



**Nine Dragons Paper (Holdings) Limited Announces FY2019 Interim Results**  
**Sales achieved new historical high**  
**Interim dividend per share of RMB 10.0 cents**

**FINANCIAL HIGHLIGHTS**

- Sales increased by 18.2% to approximately RMB 30,328.0 million.
- Gross profit dropped by 25.1% to approximately RMB 4,712.5 million.
- Gross margin decreased from 24.5% to approximately 15.5%.
- Profit attributable to equity holders of the Company for the Period was approximately RMB 2,259.3 million.
- If the exchange losses on operating and financing activities net of tax of approximately RMB 198.4 million were excluded, the profit attributable to equity holders of the Company for the Period was approximately RMB 2,457.7 million, decreased by 43.5% as compared to the corresponding period last year, due to increase in the cost of raw materials and decrease in the selling price of the products.
- The net borrowings to total equity ratio decreased to approximately 62.9%.
- Basic earnings per share decreased by RMB 0.45 or 48.4% to approximately RMB 0.48.
- Interim dividend per share of RMB 10.0 cents (equivalent to approximately HK 11.72 cents).

(Hong Kong, 27 February 2019) The board of directors (“Board”) of Nine Dragons Paper (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group” or “ND Paper”) for the six months ended 31 December 2018 (the “Period”).

The Group achieved a revenue of approximately RMB 30,328.0 million for the Period, representing an increase of approximately 18.2% over the corresponding period last year. 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 86.2% of the revenue, with the remaining revenue of

approximately 13.8% generated from its printing and writing paper and high value specialty paper and pulp products.

The Group's total design production capacity in packaging paperboard, printing and writing paper, and high value specialty paper and pulp products as at 31 December 2018 was 15.3 million tpa, comprising 7.6 million tpa of linerboard, 3.4 million tpa of high performance corrugating medium, 2.6 million tpa of coated duplex board, 1.1 million tpa of printing and writing paper and 0.6 million tpa high value specialty paper and pulp products. The new PM in Chongqing base has commenced production in February 2019, adding another 0.55 million tpa to the Group's capacity.

During the Period, the Sino-US trade war has created conservative sentiment in the manufacturing sector, thus slowing down product demand. Furthermore, significantly reduced quota and tightened quality requirements on imported recovered paper, which reflect stringent government environmental policies, resulted in extreme volatility in the supply and pricing of recovered paper, both imports and domestic. As the Group's product selling prices generally fell during the Period while inventory took time to be digested, profitability in the Period also declined from the peak in FY2018. Nevertheless, by leveraging a diverse range of products, deep and trusted relationships established with its customers over the years, as well as quality and reliable pre- and after-sales services, at the same time utilizing the unique advantage of its extensive geographical coverage by cross-selling products among various bases, the Group successfully maintained sales growth and proactively reduced inventory, achieving a half-year total sales volume of approximately 7.5 million tonnes during the Period, reaching a historical high.

During the Period, a wholly-owned subsidiary of the Group in the USA, ND Paper LLC, completed the acquisition of two pulp mills — Fairmont Mill in West Virginia and Old Town Mill in Maine. The Fairmont Mill manufactures and distributes recycled pulp with a production capacity of 0.22 million tpa. The Old Town Mill, used to manufacture and distribute bleached hardwood kraft pulp with a production capacity of 0.16 million tpa, will be converted to produce unbleached kraft pulp. Together with Rumford Mill and Biron Mill acquired by ND Paper LLC in FY2018, these four mills in the USA are expected to offer access to high quality raw material for the Group's primary business, with significant synergies, including cost savings, exhibited in a vertically integrated business model.

The Group is actively pursuing the goal of completing the construction of four new paper machines in China in 2019, among which a total of three new paper machines at the Shenyang base, Hebei base and Quanzhou base are expected to commence production in the second quarter in 2019, and a new paper machine at the Dongguan base is expected to commence production in the third quarter in 2019. Upon their production commencement,

these four paper machines will add 2.05 million tpa to the Group's total design production capacity. Meanwhile, ND Paper LLC plans to implement a series of equipment upgrade and expansion projects in its four pulp/paper mills in the USA, which may all be completed and commence production before the end of 2021. By then, the Group's production capacity in the USA will increase by 1.4 million tpa, bringing its global total production capacity to over 19 million tpa.

Although the construction of new equipment and the above development plans resulted in a period of high capital expenditure, and the Group's total debts and finance costs have increased during the Period as compared to the corresponding period last year, with the support of a strong operating cash flow, the net debt and debt ratio as at the end of the Period were lower than those at the end of last financial year, with net debt to total equity ratio decreased from 65% to below 63%..

Chairlady Ms. Cheung Yan addressed, "For future market outlook, it is expected that China will continue to implement stringent environmental policies, making the advantages of large enterprises becoming more prominent. Yet, the Group is confident about the fundamental of domestic consumption and industry demand in China, and believes that there is some growth potential in market demand. Meanwhile, the Group remains cautiously optimistic and positive about the Sino-US trade war. The Group will continue to put strenuous efforts to drive production and procurement diversification globally and expand the integration of value chain upstream and downstream, with a view to further enhancing its cost effectiveness and increasing the efficiency of daily operations, thereby maximizing the corporate values for its shareholders in a volatile and changing environment. "

— 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 has also acquired four pulp/paper mills in the USA. It primarily manufactures and sells linerboard, high performance corrugating medium and coated duplex board products, as well as printing and writing paper, specialty paper and pulp. Nine Dragons 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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