

Immediate Release

22 February 2021



(Incorporated in Bermuda with limited liability)

(Stock code: 2689.HK)

Nine Dragons Paper Announces 2021 Interim Results

Achieves Record High Revenue and Sales Volume

Net Profit Surges 75.6 %

Net Gearing Ratio Decreased to the Lowest Level Since Listing

(Hong Kong, 22 February 2021) 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 2020 (the “Period”).

- Revenue increased by 7.1% year-on-year to a historical high of RMB 30.9 billion
- Sales volume achieved record high of 8.6 million tonnes
- Net profit¹ was RMB 4.0 billion; a year-on-year increase of 75.6%
- Gross profit margin of 20.9%; a year-on-year increase of 3.8 percentage points
- Net profit margin of 13.0%; a year-on-year increase of 5.1 percentage points
- Net gearing ratio decreased to 44.1%, the lowest level since listing
- Basic earnings per share increased by RMB 36 cents year-on-year to RMB 0.85
- Interim dividend of RMB 10.0 cents per share

In 2020, the global economy remained distressed. Coupled with factors such as the soon to be launched “Zero import quota on recovered paper” policy and the volatile Renminbi exchange rate, the packaging paper industry in China has been faced with severe tests. Facing the challenges, the Group has once again leveraged its edge as a leading enterprise. Both selling price and sales volume have recorded an increase, with revenue and sales volume reaching record high during the Period. Gross profit and net profit increased by 31.3% and 75.6%, while gross profit margin and net profit margin rose by 3.8 and 5.1 percentage points respectively. Cash flow remained at a considerably healthy level.

¹ Profit attributable to equity holders

Proactively explore upstream resources and strengthen the edge on vertical integration of production chain

During the Period, in response to final implementation of the “Zero import quota on recovered paper” policy in China, the Group has developed a comprehensive plan which focuses on upstream resources, including adjustment of raw material and product mix, and actively sought for various raw material substitutes, such as wood pulp, wood fibre and recycled pulp. As of 31 December 2020, the Group has a total design production capacity of 0.85 million tpa for pulp (wood pulp and recycled pulp). For paper production, a total of the Group’s new paper production capacity of 2.05 million tpa has officially commenced production in Quanzhou, Shenyang, Dongguan, and Hebei respectively during the Period, further enhancing the economies of scale and supporting the growth of market demand. As of 31 December 2020, the Group’s total design production capacity for paper amounted to 17.57 million tpa.

With the strong support of various local governments, the Group will carry out fully integrated pulp and paper projects in Hubei, Liaoning, Guangxi, as well as other regions in the future, which is highly conducive to the long-term stable supply of quality raw materials as well as the control on production quality and cost effectiveness in the future. The Group’s future paper production capacity expansion plan will not only achieve greater economies of scale, but also support its raw material supply and new development opportunities arising from the “Plastic ban order” policy. Therefore, the Group will increase the production capacity of virgin kraftliner, food grade bleached folding boxboard and sack kraft paper. The Group planned to increase the production capacity for wood pulp by 3.12 million tpa in China by the end of 2022, and for recycled pulp by 0.60 million tpa in Malaysia by the end of 2023. Furthermore, the Group planned to increase its production capacity for paper in China and Malaysia by 5.35 million tpa and 0.90 million tpa respectively in the next two years.

In terms of downstream production chain, the Group planned to increase the production capacity for packaging for the downstream packaging plants by 1.21 billion sq.m by the end of 2021, which would further maximize the efficiency brought by the vertical integration of production chain and allow the Group to provide one-stop premium services to end-customers.

Turning challenges in the industry into opportunities with the edge of large enterprises

Looking ahead in 2021, under the general availability of related vaccines, global economic recovery with a further boost on domestic consumption and export is expected. Benefited by the launch of the “Zero import quota on recovered paper” and “Plastic ban order” policies,

the entire paper manufacturing industry will embrace new business opportunities arising therefrom. Under the new development pattern, the Group aim to secure raw materials and optimize production volume, product quality and sales volume in an effective manner, and intensify cost control measures and economies of scale, with a view to maximizing its edges as a leading enterprise:

- (1) Securing raw materials – Expand the volume of recycled pulp and domestic procurement channels for fiber raw materials, as well as ensure the execution of production capacity projects for upstream raw materials, so as to achieve more effective cost and quality control;
- (2) Adjusting product mix – Devote intensive efforts in different segment markets with focus on high value-added product market, support the raw material supply and capitalize on the new opportunities arising from the “Plastic ban order”, at the same time increasing the supply of white linerboard for food packaging and paper shopping bag;
- (3) Adhering to prudent financial management – Further optimize debt portfolio to strike a balance between financial costs and exchange risks, at the same time sustaining a healthy gearing ratio, cash flow and capital management;
- (4) Enhancing environmental protection and R&D capability – Reinforce efforts on environmental protection as well as the research and development of paper and pulp production, aiming to lead the industry to a promising future.

– End –

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.

For further information, please contact:

Wonderful Sky Financial Group Limited

Coco He / Audrey Wang

Tel: (852) 3970 2233/ (852) 3970 2270

Fax: (852) 3102 0210

Email: cocohe@wsfg.hk / AudreyWangX@wsfg.hk