

Immediate Release

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*(Incorporated in Bermuda with limited liability)*

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## **Nine Dragons Paper Announces 2022 Interim Results**

### **Steady Development of Fully Integrated Production Chain Achieves Stable Sales Volume under Adversity**

(Hong Kong, 22 February 2022) 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 2021 (the “Period”).

- Revenue increased by 11.6% year-on-year to RMB 34.5 billion
- Sales volume of 8.4 million tonnes, similar to the same period last year
- Net profit<sup>1</sup> was RMB 2.8 billion
- Gross profit margin of 13.6%
- Net profit margin of 8.0%
- Basic earnings per share of RMB 0.59
- Interim dividend of RMB 8 cents per share

In 2021, the Chinese and global economic recovery was hard struck with the impact of the new COVID-19 variants. Coupled with the effect of the dual control of energy consumptions policy, soaring coal prices and increasing transportation costs, the manufacturing industry in general, China’s paper manufacturing and packaging industries were confronted with unprecedented challenges. Under the severe market conditions, Nine Dragons Paper adhered to the strategy of “prudence for sustainability” to surmount all difficulties and challenges. Leveraging various advantages of its leading position, the Group gained support from its customers and safeguarded steady sales successfully during the Period. Cash flow, internal control measures and finance risks also remained well under control.

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<sup>1</sup> Profit attributable to equity holders

## **Continuous enhancement of core competitiveness with active expansion of production capacity and accelerated establishment of fully integrated production chain**

Embracing sustainable growth as the cornerstone of development, during the Period Nine Dragons Paper has formulated an intricate blueprint for the development of a fully integrated business. With the Group actively building new paper production capacity for virgin kraftlinerboard, bleached folding boxboard and sack kraft paper, being part of the structural upgrade and expansion, these new capacities will increase the proportion of high-margin products. As of 31 December 2021, the Group's total annual design production capacity for paper amounted to 17.57 million tpa. With the respective production capacity of 1.20 and 0.6 million tonnes for linerboard of the new base in Hubei and the Malaysia base to be launched in 2022, combined with other paper manufacturing projects, it is estimated that the paper production capacity of the Group will reach 23.82 million tonnes in the future. Moreover, the Group is now developing its downstream packaging business in an orderly manner, as it acquires new customers and capture market shares through this differentiated offering of one-stop products and services with high quality to end-customers. As of 31 December 2021, total annual design capacity for downstream was approximately 2 billion sqm (Part of it can be used internally for carton box production). It is expected that 0.66 and 0.22 billion sqm of annual capacity will be added in 2022 and 2023 respectively.

In order to respond to the need of alternative raw materials under the “zero import quota on recovered paper” policy, the Group continues to press on with the fully-integrated pulp and paper mill projects in Hubei, Liaoning, Guangxi and Selangor, Malaysia to increase new production capacity for wood pulp and recycled pulp in full swing in a bid to ensure the Group's cost advantage and product quality in the future. As of 31 December 2021, the Group's total annual design production capacity for pulp amounted to 0.85 million tpa, including 0.70 million tpa for recycled pulp and 0.15 million tpa for wood pulp. Upon the successive completion of the fully-integrated pulp and paper mill projects, it is estimated that an additional production capacity of 3.72 million tonnes for quality pulp will be added to the Group, which will in turn complete its raw material mix further.

## **Maximizing capacity utilization and continue to consolidate the advantages of being a leading enterprise**

Looking ahead in 2022, the global pandemic, multilateral trade relations, interest rate movements, energy and environmental protection will be crucial to the economy and the development of the manufacturing industry. Driven by various uncertainties, the Group will

closely monitor the market development and make every effort to maximize its capacity utilization. In addition to various measures for reducing costs and increasing revenue, flexible procurement policy will be adopted for raw materials with stringent control over product quality. Meanwhile, the Group will comprehensively establish its presence across the entire industry chain layout to get well-positioned for the upgrade and transformation of both raw material mix and product portfolio in the future. Facing the economic measures implemented by the government for boosting industrial development, e-commerce development and the “plastic ban”, the Group will take a proactive approach to seize the arising opportunities rather than being passive, in order to further increase its market share.

With the objective of seeking progress while maintaining stability, the Group’s major tasks for the coming year are as follows:

1. Securing raw materials – Closely monitor the market development of various raw materials and make flexible adjustment to the procurement strategy. While ensuring stable quality and quantity of recovered paper supply, give the best efforts to secure alternative raw materials and push ahead with the production capacity projects for wood pulp and recycled pulp in full steam to pave way for high profitability in the future;
2. Adjusting product mix – Leveraging the advantages in raw materials, adjust the product mix with an aim to maintain the Group’s presence in high-end markets while consolidating its positions in mid- and low-end markets. In addition, intensive efforts will be made in expanding into different segment markets to acquire new customers;
3. Enhancing environmental protection management – Adhering to the philosophy of “No Environmental Management, No Paper Making”, the Group will stay sensitive and responsive to national environmental policies and promote various environmental and low-carbon governance measures so as to establish itself as the environmental benchmark in the industry; and
4. Adhering to prudent financial management – Exercise strict control over various costs to maintain a balance between financial costs and exchange risks, at the same time sustaining a healthy level of working capital and sound management over cash flow.

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**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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