

## Lee & Man Paper Announces 2019 Annual Results

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### Proactively Optimizing Industrial Chain and Developing Internationally

(Hong Kong, 5 March 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 annual results for the year ended 31 December 2019. During the year, the Group recorded total revenue of HK\$27.14 billion (2018: HK\$32.21 billion). Annual net profit was HK\$3.30 billion (2018: HK\$4.88 billion) and net profit per ton was HK\$525 (2018: HK\$797). Earnings per share were HK73.95cents (2018: HK109.92 cents).

The Board of Directors declared payment of an annual dividend of HK13.0 cents per share for the year ended 31 December 2019 (2018: HK15.0 cents per share). Together with the interim dividend of HK13.0 cents per share already paid (2018: HK20.0 cents per share), total dividends for the year amounted to HK26.0 cents per share (2018: HK35.0 cents per share), representing a payout ratio of about 34% (2018: 32%).

**Dr Raymond Lee, Chairman of Lee & Man Paper**, said, “The paper manufacturing industry still faced certain pressure in 2019. Under the impact of supply-side reform, US-China trade frictions and other factors, 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. The new tissue production line with capacity of 100,000 tons at Jiangxi plant has commenced operation, and the tissue business has become the new growth driver of the Group.

Packaging paper is still 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 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 had have some bearing on the domestic paper manufacturing industry, in turn impacting the waste paper recycling of the Group. The Group will actively seek 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.

As at 31 December 2019, the Group maintained a strong financial position with bank balances and cash of HK\$2,919 million (2018: HK\$2,012 million). As the Company issued USD300 million perpetual capital securities during the year, the Group's net gearing ratio further decreased from 0.51 as at 31 December 2018 to 0.36 as at 31 December 2019.

**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 mean time, leveraging the existing business foundation, the Group will support the "Belt & Road" initiatives, targeting Southeast Asia market for international development and new production capacity increase. 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. Leveraging our leading position in the paper manufacturing industry and consistently solid development advantage, it is believed the Group can maximise 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; 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 895,000 tons of tissue paper.

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