



Lee & Man Paper 2015 Annual Net Profit Surged 22.4% to HK\$2.33 Billion Total Sales Volume Increased to 5.44 Million Tons

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Tissue Paper Business as the New Growth Driver Targets to Expand into Overseas Packaging Paper Markets

(Hong Kong, 1 March 2016) – Lee & Man Paper Manufacturing Limited (“Lee & Man Paper” or the “Group”) (HKEx: 2314), one of the largest containerboard manufacturers in China, announced today its annual results for the twelve months ended 31 December 2015. During the period, the Group recorded a total sales volume of 5.44 million tons, a total revenue of HK\$17.6 billion, annual net profit of HK\$2.33 billion, and the average net profit of the products was HK\$429 per ton.

The Board of Directors declared payment of a final dividend of HK9.5 cents per share. Together with the interim dividend of HK8.5 cents per share already paid, total dividends for the year amounted to HK 18 cents per share, representing a stable payout ratio of about 35% of net profit.

Dr Raymond Lee, Chairman of Lee & Man Paper, said, “The PM20 paper machine with an annual production volume of 320,000 tons and four tissue paper machines with an annual production volume of 135,000 tons — all of which are located in the Chongqing Industrial Park — have commenced full production since last year. Benefitting from factories being shutdown in Dongguan which reduced overcapacity, falling fuel and raw material prices, and refund policies for value-added taxes, both sales revenue and profit recorded growth.”

The Group has entered the tissue paper market in 2014 to expand its business. Apart from establishing the brand name of its products, the tissue paper with the corporate brand “Hanky” has commenced production in the fourth quarter of 2015. The Group’s four tissue paper machines with a production volume of 135,000 tons has been operating at full capacity since 2015. In order to cope with market demand, the Group is planning increasing its production capacity by 220,000 tons by the fourth quarter in 2016. The Group will be able to reduce the production cost of tissue paper by utilizing its pulp production facilities in Chongqing, and it expects that the profit contribution from the tissue paper business will increase. The Group is also considering the possibility of developing the tissue paper business in other locations.

Apart from the tissue business, the Group will expand into overseas packaging paper markets and invest in the construction of overseas paper factories to stay in line with the expansion of the Southeast Asian markets. It is expected that the paper machine project in Hau Giang, Vietnam — which can provide 400,000 tons of production capacity — will begin operations in the second half of 2016. As the overseas packaging paper market possesses enormous potential, the Group may invest more resources in this sector.

In order to solve the overcapacity and the environmental issues for the paper industry, the PRC Government has steadily closed down obsolete production capacities in previous years. Local government authorities will impose more stringent environmental monitoring policies, which will shut down even more obsolete production capacities, thereby alleviating the supply over demand situation for the paper industry and restoring the industry's bargaining power. Despite the slowdown in the growth of the domestic economy and the consumption for packaging paper, the demand for packaging paper in China is expected to grow steadily in the long run. In addition, the rapid development of online shopping has led to fundamental changes in consumption and logistics models, benefitting the packaging paper industry which is currently in the process of consolidation. Hence, the Group is optimistic about the outlook of the paper industry.

As at 31 December 2015, the Group maintained a strong financial position with bank balances and cash of HK\$2,959 million (31 December 2014: HK\$2,033 million). The Group's net gearing ratio maintained a healthy level of 66%.

Mr Edmond Lee, Chief Executive Officer of Lee & Man Paper, concluded, "Based on our consistent adoption of prudent strategies, and with a reasonable debt level, we will continue to increase capacity in tissue paper and develop new industrial park in Vietnam in tandem with the pace of economic development. The management will continue to make efforts to enhance production efficiencies, strictly control costs and strengthen capital operation in order to maintain our competitiveness in the paper industry. The Group's business will continue under the leadership of an experienced and capable management team, with a view to further enhancing profitability."

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About Lee & Man Paper Manufacturing Limited

Lee & Man Paper Manufacturing Limited is one of the leading paper manufacturers in China, specialising in the production of a range of linerboard and corrugating medium used to produce cardboard boxes for packaging purposes. Currently, the Group has five paper production plants in China, located at Huangyong in Dongguan, Hongmei in Guangdong, Changshu in Jiangsu, Yongchuan in Chongqing and Jiujiang in Jiangxi. Total annual production capacity of the Group is currently 5.23 million tons of containerboard, 150,000 tons of pulp and 135,000 tons of tissue paper.

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