

For Immediate Release

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玖龍紙業(控股)有限公司

NINE DRAGONS PAPER (HOLDINGS) LIMITED

Nine Dragons Paper (Holdings) Limited Issues Inside Information Announcement

Exchange losses booked in the first half of FY2016

**If the exchange losses were excluded, the profit represents an increase of
approximately 144% as compared with the corresponding period last year**

(Hong Kong, 21 January 2015) The board of directors of Nine Dragons Paper (Holdings) Limited (the “Company”) and its subsidiaries (the “Group” or “ND Paper”) has issued an inside information announcement to its shareholders and potential investors. Based on the preliminary assessment of available information, the Group’s profit attributable to equity holders of the Company amounted to approximately RMB310.0 million for the six months ended 31 December 2015 (the “Period”), representing a decrease of approximately RMB369.0 million or 54%, as compared with the profit attributable to equity holders of the Company of approximate RMB679.0 million for the corresponding period last year. The decrease in profit is primarily due to the continuous depreciation of the Renminbi (“RMB”), leading to exchange losses arising from the Group’s foreign currency debts during the Period, estimated to be approximately RMB1,010.0 million. If the exchange losses were excluded, the profit attributable to equity holders of the Company in the Period was approximately RMB1,320.0 million, representing an increase of approximately RMB780.0 million or 144%, as compared with the corresponding period last year. The Group achieved revenue of approximately RMB16,320.0 million for the Period, representing an increase of approximately 4.0% over the corresponding period last year. The increase in the Group’s revenue is mainly driven by the increase in sales volume. The Group’s sales volume of packaging paperboard and recycled printing and writing paper increased by 6.3% to approximately 6.7 million tonnes in the Period from 6.3 million tonnes in the corresponding period last year.

The Group’s debt portfolio was mainly denominated in foreign currencies in the past so as to reduce interest costs, with remarkable results achieved. As the trend of RMB depreciation and interest rate cuts was formed, during the Period the Group started to convert part of the borrowings denominated in US dollars into borrowings denominated in RMB or Euro. The increase of borrowings denominated in Euro is due to their lower

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borrowing rates compared to borrowings denominated in US dollars, while the exchange rate trend of Euro is weaker relative to the US dollar. As at the end of December 2015, the Group's debt portfolio was estimated to be approximately 30% in RMB, approximately 30% in US dollars and approximately 40% in Euro. Although the Group has started to convert part of the borrowings denominated in US dollars into borrowings denominated in RMB and Euro, the central parity rate for RMB to US dollars and other currencies experienced significant changes as a result of the reform of the RMB central parity rate quotation regime on August 11, 2015, causing exchange losses arising from the foreign currency debts of the Group, which also affect the profit of the Group for the Period.

In response to more exchange losses possibly caused by the continuation of RMB depreciation after the end of the Period, currently the Group has accelerated the progress of converting borrowings denominated in foreign currencies into borrowings denominated in RMB. By the end of January 2016, RMB is expected to account for approximately 50% of the Group's debt portfolio. By the end of June 2016, the proportion of borrowings denominated in RMB is estimated to increase to over 80% and the rest will be borrowings denominated in Euro. The holding of a small proportion of Euro borrowings is due to its lower borrowing rates than RMB, while they can be used to settle the payment for the Group's procurement in Europe, such as equipment, spare parts and raw materials, etc. The Group will pay close attention to changes in the RMB exchange rates against Euro, and will take a more flexible financial strategy to minimize the possible exchange losses caused by the volatility of Euro.

Facing with the need to accelerate the restructuring of the currency mix of the Group's debt portfolio, Zhang Yuanfu, Group CFO of ND Paper said: "The Group has maintained excellent business relationship with the major banks we transact with. The major banks have expressed their support to the Group's foreign currency debt restructuring plan, and will facilitate the restructuring process as much as possible, while continuing to provide favorable terms for RMB borrowings. Although the proportion of borrowings denominated in RMB will increase in the total debt, interest expense is not expected to increase in this financial year, but will decrease as the Group further repays its bank borrowings. Meanwhile, as RMB interest rate is expected to cut further, the Group's interest expense will further decrease."

With the increase in borrowings denominated in RMB and significant decrease in foreign currency debts, fluctuations in the foreign exchange market is expected to have much less impact on the performance of ND Paper, and the positive effect of the improvements in core business environment will be revealed gradually. Chairlady Cheung Yan said: "The control

of environmental pollution requires the immediate attention of governments at all levels. The closure of outdated production capacities in the packaging paperboard industry is accelerating in various regions, while the amount of new capacities is greatly reduced compare with the past. Hence market order is gradually restoring. Product prices tend to be stable and momentum for price increases is being built. Furthermore, as prices of major materials such as recovered paper, coal, etc. continue to be under control, there is a favorable environment providing more room for the Group's profit enhancement. Coupled with the reduction or even substantial elimination of the profit impact of RMB depreciation due to significant reduction in foreign currency debts within a short period of time, the advantages of Nine Dragons Group as the industry leader is expected to show more prominently in various aspects, including economies of scale, diversity of products and market coverage, cost and quality control, etc., its performance will improve steadily in the future."

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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 certain types of coated duplex board. The Group 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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