

## CHAIRMAN'S STATEMENT

To recap some of this year's financial highlights, the net profit is 285 million Hong Kong dollars on sales of 1.701 billion Hong Kong dollars. This represents an increase of 34% and 65% over the previous year respectively. These figures are consistent with our theory – continued development and effective management system are crucial factors of profit making.

### BUSINESS REVIEW

Lee & Man Paper was established in 1994. The first production line was set up in Dongguan and started operation in 1998 with a capacity of 100,000 tons of containerboard per annum. Today, our Dongguan plant has firmly established itself as one of the leading manufacturer of containerboard paper in China. Over the years we have developed a very good reputation in the Pearl River Delta Region. In 2004, the Company was awarded Certifications of ISO 9001:2000 and ISO 14001:2000 by Det Norske Veritas in recognition of our efforts in improving management quality and environmental protection in our Dongguan Plant.

### OUTLOOK

The Group will continue to expand in a fast pace. We are now targeting another important market – “Yangtze River Delta economic zone”. The first production line (PM5) in our Changshu plant, with an annual production capacity of 200,000 tons of linerboard, started operation in early 2004 and we expect positive contribution from its production line to be reflected in our next interim result. Another production line (PM6) located at the same mill with an annual production capacity of 350,000 tons of corrugating medium is scheduled to begin production in September 2004. With these two additional lines, the total annual production capacity for both Dongguan and Changshu plants will increase to 1.2 million tons, which represents an annual sales value of HK\$3 billion. We expect the effects on profits by the additional production lines to be reflected in future result announcements.

According to China custom's statistic, China imported over 2.5 million metric tons containerboards for 2003 and is expected to import a similar amount in the future years as the economy expands. The Group believes that there is room for expansion to meet the shortfall. To further enlarge our presence in the PRC, the Group raised HK\$800 million and will be used for purchasing a land of 1200 acres and machines for our new plant in Dongguan Hongmei (detailed information was announced before). Our managers and technical staffs, equipped with professional production know how gained from their past experiences, are confident in leading the Group to further increase our market share in China and to surpass our competitors. With China's economy remains buoyant and growing at a phenomenal rate of 7% to 8% each year, the consumption of paper products will also keep pace at a similar rate, we have every reason to remain optimistic for the years to come.

On behalf of the Board

**Lee Wan Keung, Patrick**  
*Chairman*

Hong Kong, 6 July 2004