

For immediate release

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Nine Dragons Paper Announces FY2020 Annual Results

Achieves Record High Sales Volume Despite Challenging Times

Net Profit Rises 7.5% to RMB 4.2 Billion

Net Gearing Ratio Reaches Decade Low

Dividend Per Share for the Year Increases 14.3%

(Hong Kong, 22 September 2020) Nine Dragons Paper (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the “Group” or “Nine Dragons Paper”) for the twelve months ended 30 June 2020 (the “Year”).

- Record high sales volume; a year-on-year increase of 8.5% to approximately 15.3 million tonnes
- Net profit¹ was RMB 4.2 billion; a year-on-year increase of 7.5%
- Gross profit margin of 17.6%, a year-on-year increase of 2.0 percentage points
- Net profit margin of 8.1%; a year-on-year increase of 1.0 percentage point
- Net gearing ratio decreased by 8.7 percentage points year-on-year to 50.5%
- Basic earnings per share increased by RMB 6 cents year-on-year to RMB 89 cents
- Final dividend of RMB 22 cents per share; together with the interim dividend per share of RMB 10 cents, dividend for the Year amounted to RMB 32 cents (FY2019: RMB 28 cents) per share with a dividend payout ratio of 36.0% (FY2019: 33.8%)

During FY2020, the global economy and Chinese packaging paper industry were faced with historically severe challenges. Amidst these challenges, the Group prudently focused on its core business and sought for steady growth, resulting in a growth of overall profitability in spite of the challenging times. The Group achieved record high annual sales volume of approximately 15.3 million tonnes; increase of 6.0% and 7.5% in its gross profit and net profit; and a respective rise of 2.0 and 1.0 percentage point in its gross profit margin and net profit margin. In addition, the Group’s net gearing ratio at 50.5% was the lowest in the past decade; management efficiency in inventory and working capital were enhanced and cash

¹ Profit attributable to equity holders

flow remained strong.

Enhancing the advantage in vertical integration of production chain and maintaining products' high quality

During the Year, the Group strove to enhance its ability to acquire high quality raw materials and actively sought for raw material substitutes. The Group is building in Hubei its first fully-integrated pulp and paper mill in China, which is expected to have a production capacity of 0.6 million tpa for pulp. In addition, the Group plans to add 0.6 million tpa of production capacity for pulp in Shenyang. By end of 2022, the total design production capacity for kraft pulp and recycled pulp of the Group is expected to exceed 2.0 million tpa.

In regard to the expansion of its paper production capacity, the Group has added a total production capacity of 1.1 million tpa for linerboard in Hebei and Dongguan in the second half of 2020. In Malaysia, the production capacity of 0.55 million tpa for packaging paper is expected to commence production by second quarter of 2022. Furthermore, the Group plans to increase 1.2 million tpa of production capacity for packaging paper in the Hubei pulp and paper base by the end of 2022. Upon completion of these projects, the Group's total design capacity for paper production is expected to reach 19.32 million tpa.

In terms of downstream production chain, the carton boxes and corrugated cardboard business newly acquired during the Year has unleashed synergy proactively. Going forward, the Group plans to add packaging facilities in its Chengdu and Chongqing packaging plants. It will also continue to enhance the production efficiency of the carton box plants and expand its customer base, in order to grow and strengthen its downstream business, ultimately contributing to the profitability of the Group.

While consolidating its mid-to-high end customer base, the Group is committed to exploring the business opportunities in the mid-to-low end markets. During the Year, the Group's newly launched brand "River Dragon" was well recognized by customers and hence drove up the sales volume and market share of the Group. In the future, the Group will strive to maintain the high product quality, and further adjust its product portfolio to meet the diverse market demands.

With significant development potential of the industry, large paper manufacturing enterprises will prevail

Chairlady Cheung Yan addressed, "As the global pandemic is getting more stable, despite great uncertainties remain, a series of stimulating measures and the policy of 'Plastic Ban Order' launched by the Central Government will be significantly conducive to the demand

for packaging paper. In the mid-to-long term, under a tighter supply and rising cost of raw materials, our edge of economies of scale as a large paper manufacturing enterprise will further prevail. Leveraging our competitive edges as the industrial leader, we are prepared to maintain the quality of products and stable raw material supply by consolidating the domestic raw materials supply and market. We will strive to expand our market share, maintain a healthy gearing ratio and sound cash flow management, with the ultimate target to enhance the overall profitability level.”

— End —

About Nine Dragons Paper (Holdings) Ltd.

Founded in 1995, Nine Dragons Paper Group is a world-famous environmentally friendly recovered paper based paper manufacturing group. The Group primarily produces linerboard, high performance corrugating medium and coated duplex board, while it also produces printing and writing paper, specialty paper, pulp, high performance corrugated cardboard and high performance carton boxes. Nine Dragons Paper (Holdings) Limited was listed on the Main Board of the Hong Kong Stock Exchange in 2006.

This press release is issued by Wonderful Sky Financial Group Limited on behalf of Nine Dragons Paper (Holdings) Ltd.

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