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**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 2024**

**FINANCIAL HIGHLIGHTS**

- Revenue for the year of HK\$25,995 million (2023: HK\$24,937 million);
- Net profit for the year of HK\$1,358 million (2023: HK\$1,154 million);
- Stable payout ratio of about 35%, with proposed final dividend of HK4.5 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 2024 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2024*

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	3	<b>25,995,421</b>	24,937,083
Cost of sales		<b>(22,882,489)</b>	(22,434,909)
Gross profit		<b>3,112,932</b>	2,502,174
Other income	4	<b>738,803</b>	911,727
Impairment losses on trade receivables, net of reversal		<b>3,094</b>	(20,289)
Other gains and losses, net	5	<b>26,368</b>	8,332
Distribution and selling expenses		<b>(656,403)</b>	(595,340)
General and administrative expenses		<b>(1,296,943)</b>	(1,117,844)
Share of result of an associate		<b>10,709</b>	1,688
Share of result of a joint venture		<b>(28)</b>	31
Finance costs	6	<b>(326,183)</b>	(278,120)
Profit before tax		<b>1,612,349</b>	1,412,359
Income tax expense	7	<b>(254,771)</b>	(258,396)
<b>Profit for the year</b>	8	<b>1,357,578</b>	1,153,963
<b>Other comprehensive income (expense)</b> <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>159,225</b>	(445,346)
<b>Total comprehensive income for the year</b>		<b>1,516,803</b>	708,617

	<i>Note</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company:			
– Ordinary shareholders		<b>1,312,839</b>	1,050,931
– Perpetual capital securities holders		<b>45,473</b>	101,677
Non-controlling interests		<b>(734)</b>	1,355
		<u><b>1,357,578</b></u>	<u>1,153,963</u>
 Total comprehensive income (expense) attributable to:			
Owners of the Company:			
– Ordinary shareholders		<b>1,471,707</b>	605,877
– Perpetual capital securities holders		<b>45,473</b>	101,677
Non-controlling interests		<b>(377)</b>	1,063
		<u><b>1,516,803</b></u>	<u>708,617</u>
		<i>HK cents</i>	<i>HK cents</i>
 Earnings per share – Basic	<i>10</i>	<u><b>30.56</b></u>	<u>24.39</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	<b>39,604,313</b>	37,788,561
Right-of-use assets	<i>11</i>	<b>1,221,275</b>	1,240,196
Investment properties		<b>559,745</b>	526,099
Deposits paid for acquisition of property, plant and equipment		<b>943,363</b>	886,075
Interest in an associate		<b>120,208</b>	102,456
Interest in a joint venture		<b>80,426</b>	80,786
Loan to a joint venture		–	63,955
Trade and other receivables and prepayments	<i>13</i>	<b>268,000</b>	268,000
		<b>42,797,330</b>	40,956,128
<b>CURRENT ASSETS</b>			
Inventories	<i>12</i>	<b>4,419,341</b>	4,921,137
Loan to a joint venture		<b>54,612</b>	–
Trade and other receivables and prepayments	<i>13</i>	<b>6,553,937</b>	6,700,611
Amounts due from related companies		<b>3,960</b>	2,296
Bank balances and cash		<b>1,521,179</b>	1,517,149
		<b>12,553,029</b>	13,141,193
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>14</i>	<b>3,492,581</b>	3,657,943
Amounts due to related companies		<b>14,468</b>	14,631
Tax payable		<b>45,441</b>	99,835
Lease liabilities		<b>14,730</b>	16,710
Contract liabilities		<b>84,757</b>	58,292
Advances drawn on bills discounted with recourse		–	551,555
Bank borrowings		<b>8,931,380</b>	7,037,100
		<b>12,583,357</b>	11,436,066
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<b>(30,328)</b>	1,705,127
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>42,767,002</b>	42,661,255

	<i>Note</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		<b>13,050,914</b>	12,256,122
Lease liabilities		<b>52,683</b>	59,376
Deferred tax liabilities		<b>1,650,230</b>	1,578,795
		<u><b>14,753,827</b></u>	<u>13,894,293</u>
		<u><b>28,013,175</b></u>	<u>28,766,962</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>107,375</b>	107,720
Reserves		<b>27,896,727</b>	27,008,708
		<u><b>28,004,102</b></u>	<u>27,116,428</u>
Perpetual capital securities	<i>15</i>	–	<u>1,641,084</u>
Equity attributable to owners of the Company		<b>28,004,102</b>	28,757,512
Non-controlling interests		<b>9,073</b>	9,450
		<u><b>28,013,175</b></u>	<u>28,766,962</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 NEW AND 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 HKICPA for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, 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.

#### **Impacts on application of Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the “2020 Amendments”) and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the “2022 Amendments”)**

The Group has applied the amendments for the first time in the current year. The 2020 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 classification should not be affected by management intentions or expectations to settle the liability within 12 months.
- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity’s own equity instruments to the counterparty. 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*.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an 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, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year had no material impact on the 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:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

Except for the new and 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.

### **HKFRS 18 *Presentation and Disclosure in Financial Statements***

HKFRS 18 *Presentation and Disclosure in Financial Statements* (“HKFRS 18”), which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and HKFRS 7 *Financial Instruments: Disclosures*. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

### 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 2024*

	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	20,102,823	5,229,124	663,474	25,995,421	–	25,995,421
Inter-segment sales	–	–	2,480,979	2,480,979	(2,480,979)	–
	<u>20,102,823</u>	<u>5,229,124</u>	<u>3,144,453</u>	<u>28,476,400</u>	<u>(2,480,979)</u>	<u>25,995,421</u>
SEGMENT PROFIT	<u>766,486</u>	<u>941,650</u>	<u>150,367</u>	<u>1,858,503</u>	–	1,858,503
Net gain from fair value changes of derivative financial instruments and net exchange gain						42,023
Unallocated income						69,141
Unallocated expenses						(41,816)
Share of result of an associate						10,709
Share of result of a joint venture						(28)
Finance costs						<u>(326,183)</u>
Profit before tax						<u>1,612,349</u>



Year ended 31 December 2023

	Packaging paper HK\$'000	Tissue paper HK\$'000	Pulp HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	19,943,445	4,682,603	311,035	24,937,083	–	24,937,083
Inter-segment sales	–	–	1,888,977	1,888,977	(1,888,977)	–
	<u>19,943,445</u>	<u>4,682,603</u>	<u>2,200,012</u>	<u>26,826,060</u>	<u>(1,888,977)</u>	<u>24,937,083</u>
SEGMENT PROFIT	<u>798,712</u>	<u>806,002</u>	<u>46,623</u>	<u>1,651,337</u>	<u>–</u>	<u>1,651,337</u>
Net loss from fair value changes of derivative financial instruments and net exchange gain						12,377
Unallocated income						64,723
Unallocated expenses						(39,677)
Share of result of an associate						1,688
Share of result of a joint venture						31
Finance costs						(278,120)
Profit before tax						<u>1,412,359</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 exchange gains, 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 2024

	Packaging paper HK\$'000	Tissue paper HK\$'000	Pulp HK\$'000	Consolidated HK\$'000
Segment assets	<b>39,023,641</b>	<b>11,763,405</b>	<b>3,042,134</b>	<b>53,829,180</b>
Unallocated assets				<u>1,521,179</u>
Consolidated total assets				<u><b>55,350,359</b></u>
Segment liabilities	<b>1,733,890</b>	<b>756,682</b>	<b>50,381</b>	<b>2,540,953</b>
Unallocated liabilities				<u>24,796,231</u>
Consolidated total liabilities				<u><b>27,337,184</b></u>

As at 31 December 2023

	Packaging paper <i>HK\$'000</i>	Tissue paper <i>HK\$'000</i>	Pulp <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	38,879,732	10,982,232	2,718,208	52,580,172
Unallocated assets				<u>1,517,149</u>
Consolidated total assets				<u>54,097,321</u>
Segment liabilities	1,497,939	497,450	88,185	2,083,574
Unallocated liabilities				<u>23,246,785</u>
Consolidated total liabilities				<u>25,330,359</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 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Packaging paper (including linerboard and corrugating medium)	20,102,823	19,943,445
Tissue paper	5,229,124	4,682,603
Pulp	663,474	311,035
	<u>25,995,421</u>	<u>24,937,083</u>

### Geographical information

Approximately 89% (2023: approximately 90%) 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	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
The PRC other than Hong Kong and Macau	31,811,887	30,595,817
Malaysia	7,441,263	6,649,581
Vietnam	2,283,055	2,354,159
Hong Kong, Macau and others	993,125	1,024,616
	<u>42,529,330</u>	<u>40,624,173</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Value added tax and other tax refund	178,129	228,348
Income from supply of steam and electricity, net	23,722	39,289
Income from wharf cargo handling, net	23,716	30,494
Interest income from banks	12,426	19,193
Government subsidy income	265,877	404,810
Rental income	55,129	45,530
Write back of trade and other payables	49,302	10,048
Others	130,502	134,015
	<u>738,803</u>	<u>911,727</u>

#### 5. OTHER GAINS AND LOSSES, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Net foreign exchange gain	41,198	12,549
Net gain/(loss) from fair value changes of derivative financial instruments	825	(172)
Loss on disposal of property, plant and equipment, net	(15,655)	(4,045)
	<u>26,368</u>	<u>8,332</u>

#### 6. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest expense on lease liabilities	3,158	3,701
Interest on bank borrowings and advances drawn on bills discounted	932,153	827,165
Less: amounts capitalised to property, plant and equipment	(609,128)	(552,746)
	<u>326,183</u>	<u>278,120</u>

Borrowing costs capitalised during the year arose from the general borrowings and are calculated by applying a capitalisation rate ranging from 3.57% to 5.83% (2023: ranging from 3.64% to 5.44%) per annum to expenditures on qualifying assets.

## 7. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Income tax recognised in profit or loss:		
Current tax		
– The PRC Enterprise Income Tax (“EIT”)	78,055	38,788
– PRC withholding tax on dividend distribution	65,472	163,825
– Other jurisdictions	38,603	27,588
	<u>182,130</u>	<u>230,201</u>
Under/(over) provision in previous years		
– The PRC EIT	2,627	(19,829)
– Deferred tax	–	(31,101)
– Other jurisdictions	(540)	1,192
Deferred tax		
– Charge to profit or loss	70,554	77,933
	<u>70,554</u>	<u>77,933</u>
Total income tax recognised in profit or loss	<u>254,771</u>	<u>258,396</u>

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% (2023: 25%) except that seven (2023: eight) of these subsidiaries are entitled to preferential rate of 15% (2023: 15%) for the Group’s financial year ended 31 December 2024.

### 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 2024 and 2023. 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 2024 and 2023, 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 2024 and 2023.

### Others jurisdictions

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

## 8. PROFIT FOR THE YEAR

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	50,550	50,885
Staff salaries and other benefits, excluding those of directors	1,544,707	1,403,245
Contributions to retirement benefit schemes, excluding those of directors	173,875	145,012
	<u>1,769,132</u>	<u>1,599,142</u>
Total employee benefit expense	1,769,132	1,599,142
Capitalised in inventories	(1,221,345)	(1,132,306)
	<u>547,787</u>	<u>466,836</u>
Auditor's remuneration		
– Audit services	10,399	10,674
– Non-audit services	2,046	1,891
Cost of inventories recognised as expense	22,882,489	22,434,909
Depreciation of property, plant and equipment	1,394,789	1,315,105
Depreciation of investment properties	25,552	24,653
Depreciation of right-of-use assets	42,457	43,513
	<u>1,462,798</u>	<u>1,383,271</u>
Total depreciation	1,462,798	1,383,271
Capitalised in inventories	(1,199,497)	(1,208,724)
	<u>263,301</u>	<u>174,547</u>
Gross rental income from investment properties	(34,988)	(28,852)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	467	489
	<u>(34,521)</u>	<u>(28,363)</u>

## 9. DIVIDENDS/DISTRIBUTION TO PERPETUAL CAPITAL SECURITIES

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Dividends recognised as distribution to ordinary shareholders:		
Final dividend of HK\$0.061 in respect of the year ended 31 December 2023 (2023: final dividend of HK\$0.033 in respect of the year ended 31 December 2022) per ordinary share	<b>262,015</b>	142,216
Interim dividend of HK\$0.062 in respect of the year ended 31 December 2024 (2023: interim dividend of HK\$0.025 in respect of the year ended 31 December 2023) per ordinary share	<b>266,290</b>	107,739
	<b><u>528,305</u></b>	<u>249,955</u>

A final dividend of HK\$0.045 per ordinary share in respect of the year ended 31 December 2024 (2023: final dividend of HK\$0.061 per ordinary share in respect of the year ended 31 December 2023) 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\$45,473,000 (2023: HK\$101,677,000) to the securities holders during the year ended 31 December 2024.

## 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\$1,312,839,000 (2023: HK\$1,050,931,000) and weighted average number of 4,295,845,005 (2023: 4,309,527,668) 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\$3,249 million (2023: HK\$4,472 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 3 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognises HK\$11,303,000 (2023: HK\$18,913,000) of right-of-use assets and HK\$11,303,000 (2023: HK\$18,913,000) of lease liabilities.

## 12. INVENTORIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Raw materials	2,985,670	3,323,104
Finished goods	1,433,671	1,598,033
	<u>4,419,341</u>	<u>4,921,137</u>

## 13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Included in trade and other receivables and prepayments are trade receivables amounting to HK\$3,852,175,000 (2023: HK\$4,209,151,000).

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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Aged:		
Not exceeding 30 days	2,178,694	1,809,940
31–60 days	723,112	658,703
61–90 days	151,083	157,690
91–120 days	59,485	77,736
Over 120 days	208,166	165,876
	<u>3,320,540</u>	<u>2,869,945</u>

## 14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK\$2,374,317,000 (2023: HK\$1,934,565,000).

The average credit period taken for trade purchases ranges from 30 to 90 days (2023: 30 to 90 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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Aged:		
Not exceeding 30 days	868,458	1,102,725
31–60 days	469,654	176,834
61–90 days	153,893	164,490
91–120 days	180,783	270,730
Over 120 days	701,529	219,786
	<u>2,374,317</u>	<u>1,934,565</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.

For the year ended 31 December 2023, the Issuer repurchased the Securities in the open market and the Securities were redeemed by the Issuer and cancelled pursuant to the terms and conditions of the Securities as follows:

<b>Date of repurchases</b>	<b>Aggregate principal amount of Securities repurchased</b> <i>US\$</i>
9 June 2023	500,000
9 August 2023	900,000
29 August 2023	900,000
8 September 2023	6,130,000
15 September 2023	5,000,000
19 September 2023	200,000
11 October 2023	10,200,000
1 November 2023	2,000,000
2 November 2023	300,000
17 November 2023	1,350,000
	<hr/>
	27,480,000

US\$213,100,000 (approximately of HK\$1,641,084,000) in aggregate principal amount of the Securities remain outstanding as at 31 December 2023.

On 27 March 2024 and 9 April 2024, the aggregate principal amount of the Securities of US\$300,000 (approximately of HK\$2,354,000) and US\$6,500,000 (approximately of HK\$50,993,000), respectively, was subsequently repurchased in the open market and redeemed by the Issuer and cancelled pursuant to the terms and conditions of the Securities. On 29 May 2024, US\$206,300,000 (approximately of HK\$1,587,737,000) in aggregate principal amount of the outstanding Securities was fully redeemed by the Issuer and cancelled pursuant to the terms and conditions of the Securities. There were no Securities in issue as at 31 December 2024.



## **FINAL DIVIDEND**

The Directors have proposed a final dividend of HK4.5 cents (2023: HK6.1 cents) per share for the year ended 31 December 2024 to shareholders whose names appear on the Register of Members on 19 May 2025. 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 3 June 2025.

## **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 8 May 2025. For ascertaining shareholders’ right to attend and vote at the AGM, the register of members of the Company will be closed from 2 May 2025 to 8 May 2025, 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 30 April 2025.

### **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 HK4.5 cents per share in cash for the year ended 31 December 2024 to shareholders whose names appear on the register of members of the Company on 19 May 2025 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 14 May 2025 to 19 May 2025, 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 13 May 2025.

## **BUSINESS REVIEW AND OUTLOOK**

### **Business Review and Outlook**

In 2024, the macro-economy continued to face downward pressure with consumer demand remaining weak. The paper manufacturing industry in China, however, while absorbing excessive capacity and pulp price fluctuations, demonstrated resilience. Benefitting from a series of government stimulation policies such as cutting reserve requirement ratio, lowering interest rate, and boosting consumption, downstream demand gradually warmed up, resulting in a general recovery of paper manufacturing companies during the year.

For 2024, the Group recorded total revenue of HK\$26.0 billion, representing an increase of 4.2% from that of the previous year, while the profit for the year increased by 17.6% to HK\$1.4 billion as compared with that for the previous year. The earnings per share for the year were HK30.56 cents (2023: HK24.39 cents).

The board of directors has proposed a final dividend of HK4.5 cents per share for 2024 (2023: HK6.1 cents).

### **Industry and Business Review**

Looking back at 2024, with new pulp production capacity being released in mainland China, pulp price remained unstable generally. Regarding the paper manufacturing industry, although players speeded up destocking during the year, market demand continued to be weak. In addition, as the U.S. presidential election during the year brought uncertainties, the industry's overall performance was affected.

Facing changes in market supply and demand, the Group insisted on actively promoting integration of its industrial chain to ensure raw materials supply and control costs, and ultimately improve gross profit. By flexibly adjusting the production and sales between pulp and paper manufacturing businesses, we were able to enhance operational efficiency and effectively drive steady growth of profitability overall.

The Group's pulp production lines in Chongqing, Jiangxi, and Guangxi, in operation since 2023, operated smoothly during the year. The vertically integrated business model has enabled the Group to reap economies of scale, further lowering costs and in turn boosted profitability and profit margins during the year. As for the overseas production bases in Vietnam and Malaysia, they continued to demonstrate cost advantages and recorded considerable profits. The overall gross profit margin of the Group for the year was 12.0%, up by two percentage points year-on-year.

## **Business Prospects**

Looking ahead at 2025, while ongoing Sino-U.S. trade tension is casting a shadow over the development prospects of enterprises, new opportunities have emerged at the PRC government policy – “export goods for domestic sales”. China has clearly proposed earlier to vigorously boost consumption and enhance investment efficiency for realizing the strategic goal of expanding overall domestic demand. Such stimulus policies are expected to help promote consumer spending, continuously improve consumption sentiment, in turn drive increase in demand for paper products. Moreover, as the paper manufacturing industry is close to the end of the capacity release cycle, supply is expected to gradually stabilize, meaning the industry should see the supply-demand balance restore and moderate growth in its performance.

The Group will seize the opportunities brought about by favorable policies to actively promote development of its domestic sales business. It will, via pursuing technological upgrades, push to improve production efficiency of its paper-making equipment, aiming to further reduce costs and widen profit margins. It will also strengthen product research and development to match the diverse needs of customers, thereby bolster the market competitiveness of its products.

Regarding overseas markets, the Group will continue to explore business development opportunities in countries and cities along the “Belt and Road”, enhance export sales of paper products, and leverage the cost advantages of production facilities in Malaysia and Vietnam to improve overall operational efficiency.

Packaging paper remains the Group’s core business. In favor of the paper packaging business, the State Council issued earlier a series of policies including, among others, the Notice on Further Strengthening the Control of Excessive Packaging of Commodities (《關於進一步加強商品過度包裝治理的通知》) and the Issued Circular of the General Office of the State Council on the Development Plan for Modern Logistics during the 14th Five-Year Plan Period (《國務院辦公廳關於印發「十四五」現代物流發展規劃的通知》), with the aim of strengthening control over plastic packaging. These strategies have continued to promote development of the packaging paper business. As the economy and consumer sentiment in Mainland gradually recover, demand for packaging paper will increase steadily.

As for our tissue paper business, upholding the business philosophy of pursuing high quality and environmental friendliness, we have introduced the natural bamboo unbleached tissue paper to the market and continued to launch softer new products to meet market desire for environmentally friendly, high-quality and healthy products. With the mainland economic environment expected to gradually improve, there will be a steady increase in demand for tissue paper. The Group will continue to actively explore the potential of its tissue paper business heeding consumer demands, so as to expand the market shares of the business.

The pulp business is an important part of the Group’s vertically integrated production setup. We will continue to invest resources in technological upgrades and optimization of our pulp production equipment, aiming to increase pulp sales as well as provide a stable supply of raw materials to our tissue paper business, thereby enhance overall production efficiency and maximize profits.

Looking ahead, the Group will insist on implementing a prudent business strategy, actively identify growth opportunities in the paper manufacturing industry, continuously expand and refine the layout of each business segment in its integrated industrial chain. It will also strengthen its profit base, enhance operational efficiency, so as to maintain its competitiveness in the market.

## **Conclusion**

The Group would like to express sincere gratitude to its employees and shareholders for their support. Boasting leadership in the paper manufacturing industry and advantages that have supported its consistent solid development, the Group will strive to further its profitability so that it may create yet greater value 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 2024 was HK\$26.00 billion and HK\$1.31 billion respectively, while its net profit per tonne was HK\$187.

The earnings per share for the year was HK30.56 cents when compared with HK24.39 cents for the year ended 31 December 2023.

### **Distribution and Selling Expenses**

The Group's distribution and selling expenses was HK\$656 million for the year ended 31 December 2024 as compared to HK\$595 million for the year ended 31 December 2023. It represented about 2.5% of the revenue for the year ended 31 December 2024 and was increased as compared to about 2.4% for the year ended 31 December 2023.

### **General and Administrative Expenses**

The Group's general and administrative expenses was HK\$1,297 million for the year ended 31 December 2024 as compared to HK\$1,118 million for the year ended 31 December 2023. It represented about 5.0% of the revenue for the year ended 31 December 2024 and was increased as compared to that of 4.5% for the year ended 31 December 2023.

### **Finance Costs**

The Group's total finance costs (including the amounts capitalised) was HK\$935 million for the year ended 31 December 2024 as compared to HK\$831 million for the year ended 31 December 2023. 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 54 days and 14 days, respectively, for the year ended 31 December 2024 as compared to 66 days and 17 days, respectively, for the year ended 31 December 2023.

The Group's debtors' turnover days were 47 days for the year ended 31 December 2024 as compared to 42 days for the year ended 31 December 2023. This is in line with the credit terms granted by the Group to its customers.

The Group's creditors' turnover days were 43 days for the year ended 31 December 2024 as compared to 38 days for the year ended 31 December 2023.

### **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 2024 was HK\$28,013 million (2023: HK\$28,767 million). As at 31 December 2024, the Group had current assets of HK\$12,553 million (2023: HK\$13,141 million) and current liabilities of HK\$12,583 million (2023: HK\$11,436 million). The current ratio was 1.00 as at 31 December 2024 as compared to 1.15 at 31 December 2023.

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 2024, the Group had outstanding bank borrowings of HK\$21,982 million (2023: HK\$19,293 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 December 2024, the Group maintained bank balances and cash of HK\$1,521 million (2023: HK\$1,517 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) increased from 0.62 as at 31 December 2023 to 0.73 as at 31 December 2024 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 2024. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

### **Employees**

As at 31 December 2024, 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 13,808,000 shares of HK\$0.025 per share through the Stock Exchange at an aggregate consideration of approximately HK\$28,839,000 (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	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 2024	12,887,000	2.10	2.00	26,803
February 2024	600,000	2.09	2.07	1,295
June 2024	321,000	2.30	2.30	741
	<u>13,808,000</u>			<u>28,839</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 and in note 15 to the audited consolidated results, 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 C1 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 2024, 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 C3 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 2024. 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 2024 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 8 May 2025. 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, 6 March 2025

*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. Yip Heong Kan, Mr. Lee Jude Ho Chung and Mr. Li King Wai Ross and three independent non-executive directors, namely Mr. Chau Shing Yim David, Ms. Lo Wing Sze and Mr. Chan Wai Yan Ronald.*