

Lee & Man Paper Announces 2020 Annual Results

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Committed to Optimizing Industrial Chain and Developing Internationally

(Hong Kong, 2 March 2021) – **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 2020. During the year, the Group recorded total revenue of HK\$25.87 billion (2019: HK\$27.14 billion). Annual net profit increased by 10.7% to HK\$3.65 billion (2019: HK\$3.30 billion) and net profit per ton was HK\$587 (2019: HK\$525). Earnings per share were HK80.99 cents (2019: HK73.95 cents).

The Board of Directors declared payment of an annual dividend of HK18 cents per share for the year ended 31 December 2020 (2019: HK13 cents per share). Together with the interim dividend of HK12 cents per share already paid (2019: HK13 cents per share), total dividends for the year amounted to HK30 cents per share (2019: HK26 cents per share), representing a payout ratio of about 37% (2019: 34%).

Dr Raymond Lee, Chairman of Lee & Man Paper, said, “The signing of the first phase of the US-China trade agreement at the beginning of last year has reduced market uncertainties. However, the COVID-19 pandemic and the ongoing tensions in the US-China relationship has affected consumer confidence. Meanwhile, with the increase in the cost of paper production, the operation of the industry is still facing challenges. The Group has proactively responded to these changes in the market. We have been committed to developing a vertical business model through active consolidation of our upstream resources, covering pulp manufacturing and recycling of waste paper so as to achieve an integrated industrial chain and ensure the supply of raw materials. At the same time, the Group continues to expand its scale, control costs and strengthen production capacity leveraging its existing business, bringing more opportunities for business development and performance growth.”

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 considers it a major focus and has therefore established an integrated product chain. Lee & Man Paper has endeavored to improve the quality of consumer tissue and boost its scale of production. The Group produces natural bamboo unbleached tissue 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 our 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 remains the core business of the Group. With the increasing prevalence of online consumption in Mainland China and overseas, there is a growing demand for quality packaging paper in the market. This, coupled with the implementation of plastic limit order in Mainland China, are favorable to the Group's packaging paper business. To cope with the full import ban on waste paper in Mainland China, effective from 2021, the Group will actively develop the recycled pulp business in Southeast Asia to replace imported waste paper and strengthen the allocation of raw materials in order to ensure its production cost advantage.

While providing quality products at reasonable prices to maintain its competitiveness, the Group is also committed to fulfilling its corporate social responsibility. It has reduced pollution and carbon emission by recycling waste paper and adopting advanced production technology so as to bring more eco-friendly products to customers. In the long term, the paper manufacturing industry still has a great room for development. The Group will capture the opportunities to expand its market scale and maintain the Group's competitiveness in the paper manufacturing industry.

As at 31 December 2020, the Group maintained a strong financial position with bank balances and cash of HK\$1,185 million (2019: HK\$2,919 million). The Group's net gearing ratio decreased from 0.36 as at 31 December 2019 to 0.33 as at 31 December 2020.

Mr Edmond Lee, Chief Executive Officer of Lee & Man Paper, concluded, "Looking ahead, the Group will proactively optimize the industrial chain in order to diversify its paper and pulp businesses. In the meantime, the Group will support the 'Belt & Road' initiatives leveraging the foundation of its existing business, targeting the Southeast Asia market for international development, and introduce new production capacities in countries such as Vietnam, Malaysia and Indonesia. In the future, we will continue to seek business opportunities in countries and cities along the Belt & Road and are confident in the long-term development of the region's paper industry."

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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; And two production plants in Southeast Asia, one in Hau Giang, Vietnam and one in Selangor, Malaysia. Total annual production capacity of the Group is currently 6.53 million tons of containerboard, 180,000 tons of pulp and 895,000 tons of tissue paper.

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