

Immediate Release



(Incorporated in Bermuda with limited liability)

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Nine Dragons Paper Announces FY2022 Annual Results

Exerts inner strength in adversity

Revenue hits record high

(Hong Kong, 27 September 2022) Nine Dragons Paper (Holdings) Limited announced the audited consolidated annual results of the Company and its subsidiaries (the “Group” or “Nine Dragons Paper”) for the year ended 30 June 2022 (“FY2022” or the “Year”).

- Revenue increased 4.8% to historical high of RMB 64.5 billion;
- Sales volume was approximately 16.0 million tonnes;
- Net profit was RMB3.28¹ billion;
- Basic earnings per share was RMB70 cents;
- Final dividend of RMB2 cents per share, together with the interim dividend per share of RMB8 cents, dividend for the Year amounted to RMB10 cents per share.

¹ Profit attributable to equity holders of the Company

During FY2022, with the persistent global pandemic and the Russia-Ukraine conflict, the fuel and transportation costs remained at a high level. Given the high inflation rate and the heightened risk of interest rate hikes, the sporadic COVID-19 outbreaks across China with consumption and supply chains disrupted by the lockdown measures, the economy was astonishingly hit.

In face of the unprecedentedly challenging business environment, the Group flexibly responded to market changes in pursuit of maximized operation efficiency. Under the pandemic, the sales volume for the financial year remained relatively stable while the selling price of the products recorded a year-on-year increase. Nonetheless, under weak market demand, the Group could hardly pass on all the rising costs of raw materials and energy to the customers. The profitability inevitably suffered a marked decline accordingly. Basic earnings per share was approximately RMB70 cents for the Year. The Board has declared the distribution of a final dividend of RMB2 cents per share. Together with the interim dividend of RMB8 cents per share, dividend for the Year amounted to RMB10 cents per share.

Actively give play to competitive advantages and move towards the goal of sustainable growth

With the thorough implementation of the “zero import quota on recovered paper” policy, the short supply of quality recovered paper in the market has become an issue that needs to be immediately tackled. In order to alleviate the concern about raw materials and raise the proportion of high-margin products in the long run, we pressed on with the fully-integrated pulp and paper mill projects in Hubei, Liaoning, Guangxi of China and Selangor, Malaysia to increase the production capacity for wood pulp and recycled pulp. Besides, we made proactive effort in scaling up the production capacity of wood fibre as an alternative raw material to effectively curb the paper manufacturing costs. Upon the successive completion of these projects, it is estimated that an additional production capacity of 3.12 million tonnes for wood pulp, 0.60 million tonnes for recycled pulp and 1.10 million tonnes for wood fibre will be added to the Group, which will further optimize our fibre and raw material mix as well as strengthen upstream capacity.

Currently, Nine Dragons Paper has a paper production capacity of 18.17 million tonnes with economies of scale. We exercise prudence in planning to avoid unsound business expansion. Therefore, the

investment in every tonne of production capacity has to promote the upgrade of the profit mix. The expansion projects of production bases in Hubei, Beihai, Shenyang and Malaysia are now underway, which are expected to add new production capacity of 6.85 million tonnes in total for virgin kraftliner, bleached folding boxboard and sack kraft paper. As such, we are making strides towards the goals of raising the proportion of high-margin products and fostering sustainable development in the long run.

While running both upstream and mid-stream businesses, the downstream packaging business is also on the right track of development. From product research and development to logistics delivery, we strive for perfection in every detail to earn trust from end-customers. Next, we will add production capacity of 440 million sq.m. in a bid to capture a greater market share.

Insist on making progress while maintaining stability, face difficulties and seize market opportunities

Despite the uncertainties in the short term and the complicated situation that is hardly reversible at once, resumption of local business and markets has progressed in an orderly manner as the pandemic is further under control and stabilizing in China. Coupled with the forthcoming traditional peak season, it is expected that the market demand will recover gradually. In the long run, the domestic demands in China will continue to be released as the fundamentals remains positive. In addition, the “Plastic Ban Order” policy will increase the resilient demand for packaging paper. Further driven by various factors such as environmental protection, raw materials and market conditions, market consolidation will also be expedited eventually, putting large enterprises in a strong position. In the coming year, with the objective of seeking progress while maintaining stability, we will carry out the following tasks by adhering to our four principles:

1. Adhering to securing raw materials — We will ensure stable quality and quantity of recovered paper by flexibly making adjustments to our procurement strategy. We will push ahead with the production capacity projects for alternative raw materials in full steam;
2. Adhering to balanced production and sales — By closely monitoring the market development, we will develop new products while flexibly maintaining a balanced production and sales correlation to strike for an optimal balance between product selling price and the inventory level;
3. Adhering to efficient financial management — Striving to control cost and boost efficiency, we will exercise effective control over working capital and cash flow, at the same time ensuring a balance between financial costs and foreign exchange risks; and
4. Adhering to environmental management — Serving as an excellent example for our peers, we will consistently implement proper environmental protection measures and strengthen low-carbon governance measures.

— End —

About Nine Dragons Paper (Holdings) Ltd.

Founded in 1995, Nine Dragons Paper Group is a leading global paper manufacturer (including upstream and downstream production chain) and China's leading paper producer. The Group primarily produce linerboard, high performance corrugating medium and coated duplex board, while it also produces printing and writing paper, specialty paper, pulp, high performance corrugated cardboard and high performance carton boxes. The Group has also established a number of downstream paper packaging companies to offer intelligent one-stop packaging services to customers. Nine Dragons Paper (Holdings) Limited was listed on the Main Board of the Hong Kong Stock Exchange in 2006.

This press release is issued by Wonderful Sky Financial Group Limited on behalf of Nine Dragons Paper (Holdings) Ltd.

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