



Nine Dragons Paper Announces FY2024 Interim Results Sales Volume Achieved Record High Turning Losses into Profits

(Hong Kong, 27 February 2024) Nine Dragons Paper (Holdings) Limited (the “Company”) announced the unaudited consolidated interim results of the Company and its subsidiaries (the “Group” or “Nine Dragons Paper”) for the six months ended 31 December 2023 (the “Period”).

- Sales volume was approximately 10.0 million tonnes, representing a year-on-year increase of 16.3%;
- Revenue was approximately RMB 30.6 billion, on par with last year;
- Gross profit was approximately RMB 2.7 billion, nearly triple of that in the same period of last year;
- Turning losses into profits with profit attributable to equity holders of the Company was approximately RMB 0.29 billion.

In the first half of FY2024, demand for and prices of packaging paper continued to be weak due to the weak foundation of the global post-pandemic economic recovery, as well as the dampened consumption as a result of the lack of employment and confidence in mainland China. In the meantime, several factors, including high interest rates, increased market supply and intensified import competition, exerted downward pressure on the packaging paper industry. Against this backdrop, the Group fully optimised its raw material mix to ensure stable production efficiency and quality, and promoted its product diversification strategy by actively exploring new products and markets, making timely price adjustments, and strengthening cash flow and financial risk control, thereby effectively enhancing its profitability performance. Its results were gradually stabilized and improved, ultimately achieving a turnaround from loss to profit with a significant improvement in profit margins.

During the Period, the Group achieved sales volume of approximately 10.0 million tonnes, representing an increase of 16.3% as compared with the corresponding period last year and hitting a record high. Revenue was approximately RMB30.6 billion; gross profit was approximately RMB2.71 billion, year-on-year increase was close to triple. The Company successfully turned losses into profits with profit attributable to equity holders of the Company achieving approximately RMB0.29 billion.

Multiple new projects successfully putting into operation

During the Period, the new base in Beihai was officially put into operation, further expanding the Group's market coverage. Currently, the Group's total design production capacity for fibre raw materials amounted to 4.92 million tpa (including wood pulp of 2.37 million tonnes, recycled pulp of 0.70 million tonnes and wood fibre of 1.85 million tonnes). The total design production capacity for paper amounted to 21.67 million tpa, while the total annual design production capacity for downstream packaging plants exceeded 2.8 billion sq.m.

Accelerating product mix optimisation to unleash the economies of scale by taking forward the capacity expansion plan in an orderly manner

To launch valuable and highly profitable quality products in a better way, the Group is working in an orderly manner to realise its blueprint for integrated pulp and paper production, and vigorously consolidating the economies of scale while steadily optimising its product mix to promote endogenous growth under a virtuous cycle.

Specifically, aside from adding an annual production capacity of 1.70 million tonnes for wood pulp in Beihai and 0.42 million tonnes for wood fibre in Beihai and Malaysia, the Group also pressed on with capacity expansion projects for paper production in respect of bleached folding boxboard, sack kraft paper and printing and writing paper with a total production capacity of 2.00 million tonnes in Beihai and Jingzhou. Upon completion of the above projects, the Group's total design production capacity for fibre raw materials is expected to reach 7.04 million tpa (including wood pulp of 4.07 million tonnes, recycled pulp of 0.70 million tonnes and wood fibre of 2.27 million tonnes), and the total design production capacity for paper manufacturing will be over 23.67 million tpa by that time, which will lay a solid foundation for enhancing structural profitability in the future.

Seizing industry opportunities through various measures to realise long-term earnings growth

Looking forward to the second half of FY2024, it is expected to boost consumer confidence and demand for the packaging paper industry through the continuous implementation of various national stimulus policies. However, factors such as zero tariff on imported paper and new supply of production capacity remain in play, and it will take time for the economy and consumer confidence to improve, coupled with the diversity and locality of geopolitical policies, the current business environment is still uncertain. In the mid-to-long term, market drivers such as opportunities arising from both the trend of replacing plastic with paper and consumption upgrades as well as the tightened raw material supply will further strengthen the Group's competitive advantages of integrated pulp and paper production, which will be beneficial to enhancing the Group's market share and profitability. In the future, the Group will endeavour to strike a balance between production and sales, and exploit domestic and overseas raw materials and markets in an orderly manner, at the same time striving to increase the proportion of high value-added products to achieve long-term profitability with reasonable growth:

- (i) Improvement of raw material mix - We will push ahead with the production capacity projects for wood pulp and alternative raw materials in full stream to ensure stable production quality while minimising the cost of purchasing waste paper;

- (ii) Increase in added value and cost performance of products – We will make efforts in product differentiation, fully tap the potential of our customers, and target the high-end market to gain a larger market share;
- (iii) Enhancement of operating profitability – We will strive to reduce cost and boost efficiency on all fronts, exercise effective control over inventory, working capital and cash flow management, and minimising financing costs and foreign exchange risks;
- (iv) Reinforcement of internal management – We will reinforce management on environmental protection, fire prevention, safety and anti-corruption.

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About Nine Dragons Paper (Holdings) Limited

Founded in 1995 and headquartered in Dongguan, Guangdong Province, Nine Dragons Paper (Holdings) Limited was listed on the Hong Kong Stock Exchange in 2006. It is the world's largest paper manufacturer in terms of production capacity and a leading pulp and paper producer (major products include a wide range of environmentally-friendly packaging paper, high-end virgin paper, and upstream and downstream production chain products). The Group currently has a design production capacity of over 20 million tpa and approximately 20,000 employees. At present, Nine Dragons Paper has production bases in Dongguan, Taicang, Chongqing, Tianjin, Leshan, Quanzhou, Shenyang, Hebei, Hubei, Beihai, Vietnam, Malaysia, the United States, etc.

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

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