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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 2025**

FINANCIAL HIGHLIGHTS

- Revenue for the year of HK\$26,642 million (2024: HK\$25,995 million);
- Net profit for the year of HK\$1,941 million (2024: HK\$1,358 million);
- Stable payout ratio of about 35%, with proposed final dividend of HK9.3 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 2025 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue	3	26,642,283	25,995,421
Cost of sales		(22,746,421)	(22,882,489)
Gross profit		3,895,862	3,112,932
Other income	4	539,934	738,803
Impairment losses (including reversal of impairment losses) on trade receivables		129	3,094
Other gains and losses, net	5	25,525	26,368
Distribution and selling expenses		(656,352)	(656,403)
General and administrative expenses		(1,339,962)	(1,296,943)
Share of result of an associate		10,415	10,709
Share of result of a joint venture		(28)	(28)
Finance costs	6	(215,354)	(326,183)
Profit before tax		2,260,169	1,612,349
Income tax expense	7	(319,152)	(254,771)
Profit for the year	8	1,941,017	1,357,578
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		974,141	159,225
Total comprehensive income for the year		2,915,158	1,516,803

	<i>Note</i>	2025 HK\$'000	2024 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company:			
– Ordinary shareholders		1,941,307	1,312,839
– Perpetual capital securities holders		–	45,473
Non-controlling interests		(290)	(734)
		<u>1,941,017</u>	<u>1,357,578</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company:			
– Ordinary shareholders		2,908,900	1,471,707
– Perpetual capital securities holders		–	45,473
Non-controlling interests		6,258	(377)
		<u>2,915,158</u>	<u>1,516,803</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share – Basic	<i>10</i>	<u>45.20</u>	<u>30.56</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	<i>Notes</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	41,631,575	39,604,313
Right-of-use assets	<i>11</i>	1,232,097	1,221,275
Investment properties		576,191	559,745
Deposits paid for acquisition of property, plant and equipment		749,136	943,363
Interest in an associate		133,686	120,208
Interest in a joint venture		80,398	80,426
Loan to a joint venture		49,056	–
Trade and other receivables and prepayments	<i>13</i>	268,000	268,000
		44,720,139	42,797,330
CURRENT ASSETS			
Inventories	<i>12</i>	4,822,011	4,419,341
Loan to a joint venture		–	54,612
Trade and other receivables and prepayments	<i>13</i>	6,190,186	6,553,937
Amounts due from related companies		14,477	3,960
Bank balances and cash		1,941,731	1,521,179
		12,968,405	12,553,029
CURRENT LIABILITIES			
Trade and other payables	<i>14</i>	4,233,731	3,492,581
Amounts due to related companies		12,463	14,468
Tax payable		83,621	45,441
Lease liabilities		17,082	14,730
Contract liabilities		93,885	84,757
Bank borrowings		6,909,036	8,931,380
		11,349,818	12,583,357
NET CURRENT ASSETS (LIABILITIES)		1,618,587	(30,328)
TOTAL ASSETS LESS CURRENT LIABILITIES		46,338,726	42,767,002

	2025	2024
	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Bank borrowings	14,097,152	13,050,914
Lease liabilities	49,104	52,683
Deferred tax liabilities	1,741,031	1,650,230
	<u>15,887,287</u>	<u>14,753,827</u>
	<u>30,451,439</u>	<u>28,013,175</u>
CAPITAL AND RESERVES		
Share capital	107,375	107,375
Reserves	30,328,952	27,896,727
	<u>30,436,327</u>	<u>28,004,102</u>
Equity attributable to owners of the Company	15,112	9,073
Non-controlling interests	<u>30,451,439</u>	<u>28,013,175</u>

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards as 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 HKFRS ACCOUNTING STANDARDS

Amendments to a HKFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standard as 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 consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to HKFRS Accounting Standard 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 HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards 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 ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRS Accounting Standards mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRS Accounting Standards 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. HKFRS 18 requires retrospective application with specific transition provision. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

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.

During the year, the Group's operating segments have been reorganised to better align with the strategic and operational management of the business and its markets. Prior year certain comparative segment information has been restated to conform with the current year presentation accordingly.

Segment revenues and results

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

Year ended 31 December 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	20,177,876	6,017,273	447,134	26,642,283	-	26,642,283
Inter-segment sales	-	-	1,913,345	1,913,345	(1,913,345)	-
	<u>20,177,876</u>	<u>6,017,273</u>	<u>2,360,479</u>	<u>28,555,628</u>	<u>(1,913,345)</u>	<u>26,642,283</u>
SEGMENT PROFIT	<u>1,268,300</u>	<u>1,062,677</u>	<u>100,766</u>	<u>2,431,743</u>	-	2,431,743
Net gain from fair value changes of derivative financial instruments and net exchange loss						(5,202)
Unallocated income						81,862
Unallocated expenses						(43,267)
Share of result of an associate						10,415
Share of result of a joint venture						(28)
Finance costs						(215,354)
Profit before tax						<u>2,260,169</u>

Year ended 31 December 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	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>	<u>–</u>	<u>1,858,503</u>
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						(326,183)
Profit before tax						<u>1,612,349</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 from fair value changes of derivative financial instruments, rental income, interest income, net exchange (loss) gain, 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 segments:

As at 31 December 2025

	Packaging paper HK\$'000	Tissue paper HK\$'000	Pulp HK\$'000	Consolidated HK\$'000
Segment assets	38,829,592	8,126,052	8,791,169	55,746,813
Unallocated assets				<u>1,941,731</u>
Consolidated total assets				<u>57,688,544</u>
Segment liabilities	2,309,929	579,604	677,174	3,566,707
Unallocated liabilities				<u>23,670,398</u>
Consolidated total liabilities				<u>27,237,105</u>

As at 31 December 2024

	Packaging paper <i>HK\$'000</i>	Tissue paper <i>HK\$'000</i>	Pulp <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets (restated)	37,703,790	7,836,583	8,288,807	53,829,180
Unallocated assets				<u>1,521,179</u>
Consolidated total assets				<u>55,350,359</u>
Segment liabilities (restated)	1,679,162	233,736	628,055	2,540,953
Unallocated liabilities				<u>24,796,231</u>
Consolidated total liabilities				<u>27,337,184</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, 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:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Packaging paper (including linerboard and corrugating medium)	20,177,876	20,102,823
Tissue paper	6,017,273	5,229,124
Pulp	447,134	663,474
	<u>26,642,283</u>	<u>25,995,421</u>

Geographical information

Approximately 84% (2024: approximately 89%) 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	
	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
The PRC other than Hong Kong and Macau	33,011,665	31,811,887
Malaysia	8,187,171	7,441,263
Vietnam	2,244,931	2,283,055
Hong Kong, Macau and others	959,316	993,125
	<u>44,403,083</u>	<u>42,529,330</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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Value added tax and other tax refund	187,947	178,129
Income from supply of steam and electricity, net	35,552	23,722
Income from wharf cargo handling, net	26,819	23,716
Interest income from banks	12,975	12,426
Government subsidy income	149,446	265,877
Rental income	70,324	55,129
Write back of trade and other payables	7,574	49,302
Others	49,297	130,502
	<u>539,934</u>	<u>738,803</u>

5. OTHER GAINS AND LOSSES, NET

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Gain on disposal of right-of-use assets	58,444	–
Net gain from fair value changes of derivative financial instruments	1,215	825
Loss on disposal of property, plant and equipment, net	(27,647)	(15,655)
Net foreign exchange (loss) gain	(6,417)	41,198
Loss on deregistration of a subsidiary	(70)	–
	<u>25,525</u>	<u>26,368</u>

6. FINANCE COSTS

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Interest expense on lease liabilities	2,859	3,158
Interest on bank borrowings and advances drawn on bills discounted	732,665	932,153
Less: amounts capitalised to property, plant and equipment	(520,170)	(609,128)
	<u>215,354</u>	<u>326,183</u>

Borrowing costs capitalised during the year arose from the general borrowings and are calculated by applying a capitalisation rate ranging from 2.50% to 5.31% (2024: ranging from 3.57% to 5.83%) per annum to expenditures on qualifying assets.

7. INCOME TAX EXPENSE

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Income tax recognised in profit or loss:		
Current tax		
– The PRC Enterprise Income Tax (“EIT”)	128,312	78,055
– PRC withholding tax on dividend distribution	50,342	65,472
– Overseas withholding tax	770	–
– Other jurisdictions	54,988	38,603
	<u>234,412</u>	<u>182,130</u>
(Over)/under provision in previous years		
– The PRC EIT	(2,829)	2,627
– Other jurisdictions	155	(540)
Deferred tax		
– Charge to profit or loss	87,414	70,554
	<u>87,414</u>	<u>70,554</u>
Total income tax recognised in profit or loss	<u>319,152</u>	<u>254,771</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% (2024: 25%) except that eight (2024: seven) of these subsidiaries are entitled to preferential rate of 15% (2024: 15%) for the Group’s financial year ended 31 December 2025.

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%. 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 years.

Malaysia

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

Other jurisdictions

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

8. PROFIT FOR THE YEAR

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	50,550	50,550
Staff salaries and other benefits, excluding those of directors	1,541,537	1,544,707
Contributions to retirement benefit schemes, excluding those of directors	178,284	173,875
	<hr/>	<hr/>
Total employee benefit expense	1,770,371	1,769,132
Capitalised in inventories	(1,225,773)	(1,221,345)
	<hr/>	<hr/>
	544,598	547,787
	<hr/>	<hr/>
Auditor's remuneration		
– Audit services	10,076	10,399
– Non-audit services	1,484	2,046
Cost of inventories recognised as expense	22,746,421	22,882,489
	<hr/>	<hr/>
Depreciation of property, plant and equipment	1,443,541	1,394,789
Depreciation of investment properties	27,354	25,552
Depreciation of right-of-use assets	42,226	42,457
	<hr/>	<hr/>
Total depreciation	1,513,121	1,462,798
Capitalised in inventories	(1,252,937)	(1,199,497)
	<hr/>	<hr/>
	260,184	263,301
	<hr/>	<hr/>
Gross rental income from investment properties	(36,590)	(34,988)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	559	467
	<hr/>	<hr/>
	(36,031)	(34,521)
	<hr/>	<hr/>

9. DIVIDENDS/DISTRIBUTION TO PERPETUAL CAPITAL SECURITIES

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Dividends recognised as distribution to ordinary shareholders:		
Final dividend of HK\$0.045 in respect of the year ended 31 December 2024 (2024: final dividend of HK\$0.061 in respect of the year ended 31 December 2023) per ordinary share	193,275	262,015
Interim dividend of HK\$0.066 in respect of the year ended 31 December 2025 (2024: interim dividend of HK\$0.062 in respect of the year ended 31 December 2024) per ordinary share	<u>283,470</u>	<u>266,290</u>
	<u>476,745</u>	<u>528,305</u>

A final dividend of HK\$0.093 per ordinary share in respect of the year ended 31 December 2025 (2024: final dividend of HK\$0.045 per ordinary share in respect of the year ended 31 December 2024) has been proposed by the directors of the Company and is subject to the approval by shareholders at the forthcoming annual general meeting.

During the year ended 31 December 2024, the Company made a distribution on perpetual capital securities of HK\$45,473,000 to the securities holders.

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\$1,941,307,000 (2024: HK\$1,312,839,000) and weighted average number of 4,295,000,000 (2024: 4,295,845,005) 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\$2,624 million (2024: HK\$3,249 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\$16,263,000 (2024: HK\$11,303,000) of right-of-use assets and HK\$16,263,000 (2024: HK\$11,303,000) of lease liabilities.

12. INVENTORIES

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Raw materials	3,344,689	2,985,670
Finished goods	1,477,322	1,433,671
	<u>4,822,011</u>	<u>4,419,341</u>

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Included in trade and other receivables and prepayments are trade receivables amounting to HK\$3,478,421,000 (2024: HK\$3,852,175,000).

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.

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Aged:		
Not exceeding 30 days	1,804,119	2,178,694
31–60 days	804,972	723,112
61–90 days	168,777	151,083
91–120 days	37,011	59,485
Over 120 days	210,602	208,166
	<u>3,025,481</u>	<u>3,320,540</u>

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK\$3,394,173,000 (2024: HK\$2,374,317,000).

The average credit period taken for trade purchases ranges from 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.

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Aged:		
Not exceeding 30 days	1,128,478	868,458
31–60 days	555,584	469,654
61–90 days	287,538	153,893
91–120 days	174,346	180,783
Over 120 days	1,248,227	701,529
	<u>3,394,173</u>	<u>2,374,317</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 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, were 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 were 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 2025 and 31 December 2024.

FINAL DIVIDEND

The Directors have proposed a final dividend of HK9.3 cents (2024: HK4.5 cents) per share for the year ended 31 December 2025 to shareholders whose names appear on the Register of Members on 11 May 2026. 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 22 May 2026.

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 29 April 2026. For ascertaining shareholders’ right to attend and vote at the AGM, the register of members of the Company will be closed from 24 April 2026 to 29 April 2026, 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 23 April 2026.

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 HK9.3 cents per share in cash for the year ended 31 December 2025 to shareholders whose names appear on the register of members of the Company on 11 May 2026 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 6 May 2026 to 11 May 2026, 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 5 May 2026.

BUSINESS REVIEW AND OUTLOOK

Business Review and Outlook

In 2025, the paper manufacturing industry in the PRC recorded a slight increase in production output amid margin pressure, showing a pattern of “increase in total production output yet divergence in earning performance”. Affected by price fluctuations in raw materials and an uneven recovery in downstream demand, overall industry profitability contracted and the business performance of market participants differed significantly. Benefiting from its forward-looking pulp and paper integration, world-wide presence, and intelligent transformation strategy, the Group has demonstrated strong resilience in a complex environment and managed to seize market opportunities, making steady improvement in profitability and high-quality growth.

For the year ended 31 December 2025, the Group recorded total revenue of HK\$26.6 billion, representing an increase of 2.5% from the previous year, while the profit for the year increased by 43% to HK\$1.9 billion as compared to the previous year. Earnings per share for the year were HK45.20 cents (2024: HK30.56 cents).

The board of directors has proposed a final dividend of HK9.3 cents per share for 2025 (2024: HK4.5 cents).

Industry and Business Review

In 2025, the paper manufacturing industry in the PRC faced significant headwinds from the tariff barriers in international trade and has undergone the stage of “anti-involution” transformation characterized by declining profits due to overcapacity and disorderly low-price competition. Despite the increase in production output for some small and medium-sized enterprises, they recorded decrease in year-on-year revenue and profits. The industry exhibited several trends of “reliance on imported pulp”, “implementation of forestry, pulp, and paper integration by leading companies,” and “elimination of small and medium-sized enterprises”.

During the year, pulp price generally exhibited a pattern of starting low and ending high, with fluctuating adjustments throughout. In the first half of the year, lowered expectations for global economic growth and the release of new production capacity posed downward pressure on pulp prices. From mid-year to the second half of the year, as a result of tightened pulp supply owing to the implementation of domestic “anti-involution” policies, coupled with the news of downsizing production or switching to other production at some overseas pulp mills, paper manufacturing companies increased their prices to alleviate cost pressures. Meanwhile, the in-depth implementation of stimulating policies on domestic consumption such as the “trade-in” program has effectively boosted the demand for packaging and consumer paper, supporting the overall increase in paper prices.

In view of the complex and ever-changing industry environment, the Group adopted proactive strategies to address challenges and seize opportunities. Fully leveraging the advantage of its vertical integration of pulp and paper operations, the Group effectively mitigated the cost pressures caused by significant price fluctuations in raw materials through flexible adjustment of its capacity between internal pulp production and external procurement. Simultaneously, the Group continued to optimize the production layout and energy structure of its domestic production bases, further reducing its overall production costs. During the year, a number of technology upgrade and efficiency enhancement projects were actively implemented for the Group's production lines, which have increased its overall efficiency and laid a solid foundation for the full release of production capacity and efficiency enhancement.

In the face of uncertainties in geopolitics and trade policies, the Group's overseas production bases in Vietnam and Malaysia have played a vital role. These bases not only serve the local and surrounding markets, but also act as bridgeheads for the Group to expand into emerging export markets along the "Belt and Road", including Southeast Asia and Europe, achieving market diversification and risk mitigation.

Business Prospects

Packaging paper remains the Group's core business. The demand for green packaging solutions was buoyant as the PRC government strengthens its commitment to addressing plastic pollution. The continuous expansion of e-commerce logistics and the "trade-in" policy for consumer goods will directly drive the growth of demand for high-quality packaging paper. In 2026, the PRC government prioritized "boosting consumption" as its top economic goal, which is expected to favor the packaging paper business. With cost advantages through integration and intelligent manufacturing capabilities, the Group's packaging paper business is well positioned to capture further market share and increase its profit margins.

Looking ahead, our key strategic focus will be on the expansion of export markets. We will continue to expand the regional coverage of our production bases in Southeast Asia and actively explore investment opportunities in emerging markets along the "Belt and Road". By upgrading our industrial chain with digital and intelligent technologies, we aim at providing more competitive supply chain services to our global customers, truly transforming our world-wide presence into a sustainable growth engine.

As for its tissue paper business, the consumption of tissue paper per capita in the PRC has enormous growth potential, when compared with that in developed markets. The Group will insist on high-end and green development, continue to launch new products with softer texture and better quality to meet upgraded consumer demand and enhance the competitiveness through continuous product innovation, so as to capture market opportunities for long-term growth brought about by consumption upgrades.

The pulp business is a crucial part of vertically integrated production. The Group will continue to advance technological upgrades and optimise production facilities to reduce costs and increase efficiency. At the same time, the Group will continue to refine its vertically integrated system to ensure a stable supply of raw materials to the downstream paper and tissue manufacturing businesses, thereby enhancing the operational efficiency and profitability of the entire supply chain.

To address market challenges, the Group is actively deploying automation, artificial intelligence, and other technological applications to streamline its production processes and optimize its workflow. In addition, it will achieve energy savings and emission reductions through technology upgrades of power stations, effectively control its costs and is committed to optimizing its product structure and improving internal efficiency. Looking ahead to 2026, China's paper industry is expected to maintain a tone of "moderate recovery and structural reshaping" under the combined effects of sustained consumption stimulus policies and supply-side structural optimisation. The pressure from the release of production capacity faced by the whole industry will further ease, but fluctuations in raw material costs and uncertainties in the global trade environment will continue to pose challenges. As the Group is actively optimizing its production line efficiency and implementing technological upgrades, it is expected to fully release its production capacity in 2026, thereby driving the growth in future profitability. In the future, the Group will strengthen its integrated strategic planning, fully explore the potential of intelligent transformation for cost reduction and efficiency improvement, further optimize its product and capacity structure, and leverage the synergies of its world-wide presence to continuously improve its operational efficiency and resilience, thereby enhancing its profitability.

Conclusion

The Group would like to express sincere gratitude to its employees and the stakeholders for their continuous support. The Group has committed to consolidate its leadership in the paper manufacturing industry, and to build on the strengths that have underpinned its solid growth. The Group will strive to further enhance its profitability, in a bid to create greater values 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 2025 was HK\$26.64 billion and HK\$1.94 billion respectively, while its net profit per tonne was HK\$257.

The earnings per share for the year was HK45.20 cents when compared with HK30.56 cents for the year ended 31 December 2024.

Distribution and Selling Expenses

The Group's distribution and selling expenses was HK\$656 million for the year ended 31 December 2025 as compared to HK\$656 million for the year ended 31 December 2024. It represented about 2.5% of the revenue for the year ended 31 December 2025 and was comparable to the year ended 31 December 2024.

General and Administrative Expenses

The Group's general and administrative expenses was HK\$1,340 million for the year ended 31 December 2025 as compared to HK\$1,297 million for the year ended 31 December 2024. It represented about 5.0% of the revenue for the year ended 31 December 2025 and was comparable to the year ended 31 December 2024.

Finance Costs

The Group's total finance costs (including the amounts capitalised) was HK\$736 million for the year ended 31 December 2025 as compared to HK\$935 million for the year ended 31 December 2024. The decrease was mainly due to the decrease 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 60 days and 18 days, respectively, for the year ended 31 December 2025 as compared to 54 days and 14 days, respectively, for the year ended 31 December 2024.

The Group's debtors' turnover days were 41 days for the year ended 31 December 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 61 days for the year ended 31 December 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, reserves and non-controlling interests) as at 31 December 2025 was HK\$30,451 million (2024: HK\$28,013 million). As at 31 December 2025, the Group had current assets of HK\$12,968 million (2024: HK\$12,553 million) and current liabilities of HK\$11,350 million (2024: HK\$12,583 million). The current ratio was 1.14 as at 31 December 2025 as compared to 1.00 at 31 December 2024.

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 2025, the Group had outstanding bank borrowings of HK\$21,006 million (2024: HK\$21,982 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 31 December 2025, the Group maintained bank balances and cash of HK\$1,942 million (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 0.63 as at 31 December 2025 since pulp factories became fully operational and started to be profitable and certain bank borrowings were repaid directly during the current year.

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 2025. The Group has used currency structured instruments, foreign currency borrowings or other means to hedge its foreign currency exposure.

Employees

As at 31 December 2025, 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 and Sales of Treasury Shares of the Company

Save as the redemption of the Company's perpetual capital securities disclosed 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. As at 31 December 2025, the Company did not hold any treasury shares.

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 part 2 of 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 2025, 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 2025. 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 2025 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 as approved by the Board on 10 March 2026. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 29 April 2026. 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, 10 March 2026

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.