

## Lee & Man Paper Net Profit Rockets 76% to HK\$5.04 Billion

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### Tissue Paper Business Thrives Packaging Paper Business Expands into Overseas Markets Set to Drive Group's Growth

(Hong Kong, 28 February 2018) – **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 year ended 31 December 2017, reporting total revenue of HK\$25.84 billion (2016: HK\$18.34 billion). Annual net profit increased by 76% year-on-year to HK\$5.04 billion and net profit per ton was HK\$913. Earnings per share were HK111.47 cents (2016: HK62.64 cents).

The Board of Directors declared payment of a final dividend for the year ended 31 December 2017 of HK20.0 cents per share (2016: HK11.0 cents per share). Together with the interim dividend of HK17.0 cents per share already paid (2016: HK11.0 cents per share), total dividends for the year amounted to HK 37.0 cents per share (2016: HK22.0 cents per share), representing a payout ratio of about 33% (2016: 35%).

**Dr Raymond Lee, Chairman of Lee & Man Paper**, said, “The Chinese government’s efforts to eliminate obsolete production facilities while implementing environmentally-friendly policies had helped gradually reduce excess capacity in the industry during the year. Demand recovering during the year also notably improved the demand and supply equilibrium in the industry. Paper price has increased as a result of the surge in energy, raw materials and transportation costs. The overall increase in sales revenue as well as the value-added tax refund policy enabled satisfactory growth in the Group’s profit margin. Looking ahead, the Group is optimistic about the outlook of the paper industry. As rapid development of e-commerce and online shopping has fundamentally changed consumption and logistics models, which in turn has benefited the packaging paper industry currently undergoing consolidation, overall paper consumption still has considerable room for growth.”

The Group’s tissue paper business has a total annual production volume of 685,000 tons, supported by 10 tissue paper manufacturing machines with a total annual production volume of 465,000 tons in Chongqing Industrial Park, and two that put out in all 110,000 tons a year respectively in the Jiangxi Industrial Park and the Dongguan Hongmei Industrial Park, Guangdong. The Group has been able to reduce the production cost of tissue paper thanks to greater economies of scale from increased production volume and at the brace of its pulp production facilities in Chongqing. Another two production lines with a combined annual production capacity of 110,000 tons in the Chongqing Industrial Park will commence production this year. After all the production lines are ramped up, the Group’s annual production capacity for tissue paper is expected to reach 795,000 tons. The Group sees tissue paper business contributing considerable profit and becoming another new growth driver in the future.

As for packaging paper business, it has expanded into overseas markets and the Group has invested in construction of paper factories overseas to keep pace with expanding markets in

Southeast Asia. The paper manufacturing machine project in Hau Giang, Vietnam, with an annual production capacity of 400,000 tons is in operation. The PM21 paper manufacturing machine with an annual production volume of 400,000 tons at the Jiangxi plant has also begun operation. The Group is now capable of putting out more than six million tons of packaging paper a year.

As at 31 December 2017, the Group maintained a strong financial position with bank balances and cash of HK\$2,249 million (31 December 2016: HK\$1,274 million). The Group's net gearing ratio stayed at a healthy level of 59% (31 December 2016: 73%).

**Mr Edmond Lee, Chief Executive Officer of Lee & Man Paper**, concluded, "Adhering to its long-held prudent strategies and with debts maintained at a reasonable level, the Group will monitor the pace of economic development in China and Southeast Asia, while continuing to bolster production capacity for packaging and tissue paper, as well as strengthen its presence in Vietnam. The management will also proceed with plans to enhance production efficiency, strictly control costs and strengthen capital operation so as to maintain its competitiveness in the paper industry. Furthermore, our experienced and capable management team will continue to lead development of the Group's businesses and strive its utmost to raise its 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. The Company has also entered the tissue paper market in recent years, manufacturing and launching its own "Hanky" tissue paper brand. 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. The paper manufacturing machine project in Hau Giang, Vietnam has commenced operation. Total annual production capacity of the Group is currently 6.03 million tons of containerboard, 180,000 tons of pulp and 685,000 tons of tissue paper.

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