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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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

**FINANCIAL HIGHLIGHTS**

- Revenue decreased by 2.2% to HK\$12.2 billion as compared to the last corresponding period.
- Profit for the period increased by 0.7% to HK\$811 million as compared to the last corresponding period.
- Earnings per share was HK18.88 cents.
- Declared interim dividend of HK6.6 cents per share.

\* For identification purposes only

## INTERIM RESULTS

The board of directors of Lee & Man Paper Manufacturing Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2025 together with the comparative figures as follows:

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

For the six months ended 30 June 2025

		2025 (unaudited) HK\$'000	2024 (unaudited) HK\$'000
	Notes		
<b>Revenue</b>	3	<b>12,236,271</b>	12,505,338
Cost of sales		<u>(10,503,670)</u>	<u>(10,877,045)</u>
Gross profit		<b>1,732,601</b>	1,628,293
Other income	4	<b>235,656</b>	344,279
Impairment losses on trade receivables, net of reversal		<b>34</b>	–
Other gains and losses, net	5	<b>255</b>	23,457
Distribution and selling expenses		<b>(307,331)</b>	(306,135)
General and administrative expenses		<b>(589,559)</b>	(604,621)
Share of result of an associate		<b>3,814</b>	711
Share of result of a joint venture		<b>12</b>	(32)
Finance costs	6	<u><b>(116,322)</b></u>	<u>(178,268)</u>
Profit before tax		<b>959,160</b>	907,684
Income tax expense	7	<u><b>(148,261)</b></u>	<u>(102,160)</u>
<b>Profit for the period</b>	8	<b>810,899</b>	805,524
Other comprehensive income/(expense) <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u><b>223,040</b></u>	<u>(263,282)</u>
Total comprehensive income for the period		<u><b>1,033,939</b></u>	<u>542,242</u>
Profit/(loss) for the period attributable to:			
Owners of the Company:			
– Ordinary shareholders		<b>811,096</b>	760,212
– Perpetual capital securities holders	9	<b>–</b>	45,473
Non-controlling interests		<u><b>(197)</b></u>	<u>(161)</u>
		<u><b>810,899</b></u>	<u>805,524</u>

		<b>2025</b> <b>(unaudited)</b> <b>HK\$'000</b>	2024 (unaudited) HK\$'000
	<i>Notes</i>		
Total comprehensive income/(expense) attributable to:			
Owners of the Company:			
– Ordinary shareholders		<b>1,033,903</b>	496,943
– Perpetual capital securities holders	9	–	45,473
Non-controlling interests		<b>36</b>	(174)
		<b>1,033,939</b>	542,242
Dividends:	9		
– Dividend paid		<b>193,275</b>	262,015
– Interim dividend declared		<b>283,470</b>	266,290
		<b>HK cents</b>	<b>HK cents</b>
Earnings per share	10	<b>18.88</b>	17.69

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

		30 June 2025 (unaudited) HK\$'000	31 December 2024 (audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	40,540,261	39,604,313
Right-of-use assets		1,201,889	1,221,275
Investment properties		557,971	559,745
Deposits paid for acquisition of property, plant and equipment		711,077	943,363
Interest in an associate		124,045	120,208
Interest in a joint venture		80,437	80,426
Trade and other receivables and prepayments	13	268,000	268,000
		<u>43,483,680</u>	<u>42,797,330</u>
<b>CURRENT ASSETS</b>			
Inventories	12	4,565,677	4,419,341
Loan to a joint venture		53,779	54,612
Trade and other receivables and prepayments	13	6,001,423	6,553,937
Amounts due from related companies		19,631	3,960
Bank balances and cash		1,656,830	1,521,179
		<u>12,297,340</u>	<u>12,553,029</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	3,088,332	3,492,581
Amounts due to related companies		14,003	14,468
Tax payable		67,045	45,441
Lease liabilities		12,343	14,730
Contract liabilities		92,395	84,757
Bank borrowings		9,008,450	8,931,380
		<u>12,282,568</u>	<u>12,583,357</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>14,772</u>	<u>(30,328)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>43,498,452</u>	<u>42,767,002</u>

	<b>30 June</b> <b>2025</b> <b>(unaudited)</b> <b>HK\$'000</b>	31 December 2024 (audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings	<b>12,915,366</b>	13,050,914
Lease liabilities	<b>46,619</b>	52,683
Deferred tax liabilities	<b>1,682,628</b>	1,650,230
	<b>14,644,613</b>	14,753,827
	<b>28,853,839</b>	28,013,175
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>107,375</b>	107,375
Reserves	<b>28,737,355</b>	27,896,727
Equity attributable to owners of the Company	<b>28,844,730</b>	28,004,102
Non-controlling interests	<b>9,109</b>	9,073
	<b>28,853,839</b>	28,013,175

*Notes:*

## **1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to HKFRS Accounting Standards and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2024.

### **Application of amendments to HKFRS Accounting Standards**

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2025 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 21

*Lack of Exchangeability*

The application of the amendments to a HKFRS Accounting Standard in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

#### Segment revenue and results

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

*Six months ended 30 June 2025*

	Packaging paper HK\$'000	Tissue paper HK\$'000	Pulp HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	9,138,766	2,792,312	305,193	12,236,271	–	12,236,271
Inter-segment sales	–	–	1,183,940	1,183,940	(1,183,940)	–
	<u>9,138,766</u>	<u>2,792,312</u>	<u>1,489,133</u>	<u>13,420,211</u>	<u>(1,183,940)</u>	<u>12,236,271</u>
SEGMENT PROFIT	<u>463,261</u>	<u>509,524</u>	<u>72,336</u>	<u>1,045,121</u>	<u>–</u>	<u>1,045,121</u>
Net gain from fair value changes of derivative financial instruments						600
Unallocated income						51,816
Unallocated expenses						(25,881)
Share of result of an associate						3,814
Share of result of a joint venture						12
Finance costs						(116,322)
Profit before tax						<u>959,160</u>

*Six months ended 30 June 2024*

	Packaging paper HK\$'000	Tissue paper HK\$'000	Pulp HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	9,547,090	2,515,580	442,668	12,505,338	–	12,505,338
Inter-segment sales	–	–	1,323,187	1,323,187	(1,323,187)	–
	<u>9,547,090</u>	<u>2,515,580</u>	<u>1,765,855</u>	<u>13,828,525</u>	<u>(1,323,187)</u>	<u>12,505,338</u>
SEGMENT PROFIT	<u>464,368</u>	<u>465,176</u>	<u>113,777</u>	<u>1,043,321</u>	<u>–</u>	<u>1,043,321</u>
Net gain from fair value changes of derivative financial instruments						116
Unallocated income						64,588
Unallocated expenses						(22,752)
Share of result of an associate						711
Share of result of a joint venture						(32)
Finance costs						(178,268)
Profit before tax						<u>907,684</u>

#### 4. OTHER INCOME

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Value added tax and other tax refund	67,771	72,660
Income from supply of steam and electricity, net	18,158	12,387
Income from wharf cargo handling, net	12,429	13,872
Interest income from banks	7,117	6,268
Government subsidy income	57,090	133,648
Rental income	33,439	26,765
Write-back of trade and other payables	1,166	–
Others	38,486	78,679
	<u>235,656</u>	<u>344,279</u>

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

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Loss on disposal of property, plant and equipment, net	(7,762)	(8,204)
Net foreign exchange differences	7,417	31,545
Net gain from fair value changes of derivative financial instruments	600	116
	<u>255</u>	<u>23,457</u>

#### 6. FINANCE COSTS

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Interest on bank borrowings and bills discounted	387,453	460,748
Interest expense on lease liabilities	1,384	1,654
Less: amounts capitalised to property, plant and equipment	(272,515)	(284,134)
	<u>116,322</u>	<u>178,268</u>



## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Income tax recognised in profit or loss:		
Current tax		
– The PRC Enterprise Income Tax (“EIT”)	46,195	31,121
– PRC withholding tax on dividend distribution	44,659	91,324
– Other jurisdictions	26,488	20,564
	<u>117,342</u>	<u>143,009</u>
(Over)/under provision in previous years		
– The PRC EIT	(495)	2,448
Deferred tax		
– Charge/(credit) to profit or loss	31,414	(43,297)
	<u>148,261</u>	<u>102,160</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% except that eight (2024: seven) of these subsidiaries are entitled to preferential rate of 15% for the Group’s financial year ending 31 December 2025.

### Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

### Macau

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

### Vietnam

The Vietnam subsidiaries are subjected to Vietnam Corporate Income Tax at a rate of 10%. 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. The Vietnam subsidiaries are entitled a reduction of 50% of Vietnam Corporate Income Tax rate of 10% for both periods.

## Malaysia

The Malaysia subsidiaries are subjected to Malaysia Corporate Income Tax at a rate of 24% for both periods.

## Others

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

## 8. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period has been arrived at after charging/(crediting):		
Directors' emoluments	<b>25,275</b>	25,275
Staff salaries and other benefits, excluding those of directors	<b>740,258</b>	757,948
Contributions to retirement benefit schemes, excluding those of directors	<b>88,061</b>	85,007
	<hr/>	<hr/>
Total employee benefit expense	<b>853,594</b>	868,230
Capitalised in inventories	<b>(610,510)</b>	(604,804)
	<hr/>	<hr/>
	<b>243,084</b>	263,426
	<hr/>	<hr/>
Cost of inventories recognised as expense	<b>10,503,670</b>	10,877,045
	<hr/>	<hr/>
Depreciation of property, plant and equipment	<b>695,195</b>	677,675
Depreciation of investment properties	<b>13,442</b>	12,026
Depreciation of right-of-use assets	<b>21,131</b>	21,211
	<hr/>	<hr/>
Total depreciation	<b>729,768</b>	710,912
Capitalised in inventories	<b>(602,744)</b>	(587,841)
	<hr/>	<hr/>
	<b>127,024</b>	123,071
	<hr/>	<hr/>
Gross rental income from investment properties	<b>(18,371)</b>	(17,159)
	<hr/>	<hr/>
Less:		
– direct operation expenses incurred for investment properties that generated rental income during the period	<b>395</b>	240
	<hr/>	<hr/>
	<b>(17,976)</b>	(16,919)
	<hr/>	<hr/>

## 9. DIVIDENDS/DISTRIBUTION TO PERPETUAL CAPITAL SECURITIES

A final dividend of HK\$0.045 per share was paid in respect of the year ended 31 December 2024 (2024: a final dividend of HK\$0.061 per share was paid for the year ended 31 December 2023) to shareholders during the current period.

The directors determined that an interim dividend of HK\$0.066 (2024: HK\$0.062) per share should be paid to the shareholders of the Company whose names appear on the Register of Members on 25 August 2025.

In addition, the Company had made a distribution on perpetual capital securities of HK\$45,473,000 to the securities holders during the six months ended 30 June 2024.

## 10. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period attributable to the owners of the Company approximately of HK\$811,096,000 (2024: HK\$760,212,000), ordinary shareholders for the period, and weighted average number of 4,295,000,000 (2024: 4,296,699,297) ordinary shares in issue during the period.

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

## 11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, there were additions of HK\$1,426 million (2024: HK\$1,536 million) to property, plant and equipment to expand its operations.

## 12. INVENTORIES

	<b>30 June 2025 HK\$'000</b>	<b>31 December 2024 HK\$'000</b>
Raw materials	<b>2,880,663</b>	2,985,670
Finished goods	<b>1,685,014</b>	1,433,671
	<b><u>4,565,677</u></b>	<b><u>4,419,341</u></b>

### 13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>30 June 2025 HK\$'000</b>	31 December 2024 HK\$'000
Trade receivables	<b>2,928,175</b>	3,333,420
Less: allowance for credit losses	<b>(12,880)</b>	(12,880)
	<b>2,915,295</b>	3,320,540
Trade receivables backed by bills	<b>410,854</b>	531,635
	<b>3,326,149</b>	3,852,175
Prepayments and deposits for purchase of raw materials	<b>724,159</b>	710,121
Other deposits and prepayments	<b>574,064</b>	545,884
Value-added tax receivables	<b>858,000</b>	863,578
Other receivables	<b>787,051</b>	850,179
	<b>6,269,423</b>	6,821,937
Less: Amount expected to be received after 12 months shown under non-current assets	<b>(268,000)</b>	(268,000)
Amount expected to be received within 12 months shown under current assets	<b>6,001,423</b>	6,553,937

The Group allows its customers an average credit period of 45 to 90 days (2024: 45 to 90 days). The following is an aged analysis of trade receivables (excluding those backed by bills) presented based on the invoice date at the end of the reporting period.

	<b>30 June 2025 HK\$'000</b>	31 December 2024 HK\$'000
Aged:		
Not exceeding 30 days	<b>1,687,242</b>	2,178,694
31–60 days	<b>793,627</b>	723,112
61–90 days	<b>139,205</b>	151,083
91–120 days	<b>74,075</b>	59,485
Over 120 days	<b>221,146</b>	208,166
	<b>2,915,295</b>	3,320,540

#### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2025 HK\$'000</b>	31 December 2024 HK\$'000
Trade payables	2,246,066	2,374,317
Construction fee payable	279,178	500,593
Accruals	350,262	394,331
Other payables	212,826	223,340
	<b><u>3,088,332</u></b>	<b><u>3,492,581</u></b>

The average credit period taken for trade purchases ranges from 30 to 90 days (2024: 30 to 90 days). The following is an aged analysis of the above trade payables presented based on the invoice date at the end of the reporting period.

	<b>30 June 2025 HK\$'000</b>	31 December 2024 HK\$'000
Aged:		
Not exceeding 30 days	879,451	868,458
31–60 days	391,841	469,654
61–90 days	320,799	153,893
91–120 days	268,027	180,783
Over 120 days	385,948	701,529
	<b><u>2,246,066</u></b>	<b><u>2,374,317</u></b>

#### 15. PERPETUAL CAPITAL SECURITIES

On 29 May 2019, the Company (the “Issuer”) issued US\$300 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. The 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 or otherwise acquire any securities of lower rank.

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 30 June 2025 and 31 December 2024.

#### 16. REVIEW OF INTERIM ACCOUNTS

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee.

## **BUSINESS REVIEW AND OUTLOOK**

During the first half of 2025, although the paper manufacturing industry in the PRC showed “moderate recovery” driven by strong consumption stimulus, there are also multiple challenges including capacity expansion, price fluctuations in raw materials and changes in export markets. Benefitting from its pulp and paper integration, world-wide presence, and digital transformation strategy, the Group demonstrated its competitive edges despite heightening geopolitical tensions, achieving sustained profit recovery and stable growth during the period.

The Group’s total revenue for the six months ended 30 June 2025 decreased by 2.2% to HK\$12.2 billion as compared with the same period last year. Net profit increased by 0.7% to HK\$811 million. Earnings per share for the period were HK18.88 cents (2024: HK17.69 cents).

The board of directors has declared an interim dividend of HK6.6 cents per share for 2025 (2024: HK6.2 cents). The aggregate sales of the Group for the six months ended 30 June 2025 amounted to 3.49 million tons, with net profit per ton of HK\$232.

## **INDUSTRY AND BUSINESS REVIEW**

During the period under review, changes in tariff policy further exacerbated the supply-demand imbalance in the PRC’s pulp market, resulting in a fluctuating and downward trend for the prices of pulp. The persistent pressure resulting from the release of production capacity in the paper manufacturing industry has slowed down the growth rate of newly-added production capacity. Benefitted from the accelerated growth of exports during the second quarter driven by uncertainties of tariff policy, coupled with the anticipation of introduction of policies to boost consumption, the sector had demonstrated its resilience with a gradual recovery in demand. Meanwhile, its competitive landscape was being reshuffled at an accelerated pace due to various internal and external factors.

The Group remained vigilant to market changes and made timely adjustments to its production strategies. By strengthening the integration of its industrial chain, the Group flexibly redeployed the production capacity of pulp and paper, thereby mitigating its exposure to fluctuation in raw materials. In addition, to further capitalise on economies of scale and reduce costs, the Group actively optimized its production layout and enhanced vertical integration of its production. During the period, the Group also advanced and upgraded its technologies, so to improve overall efficiency and realise effective cost reduction.

International trade conflicts and tariff policies have brought significant uncertainties to business operations. The Group had previously set up factories in Vietnam and Malaysia to diversify operational risks with presence in overseas markets. In order to explore new export markets, the Group accelerated its expansion along the “Belt and Road” regions and European markets, aiming to achieve a diversified industrial presence and greater profitability.

## BUSINESS PROSPECTS

Packaging paper remains the Group's core business. A series of national policies promoting green packaging and circular economy, including Opinion on Further Strengthening Plastic Pollution Control (《關於進一步加強塑料污染治理的意見》), 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》), have explicitly restricted plastic packaging and supported the development of the packaging paper sector. Furthermore, the Central Economic Work Conference emphasized “boosting consumption” at the end of 2024, which would stimulate the demand on packaging paper amid the expansion of e-commerce logistics. With its integrated and intelligent production capabilities, the Group's packaging paper business is well-positioned to further unlock its potential in profit growth.

Regarding overseas markets, the Group continues to strengthen its presence along the “Belt and Road” regions and keeps exploring new export markets. Leveraging digital and smart technology, the Group aims to provide more competitive industrial chain services. Moreover, the geographical advantages of the Group's production bases in Vietnam and Malaysia have enhanced overall operational efficiency, strengthening its industrial chain integration and world-wide presence.

Regarding its tissue paper business, the Group continues to honour its commitment on high-quality and green development. It has researched, developed and produced premium and environmentally friendly consumer tissue paper in response to consumer demand. The wide range of our tissue paper products, including natural bamboo unbleached tissues, has been compelling to consumers and won their support. The Group strives to enhance its product competitiveness and regularly introduces new products with softer texture to meet the evolving consumer demand. Currently, the consumption of consumer tissue paper per capita in the PRC is still far below that of developed markets such as Europe and the USA. With the sustained economy growth and improving living standards in the PRC, the rising demand for consumer tissue paper will continue to unlock the growth potential of the Group's tissue paper business. Despite the anticipated uncertainties and challenges in the second half of the year, the domestic economy is expected to stabilise and rebound under a series of stimulus policies. The Group will uphold the principle of pursuing progress while maintaining stability, proactively respond to consumer demand and leverage its industrial chain advantages to capture further market shares of its tissue paper business.

The pulp business is an integral part of the Group's vertically integrated production. The Group will continue to advance its technological upgrades and enhance its pulp production facilities to reduce costs and improve efficiency. At the same time, the Group will further refine its vertical integration to ensure a stable supply of raw materials for higher efficiency and profitability.

To address market challenges, the Group is currently streamlining its production processes by way of automation and artificial intelligence, and at the same time upgrading the technology of power stations for energy conservation and emission reduction, ultimately lowering its costs. The paper manufacturing industry is expected to maintain a moderate recovery, with some positive developments on both the demand and supply sides. It is anticipated that the government will adopt more robust and targeted measures to stimulate consumption, while the supply side is reaching the end of the capacity cycle with gradual recovery in the profitability of the industry. Looking ahead, the Group will keep a close watch on the evolving domestic and overseas markets, strengthen the integration of pulp and paper and digital transformation, constantly improve its operational efficiency, promote the reconfiguration of the competitive landscape, and actively expand into overseas markets to identify new driver for profit growth, so as to achieve long-term development goals.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results of Operation**

Revenue, the profit for the period and the profit for the period attributable to owners of the Company, ordinary shareholders for the six months ended 30 June 2025 were HK\$12,236 million, HK\$811 million and HK\$811 million, respectively and that for the corresponding period last year were HK\$12,505 million, HK\$806 million and HK\$760 million, respectively. The earnings per share for the period was HK18.88 cents as compared to HK17.69 cents for the corresponding period last year.

The Group's active promotion of industrial chain integration over the years which allows the Group to flexibly deploy the supply of raw materials and to embody the strengths brought by its business model. However, the Group has also anticipated the global economic uncertainties, particularly those arising from the continued policy uncertainty on tariffs. These marco risk factors have narrowed the upward effect derived from vertical integration. As a result, the profit for the six months ended 30 June 2025 was comparable to that for the corresponding period last year.

### **Distribution and Selling Expenses**

The Group's distribution and selling expenses was HK\$307 million for the six months ended 30 June 2025 as compared to HK\$306 million for the corresponding period last year. It represented about 2.5% of the revenue for the six months ended 30 June 2025 and was comparable to that of 2.4% for the corresponding period last year.

### **General and Administrative Expenses**

The Group's general and administrative expenses was HK\$590 million for the six months ended 30 June 2025 as compared to HK\$605 million for the corresponding period last year. It represented about 4.8% of the revenue for the six months ended 30 June 2025 and was comparable to that of 4.8% for the corresponding period last year.



## **Finance Costs**

The Group's total finance costs (including the interest on lease liabilities and amount capitalised) was HK\$389 million for the six months ended 30 June 2025 as compared to HK\$462 million for the corresponding period last year. The decrease was mainly due to the decrease in average interest rate on bank borrowings during the period.

## **Inventories, Debtors' and Creditors' Turnover**

The inventory turnover of the Group's raw materials and finished products were 55 days and 20 days, respectively, for the six months ended 30 June 2025 as compared to 54 days and 14 days, respectively, for the year ended 31 December 2024.

The Group's debtors' turnover day was 43 days for six months ended 30 June 2025 as compared to 47 days for the year ended 31 December 2024. 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 six months ended 30 June 2025 as compared to 43 days for the year ended 31 December 2024.

## **Liquidity, Financial Resources and Capital Structure**

The total shareholders' fund of the Group (comprising of the Company's ordinary share capital, the Group's reserves and non-controlling interests) as at 30 June 2025 was HK\$28,854 million (31 December 2024: HK\$28,013 million). As at 30 June 2025, the Group had current assets of HK\$12,297 million (31 December 2024: HK\$12,553 million) and current liabilities of HK\$12,283 million (31 December 2024: HK\$12,583 million). The current ratio was 1.00 as at 30 June 2025, which remains the same as the current ratio as at 31 December 2024.

The Group generally finances its operations with internal generated cash flow and credit facilities provided by its principal bankers in Hong Kong, Macau and the PRC. As at 30 June 2025, the Group had outstanding bank borrowings of HK\$21,924 million (31 December 2024: HK\$21,982 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 30 June 2025, the Group maintained bank balances and cash of HK\$1,657 million (31 December 2024: HK\$1,521 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.73 as at 31 December 2024 to 0.70 as at 30 June 2025 as the result of the decrease in the funding request on capital expenditure after commencement of the operation of pulp production lines during the six months ended 30 June 2025.

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 six months ended 30 June 2025. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

## **EMPLOYEES**

As at 30 June 2025, the Group had a workforce of more than 10,000 employees. Salaries of employees are maintained at a 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.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK\$0.066 (2024: HK\$0.062) per share for the six months ended 30 June 2025 to shareholders whose names appear on the Register of Members on 25 August 2025. It is expected that the interim dividend will be paid around 9 September 2025.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 21 August 2025 to 25 August 2025, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accomplished by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 pm on 20 August 2025.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES AND SALES OF TREASURY SHARES OF THE COMPANY**

Save as the redemption of the Company's perpetual capital securities as disclosed in note 15 to the unaudited condensed consolidated results, during the six months ended 30 June 2025, there were no other purchases, sales or redemptions of the Company's listed securities, and/or sales of any of the Company's treasury shares by the Company, or any of its subsidiaries. As at 30 June 2025, the Company did not hold any treasury shares.

## **MODEL CODE FOR 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. 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 six months ended 30 June 2025. The Model Code also applies to other specified senior management of the Group.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company has complied with the code provisions on Corporate Governance Practices as set out in part 2 of Appendix C1 of the Listing Rules throughout the six months ended 30 June 2025.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprised of three independent non-executive directors namely, Mr. Chau Shing Yim David, Ms. Lo Wing Sze and Mr. Chan Wai Yan, Ronald.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control procedures and financial reporting matters including the review of the Group’s unaudited interim financial statements for the six months ended 30 June 2025.

On behalf of the Board  
**Lee Man Chun Raymond**  
*Chairman*

Hong Kong, 7 August 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.*