

For Immediate Release

23 January 2017



## **Nine Dragons Paper (Holdings) Limited Issues Positive Profit Alert**

**Interim Core Profit increased by approximately 45%  
as compared with the corresponding period last year**

(Hong Kong, 23 January 2017) The board of directors of Nine Dragons Paper (Holdings) Limited (the “Company”) has issued a positive profit alert to its shareholders and potential investors. Based on the preliminary review of the management accounts of the Company and its subsidiaries (the “Group” or “ND Paper”), the Group’s Core Profit (as defined below) for the six months ended 31 December 2016 (the “Period”) is expected to increase by not less than 45% as compared with its Core Profit (as defined below) of approximately RMB1,322.0 million for the corresponding period last year (“Corresponding Period”).

“Core Profit” of the Group is the profit attributable to equity holders of the Company with exchange gains/losses on the Group’s operating and financing activities (net of tax) excluded. Continuous depreciation of the Renminbi (“RMB”) has led to exchange losses arising from the Group’s foreign currency debts. Exchange losses on the Group’s operating and financing activities (net of tax) in the Corresponding Period were RMB1,010.0 million. During the Period, owing to the Group’s diligent efforts in converting its foreign currency debts to RMB debts and the weakness of Euro relative to the US Dollar, exchange losses on the Group’s foreign currency debts have decreased very substantially. As at the end of December 2016, approximately 70% of the Group’s debt portfolio was in RMB.

The increase in Core Profit for the Period is primarily due to the following 2 reasons:

Increase in sales volume -

Although no new paper machine commenced production during the Period, the Group’s sales volume of packaging paperboard and recycled printing and writing paper for the Period has reached a historical high of approximately 7.1 million tonnes, representing an increase of approximately 0.4 million tonnes as compared with its sales volume for the Corresponding Period. The increase in sales volume was contributed by the increase in actual production volume achieved by the Group’s equipment upgrading efforts across its various production bases.

Strengthened passing on power -

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. The strengthening of passing on power was mainly due to accelerated capacity closure in the packaging paperboard industry as a result of tightened government environmental policy and enforcement, as well as the gradual recovery of business sentiment of the manufacturing sector in China.

With positive effect of a more favorable business environment and efforts of internal enhancements becoming visible, while the Group's total debt and foreign currency borrowings continued to decrease, ND Paper is well positioned to benefit from the current market improvements. As the market moves to a new balance between supply and demand, with more outdated and inefficient production capacities closed down and the amount of new capacities greatly reduced compared with the past, the large production and sales platform built by ND Paper in the past few years will provide the unparalleled advantages enjoyed by a market leader, e.g. economies of scale, product diversity, most extensive geographical network, excellence and reliability in before and after sales services, trusted banking relationship, etc. Under such a new balanced market environment, the Group's internal management efforts such as equipment upgrading, efficiency improvements, cost control and financing expense reduction are expected to generate further positive results in the foreseeable future.

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### **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 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.

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