granted by the Group to its customers.

The Group's creditors' turnover days were 41 days for the year ended 31 December 2022 as compared to 26 days for the year ended 31 December 2021.

Liquidity, Financial Resources and Capital Structure

The total shareholders' fund of the Group (comprising of the Company's ordinary share capital, perpetual capital securities, reserves and non-controlling interests) as at 31 December 2022 was HK\$28,607 million (2021: HK\$33,403 million). As at 31 December 2022, the Group had current assets of HK\$12,921 million (2021: HK\$15,003 million) and current liabilities of HK\$12,293 million (2021: HK\$12,190 million). The current ratio was 1.05 as at 31 December 2022 as compared to 1.23 at 31 December 2021.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong, Macau and the PRC. As at 31 December 2022, the Group had outstanding bank borrowings of HK\$16,327 million (2021: HK\$14,061 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 December 2022, the Group maintained bank balances and cash of HK\$1,798 million (2021: HK\$1,909 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) increased from 0.36 as at 31 December 2021 to 0.51 as at 31 December 2022 as the result of the expansion of the Group.

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 and 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 December 2022. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

Employees

As at 31 December 2022, the Group had a workforce of more than 10,000 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.

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

During the year, the Company repurchased a total of 22,094,000 shares of HK\$0.025 per share through the Stock Exchange at an aggregate consideration of approximately HK\$94,038,000 (including transaction costs). All of the shares repurchased were cancelled during the year. Details of shares repurchased during the year are set out as follows:

Month of repurchases	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate consideration paid (including expenses) <i>HK\$'000</i>
January 2022	11,659,000	5.50	5.34	63,402
March 2022	373,000	4.07	4.07	1,565
April 2022	1,162,000	3.74	3.71	4,340
May 2022	1,922,000	3.64	3.50	6,887
October 2022	6,978,000	2.60	2.46	17,844
	<u>22,094,000</u>			<u>94,038</u>

The Board believes that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 maximising shareholders' interests. During the year under review, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

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 different 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 December 2022 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 December 2022. The Model Code also applies to other specified senior management of the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 9 May 2023. The Notice of the Annual General Meeting will be published in the Company's website and sent to the shareholders of the Company in due course.

On behalf of the Board
Lee Man Chun Raymond
Chairman

Hong Kong, 1 March 2023

As at the date of this announcement, the board of directors of the Company comprises five executive directors, namely Dr. Lee Man Chun Raymond, Mr. Lee Man Bun, Mr. Li King Wai Ross, Mr. Lee Jude Ho Chung and Mr. Yip Heong Kan, one non-executive director namely Professor Poon Chung Kwong, three independent non-executive directors, namely Mr. Wong Kai Tung Tony, Mr. Peter A. Davies and Mr. Chau Shing Yim David.