

Lee & Man Paper Announces 2020 Interim Results

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Active Consolidation of Upstream Resources to Achieve an Integrated Industrial Chain for Future Business Development

(Hong Kong, 4 August 2020) – **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 2020. During the period under review, the Group recorded a total sales volume of 2.78 million tons and a total revenue of HK\$11,071 million (corresponding period in 2019: HK\$12,947 million). Interim net profit was HK\$1,401 million (corresponding period in 2019: HK\$1,680 million), while net profit attributable to owners of the Company for the period was HK\$1,336 million. Its net profit per ton was HK\$505. Earnings per share were HK30.68 cents (corresponding period in 2019: HK38.35 cents).

The Board of Directors declared payment of an interim dividend of HK12 cents per share for the six months ended 30 June 2020 (2019: HK13 cents per share).

Dr Raymond Lee, Chairman of Lee & Man Paper, said, “The paper manufacturing industry still faced certain pressure in 2020. Under the impact of the global novel coronavirus, as well as the ongoing US-China trade frictions, the cost of paper production recorded a substantial increase, which has affected consumer confidence. Lee & Man Paper has proactively responded to the changes in market. The Group has been committed to developing a vertical business model, through active consolidation of its upstream resources covering pulp manufacturing and recycling of waste paper, so as to achieve an integrated industrial chain to ensure the supply of raw materials. At the same time, by expanding scale, controlling costs and strengthening production capacity leveraging 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 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 consumption requirements. The tissue business has maintained steady growth as a whole and the existing capacity reached up to 900,000 tons annually. The Group is focusing on the requirements of consumers and continues to adopt effective strategies for developing the tissue business.

Packaging paper still remains as the core business of the Group. Since the outbreak of the US-China trade war in 2018, the packaging paper business in Mainland China has been relatively weakened. In addition, Mainland China has embarked on an import restriction policy for waste paper starting from 2017. The relevant policy has restricted the supply of raw materials and has had some bearing on the domestic paper manufacturing industry. The Group is actively seeking alternative methods for the import of waste paper.

While Lee & Man Paper will stay committed to offering quality products to the public, the Group will also adhere to a principle that places equal emphasis on production and operation as well as environmental protection, strengthen environmental management, step up efforts in reducing sewage, and implement energy conservation and emission reduction measures. In the long run, it is believed there is still substantial room for growth in the paper manufacturing industry. The Group will seize opportunities to expand its market coverage and maintain competitiveness in the prevailing paper manufacturing industry.

The Group is in a healthy financial position and possesses sufficient cash and available banking facilities to meet its commitment and working capital requirements. As at 30 June 2020, the Group maintained bank balances and cash of HK\$2,237 million (31 December 2019: HK\$2,919 million).

Mr Edmond Lee, Chief Executive Officer of Lee & Man Paper, concluded, "Looking ahead, we will proactively optimize the industrial chain for achieving diversification of the paper and pulp businesses. In the meantime, leveraging the existing business foundation, the Group will support the 'Belt & Road' initiatives, targeting Southeast Asia market for international development and an increase in new production capacity. In future, we will continue to seek business opportunities in countries and cities along the 'Belt & Road' and is confident in the long term development of the region. By leveraging our leading position in the industry and consistently solid development advantage, it is believed the Group can maximise return to shareholders and maintain competitiveness in the prevailing paper manufacturing industry."

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About Lee & Man Paper Manufacturing Limited (Stock Code: 2314)

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; and also one production plant in Hau Giang, Vietnam. Total annual production capacity of the Group is currently 6.18 million tons of containerboard, 180,000 tons of pulp and 900,000 tons of tissue paper.

For Media Enquiries:

Strategic Financial Relations Limited

Ms. Cindy Lung	Tel: (852) 2864 4867 / 9282 4640	Email: cindy.lung@sprg.com.hk
Ms. Beverly Chiu	Tel: (852) 2114 4329 / 9370 8240	Email: beverly.chiu@sprg.com.hk
Ms. Suzanne Leung	Tel: (852) 2864 4873 / 6078 7579	Email: suzanne.leung@sprg.com.hk