

For Immediate Release

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玖龍紙業(控股)有限公司

NINE DRAGONS PAPER (HOLDINGS) LIMITED

**Nine Dragons Paper (Holdings) Limited Announces FY2011 Annual Results
Production capacity and sales both reached historical high**

FINANCIAL HIGHLIGHTS

- Sales increased by 35.9% to approximately RMB24.39 billion.
- Gross profit rose by 8.0% to approximately RMB 4.23 billion.
- Gross margin decreased from 21.8% to approximately 17.3%.
- Final dividend per share of RMB8.0 cents (equivalent to approximately HK\$9.8 cents).

(Hong Kong, 20 September 2011) The Board of Directors ("the Board") of Nine Dragons Paper (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group" or "ND Paper") for the twelve months ended 30 June 2011 (the "Year"). The Board has resolved to recommend the payment of a final dividend of RMB8.0 cents per share for FY2011.

The Group's revenue for the Year increased by approximately 35.9% over the last financial year to approximately RMB24.39 billion; Total sales volume of packaging paperboard products reached approximately 7.6 million tonnes. Gross profit for the Year was approximately RMB4.23 billion, representing an increase of approximately 8.0 % as compared with the approximately RMB3.91 billion in the last financial year. Gross profit margin for the Year decreased from 21.8% to approximately 17.3% compared with that in the last financial year. The decrease in gross profit margin was mainly due to prices of the major raw materials consumed, such as recovered paper and coal, having been maintained at relatively high level in the Year, and the Group was not able to pass on all the rising costs to our customers as in the past financial year.

During the Year, the Group's production capacity scale and sales both hit records, with finished goods inventory maintained at a relatively low level. The six new paper machines, the construction of which were planned to complete in the Year, have all commenced production before the end of June 2011. Among them, the new PM29 and PM30 in Taicang base with a design production capacity of 0.4 million tpa in kraftlinerboard and 0.3 million tpa in light weight high performance corrugating medium respectively commenced production at the end of 2010. Regarding the two new paper machines in Dongguan base, PM27 produces coated duplex board, food grade and pharmaceutical grade white board with a design production capacity of 0.55 million tpa, and PM28

produces recycled printing and writing paper with a design production capacity of 0.25 million tpa. The construction of PM31 and PM32 in Tianjin base had also completed, producing testlinerboard and kraftlinerboard respectively with a design production capacity of 0.4 million tpa each. As for upgrade of paper machines, PM3 in Dongguan that produces coated linerboard, PM20 and PM21 in Taicang base that produce coated linerboard and recycled printing and writing paper respectively have all completed their upgrading, with a design production capacity of 0.4 million tpa, 0.43 million tpa and 0.2 million tpa respectively.

Apart from the four major production bases (Dongguan, Taicang, Chongqing and Tianjin) in China, the Group acquired 78.13% controlling equity interest of Hebei Yongxin Paper Co., Ltd. in the Year so as to enlarge the Group's market share in northern China, further strengthening the Group's future competitiveness and consolidating its leading position within the industry.

Currently, the Group's total design production capacity has reached 11.45 million tpa, over 24% of which being high-margin products including coated duplex board, food grade and pharmaceutical grade white board, coated linerboard and recycled printing and writing paper, representing a substantial increase as compared with around 11 % in the last financial year, creating rooms for the Group to elevate its profit in the future. When PM34 in Tianjin base and PM33 in Chongqing base, both for the production of coated duplex board and food grade and pharmaceutical grade white board products, each with a design production capacity of 0.55 million tpa, complete construction and commence production before the end of July 2012 and the end of December 2012 respectively, the total design production capacity of high-margin products will quadruple that of last year, to 3.88 million tpa.

Besides, at the Group's medium-sized paper manufacturing base in Quanzhou, Fujian, PM35 and PM36 with a design production capacity of 0.35 million tpa and 0.3 million tpa respectively for producing kraftlinerboard and testlinerboard respectively will commence production before the end of June 2013. At Shenyang base, two new paper machines in the first phase, being PM37 and PM38 for producing kraftlinerboard and testlinerboard respectively with a design production capacity of 0.35 million tpa each, are expected to commence production before the end of December 2013.

Upon commencement of production of all these new paper machines, the aggregate design production capacity of the Group is expected to increase to 13.9 million tpa.

As for Nine Dragons' future business outlook, Chairlady Ms. Cheung Yan said, "With the production commencement of six new paper machines and three upgraded paper machines, 2011 is a landmark year for ND Paper, in which we have reached our peak in development pace since our foundation. Starting from 2012, the Group will migrate to the next stage of steady growth. Although we maintain a bearish view on the current market and for the coming year, and the Group

will keep operating in a conservative and cautious manner, we shall continue to develop our business based on the market supply and demand environment for each production base and the Group's financial conditions, so as to capture the potential and opportunities offered by China's long term market growth, progressively raise our profitability return and reduce our borrowings gradually."

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Background of ND Paper

Nine Dragons Paper (Holdings) Limited is the largest containerboard product producer in China and Asia (including Japan), and one of the largest producers in the world, in terms of design capacity. The Group primarily manufactures linerboard, high performance corrugating medium and certain types of coated duplex board. The Group also manufactures recycled printing and writing paper, as well as specialty paper through a subsidiary and unbleached kraft pulp through its joint venture subsidiary, which the Group both uses as raw material for its own production and sells to third parties. ND Paper was listed on the Main Board of the Hong Kong Stock Exchange on 3 March 2006.

This press release is distributed by Wonderful Sky Financial Group Limited for Nine Dragons Holdings Limited.

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