



Nine Dragons Paper (Holdings) Limited Announces FY2018 Annual Results

**Sales revenue and profit both reached historical high
Development in upstream and downstream integration
to maintain cost advantages**

FINANCIAL HIGHLIGHTS

- Sales increased by 34.8% to approximately RMB52,781.8 million.
- Gross profit rose by 45.2% to approximately RMB11,585.2 million.
- Gross margin increased from 20.4% to 21.9%.
- Exchange losses on operating and financial activities (net of tax) decreased substantially by approximately RMB362.0 million or 94.6% to approximately RMB20.7 million.
- The profit attributable to equity holders of the Company was approximately RMB7,848.1 million.
- Net borrowings to total equity ratio lowered to approximately 65.3%.
- Basic earnings per share increased by RMB0.74 to approximately RMB1.68.
- Proposed final dividend of RMB 40.0 cents per share (equivalent to approximately HK 45.8 cents).

(Hong Kong, 19 September 2018) 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 year ended 30 June 2018 ("FY2018" or the "Year"), together with comparative figures for the last financial year ("FY2017").

The Group achieved a revenue of approximately RMB52,781.8 million for FY2018, representing an increase of approximately 34.8% as compared with FY2017. The major contributor of the Group's revenue was still its packaging paper business, including linerboard, high performance corrugating medium and coated duplex board, which accounted for approximately 94.2% of the revenue, with the remaining revenue of approximately 5.8% generated from its recycled printing and writing paper and high value

specialty paper products business. During the Year, the Group's sales and profits surged to a record high since its inception, a testament to its secure leadership position in China's packaging paperboard market.

The Group's annual design production capacity as at 30 June 2018 was 15.0 million tpa of which the annual production capacity of packaging paperboard and recycled printing and writing paper in China and Vietnam was 14.1 million tpa, including linerboard (7.6 million tpa), high performance corrugating medium (3.4 million tpa), coated duplex board (2.6 million tpa) and recycled printing and writing paper (0.5 million tpa). The annual production capacity of the two US paper mills acquired in June 2018 totaled 0.9 million tpa (including coated one-side, coated freesheet and coated groundwood grades). The Group's total sales volume of packaging paperboard products and recycled printing and writing paper remained stable at approximately 13.0 million tonnes in FY2018 and FY2017.

During the Year, the government closely monitored the environmental management of the manufacturing industry and assessed new production capacity in a rigorous manner, thus continuously improving the supply-demand orders of China's packaging paperboard market and bringing supports to product pricing powers. Besides, the tightening of control on the quota and quality of imported recovered paper created more demand for domestic recovered paper, resulting in severe price fluctuations. The prices of packaging paperboard also experienced substantial movements as the costs were passed on to consumers. Amidst the ever-changing market environment, by leveraging on its diverse product mix, powerful global procurement network, pre-eminent market data system, flexible pricing and inventory strategies and seasoned sales teams, the Group was able to offset the fluctuations of the raw material prices through timely adjustment of product prices, thereby maintaining profit growth.

Currently the packaging paperboard industry is undergoing adjustments in response to changes in the recovered paper import policy of China and the global market supply of recovered paper. The Group proactively explores and implements various long- and short-term measures in response to the changes in governmental policy and market, so as to ensure stable supply of raw materials from China and abroad and further consolidate ND Paper's foremost position in the market. These measures include driving higher raw material supply quality and utilization efficiency, strengthening cost advantages of raw materials, optimize logistics support, seeking equally cost effective fiber alternatives, proactively driving the production plan for recycled pulp in different countries overseas and identifying suitable investment projects in virgin pulp resources.

The Group continued to focus on its borrowings during the Year, striving to strike the balance among the various aspects of lowering borrowing costs, controlling foreign exchange risks,

funding needs for development and shareholders' return. Net debt to total equity ratio of the Group has lowered from 74.6% as at 30 June 2017 to 65.3% as at 30 June 2018. Owing to exposure to exchange rate fluctuations of RMB, the Board closely monitored the foreign currency borrowings of the Group. As at June 30, 2018, total foreign currency borrowings was equivalent to approximately RMB14,601.6 million, while total borrowings denominated in RMB was RMB18,110.6 million, taking up 44.6% and 55.4% of the Group's borrowings respectively.

During the year, the Group continued the construction of new paper machines in China as planned. The new paper machine in Chongqing (Phase III) with design capacity of 550,000 tpa is targeted at commencing production in the 4th quarter of 2018, while the three new paper machines in Shenyang, Hebei and Quanzhou (Phase II) with total design capacity of 1.45 million tpa are targeted at commencing production successively in the 2nd quarter of 2019. On the other hand, the new paper machine in Dongguan with design capacity of 600,000 tpa is under construction and is targeted at commencing production in the 3rd quarter of 2019. Meanwhile, in August 2018, the Group's wholly-owned subsidiary in the USA entered into an agreement in relation to the acquisition of a recycled pulp manufacturing project in Fairmont, West Virginia. The project has a production capacity between 220,000 and 250,000 tpa and is one of the three pulp mills in the world that produce air-dried recycled pulp. Upon the completion of the above-mentioned acquisition and new projects, the Group's total design production capacity is expected to reach approximately 18 million tpa.

Chairlady Ms. Cheung Yan addressed: "The global macro-economy is expected to remain volatile, with the trade war casting more variables to the global markets, while recovered paper supply in the Chinese packaging paperboard industry will also continue to be affected by government policies. Despite the ever-changing market landscape and grave challenges ahead, we are confident that the domestic consumption market in China will continue to maintain fundamentals of packaging paperboard demand. Nevertheless, we will strive to consolidate our advantages by adjusting raw material structures and controlling costs. ND Paper will keep a close eye on the market and its borrowing, while making safe and profitable investments and adopting more flexible and effective business strategies to tap into the upstream and downstream business opportunities across the globe in order to better utilize our resources and increase synergies."

— End —

Background of ND Paper

The Group is the largest packaging paperboard producer in China and Asia and one of the largest producers in the world, in terms of design capacity. It primarily manufactures and sells linerboard, high performance corrugating medium and coated duplex board products, as well as recycled printing and writing paper and specialty paper. It acquired two fully-integrated pulp and paper mills in the USA in 2018. ND Paper was listed on the Hong Kong Stock Exchange in 2006.

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

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