



*(Incorporated in Bermuda with limited liability)*

(Stock code: 2689.HK)

## **Nine Dragons Paper Announces 2020 Interim Results**

**Record High Sales Volume  
All Profit Margins Increase**

**Lowest Gearing Ratio in Decade  
Net Profit Surged on Half Year Basis**

(Hong Kong, 24 February 2020) Nine Dragons Paper (Holdings) Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group” or “Nine Dragons Paper”) for the six months ended 31 December 2019 (the “Period”).

- Sales volume of 8.5million tons; a year-on-year increase of 13.3%
- Profit attributable to equity holders was RMB 2,279 million; a year-on-year increase of 0.5% and a half-year-on-half-year increase of 41.3%
- Gross profit margin of 17.1%; a year-on-year increase of 1.4 percentage points and a half-year-on-half-year increase of 1.6 percentage points
- Operating profit margin of 11.6%; a year-on-year increase of 0.3 percentage point and a half-year-on-half-year increase of 1.7 percentage points
- Net profit margin of 7.9%; a year-on-year increase of 0.4 percentage point and a half-year-on-half-year increase of 1.3 percentage points
- Net gearing ratio decreased to 50.6%, the lowest level in the past decade
- Basic earnings per share increased by RMB10 cents year-on-year to RMB 0.49
- Interim dividend of RMB 10 cents per share

### **Enhanced vertical integration of production chain and expedition of internationalization**

During the Period, the Group added a total production capacity of 0.95 million tpa for linerboard in Shenyang and Quanzhou to enjoy greater economies of scale. As at 31 December 2019, the Group’s total design production capacity for paper amounted to 16.5 million tpa and is expected to further increase to 18.1 million tpa by 2021.

In response to changes to the recovered paper policy, the Group has broadened its collection scope and entered into long-term cooperation agreements with reputable recovered paper suppliers in mainland China so as to step up its efforts in procuring low-end domestic recovered paper. At the same time, it has actively sought for raw material substitutes as well as established recycled pulp production facilities overseas to lay a solid foundation for stable raw material supply in the long run. As of 31 December 2019, the Group has a total design production capacity of 0.9 million tpa for pulp.

Regarding the downstream industry chain, the Group has successfully expanded its scope of business to include the production of corrugated sheets and corrugated boxes by acquiring packaging plants, as well as carried out a series of management optimization, which further maximized the efficiency brought by the vertical integration of production chain, all of which allow the Group to provide one-stop premium services to end-customers. In terms of sales and marketing strategy, the newly launched “River Dragon (江龍牌)” brand has effectively expanded the market share in mid-to-low-end markets and hence increased the overall sales volume and market share of the Group.

### **Prevailing edge of large-scale paper manufacturing enterprises under resilient Chinese economy**

The sustained uncertainties on global economic growth and the recent outbreak of COVID-19 have posed additional challenges to China’s packaging industry. Nevertheless, the Group is confident in the Chinese government’s epidemic prevention and control. It has also rendered its full support for the country’s effort in fighting the plague, with a donation of over RMB33 million, including RMB30 million in cash and medical supplies (including approximately 30,000 protective clothing and 10,000 N95 masks). In addition, with the resilience of China’s economy, the Group believe the market will have a swift recovery under both the support and favorable policies of the state. Moreover, the signing of the phase one Sino-US trade agreement and the commencement of phase two negotiation will benefit Chinese export and RMB exchange rate. With the Chinese government’s launch of stringent environmental policies such as the “Plastic Ban Order”, tariff exemption on importing kraft pulp and recycled pulp from the US, and possible import tariff exemption on US recovered paper, the edges of large-scale paper manufacturing enterprises will further prevail.

Leveraging its leading position and competitive edges, the Group has set the following targets to enhance overall profitability:

- (1) Securing raw materials – Step up efforts in the procurement of low-end recovered paper, continue to explore expansion opportunities in overseas markets for recycled pulp and strengthen the control on cost and quality;

- (2) Enhancing production and sales capability – Optimize the customer mix while increasing market share of the “River Dragon (江龍牌)” brand, and ensure a sound balance between production and sales on an ongoing basis;
- (3) Enhancing asset management – Optimize the debt portfolio to strike a balance between borrowing costs and exchange risks, in order to sustain a healthy level of gearing ratio, cash flow and capital management.

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**About Nine Dragons Paper (Holdings) Ltd.**

Founded in 1995, Nine Dragons Paper Group is a world-famous environmentally friendly recovered paper based paper manufacturing group. 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. 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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