

Immediate Release



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Nine Dragons Paper Announces 2023 Interim Results

Stable Sales Volume amid Extremely Challenging Business Environment

(Hong Kong, 22 February 2023) Nine Dragons Paper (Holdings) Limited announced the unaudited interim results of the Company and its subsidiaries (the “Group” or “Nine Dragons Paper”) for the six months ended 31 December 2022 (the “Period”).

- Revenue decreased by 9.5% YoY to approximately RMB31.2 billion;
- Sales volume increased by 2.4% YoY to 8.6 million tonnes;
- Gross profit was RMB686 million;

In the first half of FY2023, the packaging paper industry was disturbed by insufficient operation rates as consumption remained weak due to the impact of the sporadic outbreak of the pandemic and lockdowns in cities of China. Coupled with the impact of factors such as the high costs of fuel amidst the geopolitical war, interest rate hikes and the weak Renminbi, the packaging paper industry experienced an extremely challenging business environment through the years. In this regard, Nine Dragons Paper responded flexibly to the negative impact of the market by stopping production to release inventory and reducing prices during the Period, and sales remained stable during the Period. However, due to the extremely weak market demand, Nine Dragons Paper's profitability inevitably declined, and the Group also recorded a loss for the first time since its listing in 2006. Despite the poor profit performance, the Group's cash flow and financial risk management remained in place and continued to achieve ‘zero’ bad and doubtful debts, thus eliminating the risk of a break in the capital chain.

Sustain Growth by Leveraging Raw Material Advantages and Paper Capacity Expansion

Under the ‘zero import quota on recovered paper’ policy, having sufficient quality raw materials and increasing the proportion of high-margin products is an important foundation for the Group's stable operation and broad prospect. To this end, during the reporting period, Nine Dragons Paper has been pushing ahead with a number of fully-integrated pulp and paper mill projects domestically and internationally. While the Group's wood pulp lines with a total production capacity of 1.7 million tpa in Mainland China have started operation, wood pulp lines in Shenyang and Beihai will be in place successively. Together with the production capacity of recycled pulp and other alternative raw materials under construction, the Group's raw material advantage is gradually emerging. Upon the successive completion of these projects, the Group's production capacity for fibre raw material is expected to be over 7.43 million tpa in the future, including 4.07 million tpa for wood pulp, 1.30 million tpa for recycled pulp and 2.06 million tpa for wood fibre, which will optimize our fibre and raw material mix as well as strengthen upstream capacity.

Currently, Nine Dragons Paper has a paper production capacity of 18.77 million tpa, which represents a greater economy of scale over its peers. The Group is actively expanding new production capacity of 6.25 million tpa in total for virgin kraftliner, bleached folding boxboard and sack kraft paper to prepare for the next level of profitability.

The Group's downstream packaging capacity will increase by 440 million square meters to over 2.8 billion square meters.

Ensure High-quality Operation and Capitalise on Opportunities of “Economy Recovery”

Looking forward to 2023, global risks such as high inflation and geopolitics still cannot be underestimated, and the removal of import paper tariffs will also cause certain industry competition. However, with the adjustment and optimization of the national pandemic prevention and control measures, the release of a

number of policies to stimulate consumption and grant subsidies, as well as the upward trend from bottom in the prosperity of the paper manufacturing and packaging industries, the subsequent market may expect to recover, allowing large manufacturers to preempt the advantages. In the long term, incentives such as the “Plastic Ban Order’ opportunity, consumption upgrade and shortage of raw materials will make Nine Dragons Paper’s advantages of pulp and paper integration more and more obvious, which will be beneficial to enhancing market share and expanding the profit base. With the objective of making progress while maintaining stability, the Group’s major tasks for the coming year are as follows:

1. Do well in transformation of raw material structure — fully promote the production capacity project of wood pulp and alternative raw materials; flexibly adjust purchasing strategy to ensure the stability of the quality and quantity of waste paper;
2. Do well in product diversification and differentiation — maintain our core customers, develop new products and customers, and specify market and discover potentials;
3. Do well in saving expenses and enhancing efficiency — reduce costs and enhance efficiency; better grasp and control the operating capital and cash flow; and balance the finance costs and exchange risks; and
4. Do well in self-management — improve clean and civilized production, strengthen fire control, safety and integrity management. As a model of the industry, Nine Dragons Paper will continue to carry forward our environmental protection and low-carbon governance initiatives.

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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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