



**Nine Dragons Paper (Holdings) Limited Announces FY2014 Interim Results  
Focus on optimizing management while sales achieved historical high**

**FINANCIAL HIGHLIGHTS**

- Sales volume reached new height at approximately 5.63 million tonnes.
- Sales of approximately RMB14,714 million at same level as in the corresponding period last year.
- Gross profit margin decreased from 16.0% to approximately 15.8%.
- Profit for the period increased by 45.1% to approximately RMB983 million.
- Interim dividend per share of RMB2.0 cents (equivalent to approximately HK\$2.54 cents).

(Hong Kong, 24 February 2014) The Board of Directors ("the Board") of Nine Dragons Paper (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group" or "ND Paper") for the six months ended 31 December 2013 (the "Period").

During the Period, the Group's total sales volume reached new height at approximately 5.63 million tonnes, bringing approximately RMB14,714 million in sales, at same level as in the corresponding period of the last financial year. Gross profit margin decreased from 16.0% to approximately 15.8%. Profit for the period increased by 45.1% to approximately RMB983 million. Basic earnings per share was approximately RMB0.21. The Board has declared and approved an interim dividend of RMB2.0 cents per share.

China has entered a period of transformations emphasizing balanced progresses with stability, while fast growing online shopping activities have brought changes to the consumption market model, which more visibly demonstrates the non-substitutable value of packaging paperboard in the supply chain and an ever enlarging market space for packaging paperboard products, thus enabling the packaging paper industry to realize a long-term and steady development on a well-built market base. During the Period, although the industry has reached the highest stage in new capacities, the Group continued to maintain a balance between production and sales with reasonable inventory at low levels. All paper machines were in sound operation state at nearly full capacity. Persisting in stringent control over costs and capital expenditures, with further reduction in finance costs, the

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Group refined its management and boosted product quality and the effective utilization of human resources, under well-established internal controls and a prudent operating strategy. All these contributed to further profit growth as well as sustainable long-term business development for the Group.

As the Group has basically accomplished its strategic production roadmap at this stage, capital expenditure has been seen to decrease each year. While progressively completing the new capacity construction as planned, the Group strives to optimize its debt structure, scale down its borrowings and lower the debt gearing ratio. Additionally, with a prudent business development strategy and continually sound operational conditions, the Group was able to obtain sufficient credit facilities for its daily operations and development needs. Meanwhile, the Group has been adjusting the currency mix, maturity profile and banking terms for its debts as well as exploring more financing channels proactively. All these efforts contribute to lower borrowing costs.

During the Period, the Group's production capacity has increased by 0.65 million tpa, namely PM35 and PM36 in the new Quanzhou base. By further adding PM38 in Leshan base, with design production capacity of 0.30 million tpa, which has commenced production in January 2014, the Group's total design production capacity has now reached 13.50 million tpa. These new paper machines can allow the two bases to directly supply the local markets with paperboard products, thus further enhancing the Group's nationwide production base network, utilizing its regional advantages and expanding its market share.

According to the Group's current stage-by-stage expansion plan, there will be three new paper machines located in China and overseas which will be constructed and successively commence production in future. They are expected to be all completed by the end of 2016. Such paper machines include PM37 and PM39 at the Shenyang base, and PM2(VN) at the Vietnam base. The Group's aggregate design production capacity will then exceed 14 million tpa. During this period, the Group's capital expenditure will decrease significantly compared with the past, strengthening its financial conditions. The Group's net debt to total equity ratio is expected to be reduced to 70%-80% at the end of June 2016.

Looking ahead, Chairlady Ms. Cheung Yan said, "During the past period in which the Chinese economy experienced fast development, the Group has adopted a proactive strategy of fast capacity growth, which has allowed us to timely capture the rare opportunity of fast economic growth and accomplish the maximization of capacity scale. It has now successfully transitioned to a new stage of steady growth. The main goal in the future will be proactive enhancement of the current platform, aiming at optimization and empowerment to raise profitability level. In addition to

continuing to seize the development opportunities emerging in the industry by leveraging on the advantages already accomplished by its “multiple machine, multiple region” capacity platform, reliable and powerful manufacturing capabilities and diversified product mix persistently built over the years, the Group will also go through internal consolidation, endeavoring to refine its key internal corporate administration and control, strengthen product quality management, enhance procurement processes and cost control, step up equipment automation and internal human resources training, so as to further improve on the economies of scale achieved by the Group’s national capacity network, targeting at the goal of profit maximization for the Group. As severe environmental and climatic issues have made the stringent enforcement of environmental standards critically urgent, closure of outdated capacities will speed up, while new capacities arising in the industry will slow down, making the effect of consolidation on the paper manufacturing industry more visible. Furthermore, the Group is set to benefit from the positive factors of increasing domestic consumption and buoyant online shopping activities, which drive more demand for packaging paper products and enable the Group to further enlarge its market share, enhance its negotiation power and strengthen profit performance, reinforcing its leading position in the industry.”

— End —

### **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 coated duplex board. It also manufactures and sells recycled printing and writing paper, pulp and specialty paper. 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 Paper (Holdings) Limited.

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