

Lee & Man Paper announces 2019 Interim Results

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Proactively Optimizes the Industrial Chain to Achieve Diversification of the Paper and Pulp Businesses

(Hong Kong, 13 August 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 interim results for the six months ended 30 June 2019. During the period under review, the Group recorded a total sales volume of 2.81 million tons and a total revenue of HK\$12,947 million (corresponding period in 2018: HK\$16,369 million). Interim net profit was HK\$1,680 million (corresponding period in 2018: HK\$2,980 million), while its net profit per ton was HK\$597. Earnings per share were HK38.35 cents (corresponding period in 2018: HK66.52 cents).

The Board of Directors declared payment of an interim dividend of HK13 cents per share for the six months ended 30 June 2019 (corresponding period in 2018: HK20.0 cents per share).

Dr Raymond Lee, Chairman of Lee & Man Paper, said, “In the first half of 2019, under the impact of supply-side reform, trade frictions and other factors, the paper manufacturing industry has been encountering challenges and adjustments. The Group has proactively responded to the changes in market. We have been committed to developing a vertical business mode covering pulp manufacturing and recycling of waste paper through active consolidation of its upstream resources so as to achieve the integrated development of industrial chain and ensure the supply of raw materials. In the meantime, by expanding scale, controlling costs and strengthening production capacity on basis of the existing business foundation, the Group will have more opportunities for business development.”

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 attaches great importance to consumer tissue business and has achieved the formation of a full-product chain. Lee & Man Paper has endeavored to improve the quality of consumer tissue and boost its scale of production in order to satisfy people’s needs for health and environmental protection as well as consumer requirements. The tissue business has maintained a steady growth as a whole and has become the growth driver of the Group in the medium and long term. The Group will focus on the requirements of the consumers and continue to adopt effective strategies for developing the tissue business.

The packaging paper business is the major core business of the Group and has maintained a steady development in the first half of 2019. Since the outbreak of the US-China trade war in 2018, the packaging paper business in Mainland China has relatively shrunk. In addition, Mainland China embarked on waste paper import restriction policy starting from 2017. The relevant policy restricted the supply of raw materials and have had some bearing on the domestic paper manufacturing industry and the waste paper recycling of the Group. The Group has been actively seeking alternative methods for substituting the import of waste paper.

As at 30 June 2019, the Group maintained a strong financial position with bank balances and cash of HK\$4,202 million (31 December 2018: HK\$2,012 million). During the period, the Group issued USD300 million perpetual capital securities and the Group's net gearing ratio further decreased from 0.51 as at 31 December 2018 to 0.38 as at 30 June 2019.

Mr Edmond Lee, Chief Executive Officer of Lee & Man Paper, concluded, "In the long run, there is still comparatively extensive room for growth in the paper manufacturing industry. We will seize opportunities and make a proactive effort to optimize the industrial chain for achieving diversification of the paper and pulp businesses. The Group will support the 'Belt & Road' initiatives, targeting Southeast Asia market for international development and new production capacity increase. In the future, the Group will continue to seek business opportunities in 'Belt & Road' countries and cities, and is confident in the long term development of the 'Belt & Road' region."

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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. Total annual production capacity of the Group is currently 6.18 million tons of containerboard, 180,000 tons of pulp and 795,000 tons of tissue paper.

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