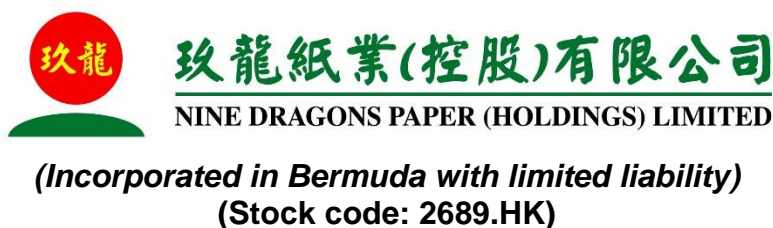


For Immediate Release

24 February 2017



## Nine Dragons Paper (Holdings) Limited Announces FY2017 Interim Results

**Sales reached another historical high  
Leadership position becoming more prominent**

### Financial Highlights

- Sales volume increased by 6.2% to approximately 7.1 million tonnes, reaching historical high
- Gross profit margin increased from 17.3% to 18.3% year-on-year.
- Profit attributable to equity holders of the Company was RMB 1,914.7 million.
- If exchange losses on the Group's operating and financing activities (net of tax) were excluded, profit attributable to equity holders for the Period was RMB 2,002.2 million, increased by 51.4% year-on-year.
- Interim dividend of RMB 5.0 cents per share (equivalent to approximately HK\$5.65 cents).

(Hong Kong, 24 February 2017) 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 2016 (the "Period").

Both sales volume and revenue of the Group hiked to historical high during the Period. Total sales volume reached approximately 7.1 million tonnes, increased by 6.2% as compared with the corresponding period of the last financial year, bringing approximately RMB 19,125.0 million in sales, an increase of 17.3% as compared with the corresponding period of the last financial year. In the Period, gross profit margin increased from 17.3% to 18.3%; profit attributable to equity holders of the Company was approximately RMB 1,914.7 million. If exchange losses on the Group's operating and financing activities (net of tax) were excluded, profit attributable to equity holders for the Period was approximately RMB 2,002.2 million, increased by approximately 51.4% as compared with the corresponding period of the last financial year. The Board has declared and approved an interim dividend of RMB 5.0 cents per share.

During the Period, the government continued to exercise stringent environmental controls by stronghand, driving faster closure of outdated and inefficient capacities and even stricter approval of new capacities, especially the prohibition on approval of coal-fired power plants has impacted on the addition of new papermaking projects. As a result, the supply-demand dynamics of packaging paperboard operated orderly and provided strong support to product selling prices. With industry fundamentals continuously improving, although during the Period significant price increases were found in the Group's two key cost elements (recovered paper and coal), the Group was able to pass on its cost hikes by means of effective product selling price increases. Thus, the company's profit steadily increased.

In the Period, as its production platform was further enhanced and optimized, the Group had been expanding its "Express Services", a specialty feature of ND Paper, to cover more customers. This convenient and reliable service system enables customers to lower their operating costs and manage their inventory more efficiently. Apart from helping to consolidate and expand customer networks, the express service model also reflects on the operating efficiency brought by the progressive implementation of comprehensive integration of the Group's internal management functions.

During the Period, the Group was able to uphold its record of no bad debt and continued reducing its debt and enhancing its debt structure proactively, including the further reduction of total borrowings by approximately RMB 7,079.5 million to approximately RMB 25,765.8 million, with net borrowings to total equity ratio coming down progressively to 71.2%. During the Period, owing to the Group's diligent efforts in converting its Euro debts to RMB debts and the weakness of Euro relative to the US Dollar, total exchange losses on the Group's foreign currency debts (net of tax) have decreased substantially from RMB 1,010.0 million to RMB 87.5 million. As at the end of December 2016, approximately 69.3% of the Group's total borrowings was denominated in RMB, and the Company will continue to focus on the management and control of foreign currency risks.

The Group formulates its future strategic production roadmap based on the respective supply-demand dynamics in various regional markets. According to the current production capacity plan, PM2(VN) at the Vietnam base is expected to be completed and commence production by the end of June 2017. By that time, it is expected that the Group's total design production capacity will reach 14.08 million tpa. In mainland China market, design capacity of the new paper machine at the Shenyang base will be increased to 0.6 million tpa. Meanwhile, faced with a market environment in northern China with accelerated closure of outdated capacities, the Group has decided to expand its capacity at the Hebei Yongxin base. After the capacity expansion, the economies of scale at both Shenyang and Hebei Yongxin bases can be substantially improved, while the synergy with Tianjin base in

product sales and recovered paper purchasing can be increased, thus bringing the Group's leadership advantages in northern China to more prominent levels. Furthermore, the Group has decided to build a new paper machine at each of the Chongqing and Quanzhou bases, in order to further satisfy the local demand in these markets. The above mentioned new paper machines have all been approved by the government. They are planned to commence production successively in the 4<sup>th</sup> quarter of 2018. It is expected that by the end of 2018, the Group's total design capacity will exceed 16 million tpa.

Chairlady Ms. Cheung Yan addressed: "With deepening of China's economic transformation and continuously cutting excessive industrial capacity in the process of supply-side reform, the manufacturing sector puts equal emphasis on economies of scale and operation efficiency. New market orders and supply-demand dynamics are being formed. The enormous production and sales platform built by ND Paper during the past 20 years and its tremendous strength in operation and management will provide the unparalleled advantages enjoyed by a market leader for taking preemptive opportunities along the way of China's economic transformation and sustainable development. The Company will adopt a prudent approach in capacity expansion, while making unremitting efforts in equipment upgrading, efficiency enhancement, cost control and lowering of net debt gearing ratio. The Company is also actively developing its intelligent management information system, quickly migrating into informatization, automation and intelligentization, so that its product quality, services and costs will all reach 'Industry 4.0' standards in an ever changing market, offering stable quality and increasing production. Our goal is to make 'a piece of high quality paper' at the best price/value, and to bring better return to our shareholders. "

— End —

### **Background of Nine Dragons Paper (Holdings) Limited**

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. It also produces and sells recycled printing and writing paper 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 (Holdings) Limited.

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