

Lee & Man Paper announces 2018 Annual Results

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Revenue increased by 24.7% reaching HK\$32.21 billion

Strive to achieve economies of scale while expanding presence in Southeast Asia

(Hong Kong, 11 March 2019) – **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 2018. During the year, the Group’s total revenue increased by 24.7% to HK\$32.21 billion (2017: HK\$25.84 billion). Annual net profit was HK\$4.88 billion (2017: HK\$5.04 billion) and net profit per ton was HK\$797 (2017: HK\$913). Earnings per share were HK109.92 cents (2017: HK111.47 cents).

The Board of Directors declared payment of an annual dividend of HK15.0 cents per share for the year ended 31 December 2018 (2017: HK20.0 cents per share). Together with the interim dividend of HK\$20.0 cents per share already paid (2017: HK\$17.0 cents per share), total dividends for the year amounted to HK\$35.0 cents per share (2017: HK\$37.0 cents per share), representing a payout ratio of about 32% (2017: 33%).

Dr Raymond Lee, Chairman of Lee & Man Paper, said, “Stringent requirements on environmental protection, energy conservation and emission reduction, together with tougher enforcement actions have resulted in a more concentrated market, enabling the Group to gain more market share and stronger bargaining power. Although slackened demand for downstream end paper products dragged down the profit margin of the entire industry in the latter half of 2018, we believe there is further room for growth in the PRC’s paper consumption sector. Riding on the Group’s advanced technology and comprehensive strategic direction, we believe our leading position in the industry will be further strengthened.”

The Group’s current focus lies on the development of various types of linerboard, corrugating medium, coated duplex board and tissue paper, with an intensive effort being devoted to segmental markets to cater to the needs of different customers. For the tissue paper business, the Group has a total annual production volume of 795,000 tons, supported by 12 tissue paper manufacturing machines in Chongqing Industrial Park (575,000 tons a year), Jiangxi Industrial Park (110,000 tons a year) and the Dongguan Hongmei Industrial Park, Guangdong (110,000 tons a year). The new tissue production lines at the Jiangxi plant will commence operation this year. As such, the production volume of tissue in 2019 can be enhanced and become the new growth driver of the Group.

The packaging paper business maintains steady, with annual production volume reaching 6.03 million in aggregate in 2018. The Group has 6 packaging paper plants in China and overseas, which are located in Jiangsu, Guangdong, Chongqing, Jiangxi and Vietnam. The Vietnam production line’s annual capacity has recently been upgraded from 400,000 tons to 550,000 tons, annual production volume of packaging paper has thus reached 6.18 million tons in aggregate subsequent to year end.

Moreover, while enhancing overall economies of scale, the Group will stay focused on developing paper manufacture techniques that are more environmentally friendly and energy efficient, with a view to identifying a win-win path of sustainable development as it tries to find a balance between corporate growth and environmental protection.

As at 31 December 2018, the Group maintained a strong financial position with bank balances and cash of HK\$2,012 million (31 December 2017: HK\$2,249 million). As less capital expenditure was incurred during the year, the Group's net debt-to-equity ratio decreased from 0.59% as at 31 December 2017 to 0.52% as at 31 December 2018.

Mr Edmond Lee, Chief Executive Officer of Lee & Man Paper, concluded, "Looking ahead, the Group will actively expand its business scale, control costs, strengthen production capacity and make proactive efforts in diversifying the paper and pulp business. The Group will ride on its existing production scale to support the 'Belt & Road' strategic initiative while seeking to expand presence in Southeast Asia. Leveraging its leading position in the paper manufacturing industry and its consistently solid development advantage, the Group believes it can maximise the return to shareholders."

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About Lee & Man Paper Manufacturing Limited

Lee & Man Paper Manufacturing Limited is one of the leading paper manufacturers in China, and was included into the MSCI China Index in 2017. The Group specialises in the production of a range of linerboard, corrugating medium and coated duplex board 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.

For Media Enquiries:

Strategic Financial Relations Limited

Ms. Iris Lee	Tel: (852) 2864 4829	Email: iris.lee@sprg.com.hk
Ms. Cindy Lung	Tel: (852) 2864 4867	Email: cindy.lung@sprg.com.hk
Ms. Phoebe Leung	Tel: (852) 2114 4172	Email: phoebe.leung@sprg.com.hk