

**玖龍紙業(控股)有限公司****NINE DRAGONS PAPER (HOLDINGS) LIMITED**

## **Nine Dragons Paper (Holdings) Limited Announces FY2012 Annual Results Sales record historical high against macro-economic odds**

### **Financial Highlights**

- Sales increased by 11.4% to approximately RMB 27.2 billion.
- Gross profit increased by 2.6% to approximately RMB 4.34 billion.
- Gross margin was 16.0%, declined as compared to the same period last year
- Final dividend per share of RMB 5.0 cents (equivalent to approximately HK\$ 6.1 cents).

(Hong Kong, 25 September 2012) 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 2012 (the "Year" or "FY2012"). The Board has resolved to recommend the payment of a final dividend of RMB 5.0 cents per share for FY2012.

During the Year, the Group's total sales volume reached new height at approximately 8.9 million tonnes, bringing approximately RMB 27.2 billion in sales revenue, an 11.4% increase year-on-year. Inclusive of trial sales of 1.1 million tonnes produced by paper machines under ramping-up, ND Paper has achieved a total sales result of approximately 10.0 million tonnes in FY2012. Gross profit for the Year was approximately RMB 4.34 billion, representing an increase of approximately 2.6% as compared with the approximately RMB4.23 billion in the last financial year. Profit attributable to equity holders stood at approximately RMB1.42 billion in FY2012, and basic earnings per share was approximately RMB 0.3.

During the Year, economic conditions were extremely severe and complex both at home and abroad. The lingering European sovereign debt crisis has made the global market highly volatile, while the Chinese economy simultaneously faced challenges in various aspects due to impacts arising from the external environment, austerity policy and changes in the economic modes. Weak consumption and continuously low market for the paper manufacturing industry have exerted the greatest pressure on the Group's operations ever since its founding, undermining its profitability. Fortunately, even though the market was weak, the Group operated cautiously in all aspects while proactively implemented its strategic roadmap by driving product diversification, realizing a sound growth in sales volume notwithstanding the low market. The balance between sales and production

and normal inventory levels were maintained. All paper machines were operating well and ran at nearly full capacity.

As at 30 June 2012, the total design production capacity of the Group was 11.45 million tpa, including seven paper machines that had completed construction or upgrading by the end of the previous financial year. These paper machines represent a total design production capacity of 2.63 million tpa. At present, these paper machines have all completed their optimization process. Furthermore, PM34 in Tianjin base has commenced production in July this year as scheduled, adding an additional design production capacity of 550,000 tpa for coated duplex board, food grade and pharmaceutical grade white board products, and lifting the Group's total design production capacity to 12 million tpa.

Starting from the Year, the Group is entering a stage of steady development. It is planned that a total of 5 new paper machines will complete their construction and commence production successively within the next 2 years. These new paper machines will be distributed in different bases to provide the product types to cater different needs of customers in these regions and fill the supply shortage in the local markets. Among these new machines, PM33 in Chongqing base is expected to commence production by the end of November 2012, for the production of coated duplex board, food grade and pharmaceutical grade white board with a design production capacity of 550,000 tpa. The construction of PM35 and PM36 in the new Quanzhou base, primarily for the production of kraftlinerboard and testlinerboard respectively, with a design production capacity of 350,000 tpa and 300,000 tpa respectively, will also be completed and commence production by the end of June 2013. Meanwhile, the Group is also planning for PM39 in Leshan base with a design production capacity of 300,000 tpa. The machine will produce high performance corrugating medium for supplying to customers in the local market, using 100% local recovered paper as raw material. It is scheduled to commence production by the end of December 2013. On the other hand, production commencement of PM37 in the new Shenyang base, primarily for the production of kraftlinerboard with a design production capacity of 350,000 tpa, has been postponed to the end of June 2014 in line with the latest market conditions. By then, it is expected that the Group's total production capacity will be close to 14 million tonnes. In addition to the abovementioned 5 new paper machines, by 2015, it is planned that PM38 in the new Shenyang base will also commence production by the end of the year, bringing the Group's total production capacity to over 14 million tonnes.

On the front of capital management, as most of the capacity expansion projects in the Group's current expansion plan have come into operation, capex has decreased compared to the past. The Group's net debt to total equity ratio has decreased to 99.7% as at 30 June 2012. We expect progressive decline in this ratio in each of the coming years. Thanks to the solid long-term relationship between ND Paper and its banks, the Group maintained a robust financial position and

strong financing support for its future business development. It is expected that interest rates in Mainland China may be lowered gradually and bank reserves may be relaxed, allowing the Group to explore broader options in further optimizing its debt portfolio.

Looking into the future, Chairlady Ms. Cheung Yan said, “It is expected that the global economy will continue to be volatile in the second half of 2012, while China will adopt a prudent approach in the easing of austerity measures. Hence the Group will continue to operate in a cautious and conservative manner in the short run. However, a combined assessment of the trend of raw material prices and the current industry conditions make the Group believe that the industry has now reached the bottom of the market, and is forecast to rebound gradually when entering into 2013. As a result of its efforts in actively expanding production capacity in the past few years, the Group will be able to outperform industry peers in various aspects, such as the Group’s sales, market share and profitability.”

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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 and sells linerboard, high performance corrugating medium and certain types of coated duplex board. The Group also produces and sells recycled printing and writing paper, specialty paper and unbleached kraft pulp. 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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