

[For Immediate Release]

## LEE & MAN PAPER ANNOUNCES 2003/04 ANNUAL RESULTS

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### *NET PROFIT UP 34% AT HK\$285 MILLION*

Results Highlights	12 months ended 31 March		
	2004 (HK\$'000)	2003 (HK\$'000)	Change (%)
Turnover	1,701,055	1,028,406	↑ 65.4%
Gross Profit	378,352	272,819	↑ 38.7%
Net Profit	284,878	213,076	↑ 33.7%
Basic earnings per Share (HK cents)	40.71	37.88	↑ 7.5%
Final Dividend (HK cents)	10	N/A	N/A

(Hong Kong, 6 July 2004) – **Lee & Man Paper Manufacturing Limited** (“Lee & Man Paper” or the “Group”) (stock code: 2314), one of the largest containerboard manufacturers in China today announced its annual results for the 12 months ended 31 March 2004. This is also the Group’s first set of annual results since its successful listing on the Main Board of Stock Exchange of Hong Kong in September 2003.

For the year under review, Lee & Man Paper reported turnover of HK\$1,701,055,000, 65.4% higher than the previous year. Net profit was 33.7% higher at HK\$284,878,000. The level of net profit achieved is also 14.0% higher than the profit forecast stated in the Company’s prospectus of HK\$250,000,000. Basic earnings per share stood at HK40.71 cents per share (2003 : HK37.88 cents per share).

The Board of Directors recommends the payment of a final dividend of HK10 cents per share (2003 : nil).

**Mr. Raymond Lee, Chief Executive Officer and Managing Director of Lee & Man Paper** said, “I am pleased to see that both our top line and bottom line have continued to grow. This set of result included a full year contribution from our PM4, which alone has an annual capacity of 350,000 metric tons (MT). In addition, our PM 5, with annual capacity of 200,000 MT formally commenced production in January 2004. We also saw our presence expanded from the Zhujiang River Delta to the Yangtze River Delta following the opening of our Changshu mill. These are all very important development milestones, not to mention that we also became a listed company in Hong Kong.”

The Group’s margin was slightly affected during the year due to the short lived effect of SARS in the early part of the financial year. The run-in process of PM5 at its early stage of production, the higher energy costs and increased tax provision also had a minor effect. However, due to robust demand in China, the Group continued to enjoy favorable pricing environment for its products. For the year, linerboard and corrugating medium accounted for 79% and 21% of turnover respectively.

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In addition to pleasing operating results, the Group's Dongguang plant also received ISO 9001:2000 and ISO 14001:2000, affirming its high standards of quality management and environmentally friendly production facilities. The Group was also one of the few paper manufacturing plants in China to receive the ISO14001:2000 certification.

"We continued to see strong demand for our products, as reflected from our inventory for finished goods which stood at 7 days, compared to 27 days in the previous year. Much of the demand originated from the thriving consumption activities in China," said Mr. Lee. "It is a simple demand versus supply scenario, and forecasts have shown that containerboard supply will still fall short of demand in China by 2 million MT even by 2006 despite ongoing capacity expansion. Therefore, there are plenty of market opportunities for us."

Lee & Man Paper's financial position also improved significantly. Year-on-year, current ratio was up from 0.73 to 1.51. Net debt to equity ratio was down from 2.45 to 0.47. As for cash on hand, the Group had cash of HK\$351,700,000 as at year-end, compared with HK\$23,300,000 a year ago.

Following the production commencement of PM5 in Changshu mill, the Group's annual capacity was increased to approximately 850,000 MT. PM6, with capacity of 350,000 MT per year is scheduled to start production in September 2004. This will bring the Group's total capacity to approximately 1,200,000 MT.

To pave way for growth in the medium term, approximately HK\$800,000,000 was raised for the investment of a third production plant located at Hongmei, Dongguan in March this year. With a land of 1,200 acres, this plant will house the Group's PM7, which has a designed capacity of 400,000 MT per annum and is expected to commence operation in 2005. PM8, PM9 and PM10 are also being planned at this site. "In the paper manufacturing business, we need to plan well ahead. Therefore, we continue to adopt a phased expansion strategy. In addition to capacity expansion, which is fundamental for supporting business growth, we are also committed to enhancing business margins through improving cost structure and product diversification." Mr. Lee commented.

The Group has a planned capital expenditure budget for the financial year ending March 2005 of HK\$840,000,000. It has also set out a roadmap for capacity expansion, whereby total capacity is expected to go up to 1,300,000 MT by the end of the financial year ending March 2006. This will further enhance the Group's leading position in China's containerboard manufacturing industry. At the same time, the Group will also seek to set up more OCC sourcing subsidiaries particularly in Europe and Japan. It will try to ensure price stability by entering long term agreements directly with coal mines, as well as entering into long term contracts with shipping companies to minimize transportation costs of coal. These measures will allow the Group to have better material controls as well as enhance the overall cost structure.

On the product diversification side, Lee & Man Paper will strive through innovation to improve attributes such as thickness and strengths of corrugating medium. With this in mind, PM6 is actually tailored to cater for innovations in this area. The research team will also investigate the production of other paper grades which enjoy higher margins.

Mr. Lee concluded, "Robust demand for containerboard in China will continue to lend important support to our business. With our established strengths in the industry, I am confident in taking business further in the years ahead."

**About Lee & Man Paper Manufacturing Limited**

Lee & Man Paper is one of the largest containerboard producers in China. The Group specializes in the production of a range of linerboard and corrugating medium, used to produce cardboard boxes for packaging purposes. The Group has two mills in Dongguan, located at Zhong Tong and Hong Mei, and one mill in Changshu, Jiangsu. The Zhong Tong plant houses the Group's PM1 to PM4 whilst the Changshu mill houses PM5 to PM6. PM7 to PM10 are being planned at the Hong Mei mill. In addition to boasting large capacity, Lee & Man Paper's Dongguan mill is certified with ISO9001:2000 and ISO14001:2000, reflecting the high standards of paper product and environmentally friendly production facilities.

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