

For Immediate Release

25 May 2018



**Nine Dragons Paper (Holdings) Limited Announces
Acquisition of Two Pulp and Paper Mills in the USA**

(Hong Kong, China 25 May 2018) Nine Dragons Paper (Holdings) Limited (the "Company") (together with its subsidiaries, the "Group" or "Nine Dragons") is pleased to announce that on 25 May 2018 a wholly owned subsidiary of the Company in the USA, ND Paper LLC, has entered into an agreement (the "Agreement") with Catalyst Paper Holdings Inc. (the "Vendor") for the acquisition (the "Acquisition") of the entire equity interest in Catalyst Paper Operations Inc. (the "Target Company"), which owns two pulp and paper mills located respectively in Rumford, Maine (the "Rumford Mill") and Biron, Wisconsin (the "Biron Mill"), USA. The Company, the Target Company and Catalyst Paper Corporation, a company incorporated in British Columbia, Canada and the holding company of the Vendor, are also parties to the Agreement.

The aggregate consideration for the Acquisition is US\$175,000,000 (approximately HK\$1,373,750,000), to be satisfied by the Group through its cash in hand and bank borrowing. Closing of the Acquisition is expected to take place by the end of the second quarter. Other salient terms of the Agreement can be found in the Company's Disclosable Transaction announcement on 25 May 2018.

Both the Rumford Mill and the Biron Mill are fully-integrated pulp and paper mills engaged in the business of manufacturing and distributing various types of pulp, paper and paper-based packaging materials. The Rumford Mill operates three paper production lines with a combined annual production capacity of approximately 550,000 tonnes (metric tons), which are capable of producing coated one-side, coated freesheet and coated groundwood grades. With two kraft pulping lines and a dryer, the mill has a combined annual pulping capacity of approximately 520,000 tonnes for kraft pulp, both hardwood and softwood grades, of which approximately 400,000 tonnes are for internal consumption and the rest of approximately 120,000 tonnes are for market. The Biron Mill operates two paper production lines with a combined annual production capacity of approximately 340,000 tonnes producing coated groundwood grades. As of 31 March 2018, the net asset value of the Target Company was approximately US\$65,760,000. The net profit after tax of the Target Company was approximately US\$4,145,000 and approximately US\$5,897,000 in the year

ended 31 December 2017 and 3 months ended 31 March 2018 respectively. The board of directors of the Company believes that the Acquisition will be accretive to the Group's future earnings, and looks forward to continuing the leadership of these two mills in the business of pulp, coated and specialty grades, while simultaneously investing in growing the mills' capacity in high growth packaging paper and pulp products.

The Acquisition materializes an upstream integration of the Group's current business model and is an important strategic step in the Group's global fibre sourcing and customer strategy. It is expected to generate synergies within the Group's existing raw material sourcing and production processes, allowing the Group to obtain access to high quality virgin fibre to satisfy its ongoing production needs, and further diversify its manufacturing base. After appropriate investments are made by the Group in the equipment of these two mills, it is expected that the synergies may further expand in future, providing the Group with increased access to, more secure and more cost effective raw materials for paper production, thus bringing further diversification to the material supply of the Group. These will provide an even stronger foundation for the Group's future development in China, North America and globally, enhancing its shareholder values in the long term.

Chairlady Cheung Yan said, "We are committed to making the Rumford and Biron mills more competitive on a global scale, paving the way for future growth and better service and support for North American and international customers. The two mills will share our commitment to the environment, community and continued innovation in the paper industry. Our key corporate values include 'respect and care for employees' and 'focus on our own industry'. We welcome the teams at both the Maine and Wisconsin sites to the Nine Dragons Paper family and we look forward to working with them as we embark on this next phase of expansion together."

— 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. The Company 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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