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玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2024**

FINANCIAL HIGHLIGHTS

- Sales volume increased by approximately 18.3%.
- Revenue increased by approximately 4.9% to RMB59,496.4 million, mainly attributable to the increase in sales volume during FY2024.
- Gross profit increased by approximately 273.2% to RMB5,711.5 million.
- Profit attributable to equity holders of the Company for FY2024 was approximately RMB750.7 million.
- Basic earnings per share amounted to approximately RMB0.16.

FINANCIAL RESULTS

The board of directors (“Board”) of Nine Dragons Paper (Holdings) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group” or “ND Paper”) for the year ended 30 June 2024 (“FY2024”), together with the comparative figures for the last financial year (“FY2023”) as follows.

CONSOLIDATED INCOME STATEMENT

		For the year ended 30 June	
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
Revenue	4	59,496,365	56,739,440
Cost of goods sold		<u>(53,784,893)</u>	<u>(55,209,226)</u>
Gross profit		5,711,472	1,530,214
Other income, other expenses and other gains — net		1,551,383	1,403,089
Exchange (losses)/gains on operating activities — net		(46,710)	172,835
Selling and marketing costs		(2,338,521)	(2,124,365)
Administrative expenses		(2,150,149)	(2,576,995)
Net impairment losses on financial assets		(82,412)	—
Operating profit/(loss)		2,645,063	(1,595,222)
Finance costs — net		(1,433,584)	(1,126,805)
— Finance income	6	135,181	162,110
— Finance costs	6	(1,568,765)	(1,288,915)
Exchange gains on financing activities — net		19,231	27,839
Share of results of associates and a joint venture — net		7,663	(31,842)
Profit/(loss) before income tax		1,238,373	(2,726,030)
Income tax (expense)/credit	7	(444,483)	355,191
Profit/(loss) for the year		793,890	(2,370,839)
Profit/(loss) attributable to:			
— Equity holders of the Company		750,677	(2,383,376)
— Holders of perpetual capital securities		21,669	—
— Non-controlling interests		21,544	12,537
		793,890	(2,370,839)
Basic earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the year (expressed in RMB per share)	8	0.16	(0.51)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year	793,890	(2,370,839)
Other comprehensive (loss)/income <i>(items that may be reclassified subsequently to profit or loss)</i>		
— Currency translation differences	<u>(270,495)</u>	<u>95,779</u>
Total comprehensive income/(loss) for the year	<u>523,395</u>	<u>(2,275,060)</u>
Attributable to:		
— Equity holders of the Company	513,810	(2,309,069)
— Holders of perpetual capital securities	21,669	—
— Non-controlling interests	<u>(12,084)</u>	<u>34,009</u>
	<u>523,395</u>	<u>(2,275,060)</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	30 June 2024 <i>RMB'000</i>	30 June 2023 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	95,462,861	86,557,207
Right-of-use assets	<i>10</i>	5,352,769	3,019,260
Intangible assets	<i>11</i>	286,810	300,248
Investments in associates and a joint venture		196,269	175,400
Prepayments		562,865	1,013,424
Deferred income tax assets		197,113	130,969
		102,058,687	91,196,508
Current assets			
Inventories	<i>12</i>	10,169,308	8,855,674
Trade receivables	<i>13</i>	3,534,280	3,086,387
Bills receivables	<i>13</i>	4,948,012	1,373,742
Other receivables and prepayments		6,805,813	5,556,064
Financial assets at fair value through profit or loss		86,248	87,404
Tax recoverable		39,077	32,330
Restricted cash		132,346	113,319
Short-term bank deposits		37,050	32,088
Cash and cash equivalents		10,560,669	10,317,488
		36,312,803	29,454,496
Total assets		138,371,490	120,651,004
EQUITY			
Capital and reserves			
Share capital	<i>14</i>	480,531	480,531
Share premium	<i>14</i>	1,084,720	1,084,720
Other reserves		6,815,423	6,812,482
Retained earnings		36,785,022	36,274,153
		45,165,696	44,651,886
Perpetual capital securities	<i>15</i>	2,846,329	—
Non-controlling interests		472,452	484,536
Total equity		48,484,477	45,136,422

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	30 June 2024	30 June 2023
		<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>16</i>	52,326,732	43,180,730
Lease liabilities	<i>10(a)</i>	1,751,420	21,203
Other payables		100,652	84,093
Deferred income tax liabilities		4,499,231	4,157,579
		<hr/> 58,678,035	<hr/> 47,443,605
Current liabilities			
Borrowings	<i>16</i>	14,852,349	13,592,522
Trade payables	<i>17</i>	4,745,359	3,277,468
Bills payables	<i>17</i>	6,520,710	6,370,854
Contract liabilities		632,551	454,378
Lease liabilities	<i>10(a)</i>	94,932	30,812
Other payables		4,330,009	4,322,791
Current income tax liabilities		33,068	22,152
		<hr/> 31,208,978	<hr/> 28,070,977
Total liabilities		<hr/> 89,887,013	<hr/> 75,514,582
Total equity and liabilities		<hr/> 138,371,490	<hr/> 120,651,004

CASH FLOWS INFORMATION

	For the year ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year	793,890	(2,370,839)
Adjustments for non-cash items/income tax expense/other items with investing or financing cash flows effects/changes in working capital	770,590	11,375,807
Cash generated from operations	1,564,480	9,004,968
Income tax paid	(163,396)	(62,951)
Interest paid	(2,195,283)	(2,017,530)
Net cash (used in)/generated from operating activities	(794,199)	6,924,487
Net cash used in investing activities	(12,655,973)	(17,424,026)
Net cash generated from financing activities	13,666,226	11,136,472
Net increase in cash and cash equivalents	216,054	636,933
Cash and cash equivalents at beginning of the year	10,317,488	9,654,344
Exchange gains on cash and cash equivalents	27,127	26,211
Cash and cash equivalents at end of the year	<u>10,560,669</u>	<u>10,317,488</u>

1. GENERAL INFORMATION

The Group is principally engaged in the manufacture and sales of packaging paper, printing and writing paper, high value specialty paper products and pulp.

The Company was incorporated in Bermuda on 17 August 2005 under the Companies Act 1981 as an exempt company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi thousand, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 25 September 2024.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

2. ACCOUNTING POLICIES

(a) New standards and amendments to standards adopted by the Group

The following new standards and amendments to standards are relevant and mandatory for the Group's financial year beginning on 1 July 2023:

HKFRS 17	Insurance Contract
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The adoption of the above amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

(b) New standards, amendments and interpretations to standards relevant to the Group have been issued but are not effective

The following new standards, amendments and interpretations to standards have been issued but are not mandatory for annual period beginning after 1 July 2023 and have not been early adopted:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

¹ Effective for the Group for annual periods beginning on or after 1 July 2024

² Effective for the Group for annual periods beginning on or after 1 July 2025

³ Effective for the Group for annual periods beginning on or after 1 July 2026

⁴ Effective for the Group for annual periods beginning on or after 1 July 2027

⁵ Effective date to be determined

The Group will apply the above new standards, amendments and interpretations to standards when they become effective. The Group anticipates that the application of the above new standards and amendments to standards will have no material impact on the results and financial positions of the Group.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of packaging paper, printing and writing paper, high value specialty paper products and pulp. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the directors of the Company regard that there is only one segment which is used to make strategic decisions.

4. REVENUE

Revenue recognised during the year are as follows:

	For the year ended 30 June	
	2024	2023
	RMB'000	RMB'000
Sales of packaging paper	54,609,046	51,009,294
Sales of printing and writing paper	4,133,707	4,699,885
Sales of high value specialty paper products	641,833	675,291
Sales of pulp	111,779	354,970
	<u>59,496,365</u>	<u>56,739,440</u>

5. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting) the following:

	For the year ended 30 June	
	2024	2023
	RMB'000	RMB'000
Depreciation charges of property, plant and equipment (<i>Note 10</i>)	3,304,563	3,691,597
Amortisation of intangible assets (<i>Note 11</i>)	18,879	29,721
Employee benefit expenses	4,013,449	4,014,510
Changes in finished goods	(258,155)	2,993,011
Raw materials and consumables used	48,463,322	45,959,412
Depreciation charges of right-of-use assets (<i>Note 10</i>)	141,129	91,673
Less: amount capitalised in property, plant and equipment	(30,615)	(29,616)
Less: amount charged to other expenses	(39,335)	—
	<u>71,179</u>	<u>62,057</u>

6. FINANCE INCOME AND FINANCE COSTS

	For the year ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:		
Interest income from bank deposits	<u>135,181</u>	<u>162,110</u>
Finance costs:		
Interest expenses	(2,250,894)	(1,863,598)
Other incidental costs	(43,074)	(120,143)
Less: amounts capitalised on property, plant and equipment	<u>748,221</u>	<u>746,863</u>
	(1,545,747)	(1,236,878)
Other finance costs	<u>(23,018)</u>	<u>(52,037)</u>
	<u>(1,568,765)</u>	<u>(1,288,915)</u>

7. INCOME TAX EXPENSE/(CREDIT)

	For the year ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
— PRC corporate income tax and withholding income tax (Notes (a) and (b))	151,613	(120,870)
— Malaysia income tax (Note (c))	5,612	—
— Socialist Republic of Vietnam (“Vietnam”) income tax (Note (d))	<u>10,441</u>	<u>1,590</u>
	<u>167,666</u>	<u>(119,280)</u>
Deferred income tax		
— PRC corporate income tax and withholding income tax	255,311	(322,950)
— Malaysia income tax	17,270	—
— USA income tax (Note (e))	—	77,925
— Vietnam income tax	<u>4,236</u>	<u>9,114</u>
	<u>276,817</u>	<u>(235,911)</u>
	<u>444,483</u>	<u>(355,191)</u>

(a) PRC corporate income tax

The Group's subsidiaries in Chinese mainland are subject to corporate income tax at the rate of 25% except that certain of these subsidiaries are entitled to preferential rate of 15% for the Group's financial year ended 30 June 2024 as those subsidiaries fulfil the requirements of High and New Technology Enterprise ("HNTE") according to relevant rules and regulations (2023: 15%). The HNTE designation should be reassessed every three years according to relevant rules and regulations.

In accordance with the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Implementing the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources Cai Shui [2008] No. 47 (《財政部、國家稅務總局關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》財稅[2008]47號), and the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources (2021) (《資源綜合利用企業所得稅優惠目錄(2021年版)》) issued by the Circular of the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Ecology and Environment on 16 December 2021, an enterprise, which uses the raw materials under the catalogue to produce recycled resource products under the catalogue and the products meet the national or industrial standards, is entitled to incentive tax arrangement such that only 90% of the sales revenue of the products is subject to the calculation of the taxable income. The Group's sales of recycled products qualify for the incentive tax arrangement and therefore 10% of the Group's revenue from sales of recycled products was deducted from the taxable income of the Group in the calculation of CIT from 1 January 2021 onwards.

(b) PRC withholding income tax

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the Chinese mainland to their foreign investors out of their profits earned after 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. The applicable withholding income tax rate of the intermediate holding company of the Company's mainland China subsidiaries for the year ended 30 June 2024 was 5% (2023: 5%).

(c) Malaysia income tax

The Group's subsidiaries in Malaysia are subject to corporate income tax at the rate of 24% for the year ended 30 June 2024 in respect of operations in Malaysia (2023: nil assessable profit).

(d) Vietnam income tax

The Group's subsidiaries in Vietnam are subject to corporate income tax at the rates of 10% or 20% for different operation phases for the year ended 30 June 2024 in respect of operations in Vietnam (2023: same).

(e) USA income tax

USA income tax has not been provided as the Group did not have any assessable profits for the year ended 30 June 2024 (2023: same).

(f) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group did not have any assessable profits for the year ended 30 June 2024 (2023: same).

8. EARNINGS/(LOSS) PER SHARE

— **Basic**

	For the year ended 30 June	
	2024	2023
Profit/(loss) attributable to equity holders of the Company (RMB'000)	<u>750,677</u>	<u>(2,383,376)</u>
Weighted average number of ordinary shares in issue (shares in thousands)	<u>4,692,221</u>	<u>4,692,221</u>
Basic earnings/(loss) per share (RMB per share)	<u>0.16</u>	<u>(0.51)</u>

— **Diluted**

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no potential diluted ordinary shares outstanding during the year ended 30 June 2024 (year ended 30 June 2023: same).

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 30 June 2024 (2023: nil).

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Property, plant and equipment <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>
Year ended 30 June 2024		
Opening net book amount	86,557,207	3,019,260
Additions (<i>Note (a)</i>)	12,604,446	2,460,283
Disposals	(52,829)	—
Depreciation/amortisation (<i>Note 5</i>)	(3,304,563)	(141,129)
Exchange differences	(341,400)	14,355
	<u>95,462,861</u>	<u>5,352,769</u>
Year ended 30 June 2023		
Opening net book amount	70,669,667	2,155,567
Additions	19,043,314	956,233
Disposals	(35,358)	(11,280)
Depreciation/amortisation (<i>Note 5</i>)	(3,691,597)	(91,673)
Exchange differences	571,181	10,413
	<u>86,557,207</u>	<u>3,019,260</u>

- (a) The additions of right-of use assets and lease liabilities were mainly comprised of 8 vessels with purchase options which were considered reasonably certain to be exercised by the Company at the end of the lease term. The accompanying right-of-use assets for the 8 vessels amounting to RMB2,198,727,000 are depreciated over the useful life of the vessels as 30 years.

11. INTANGIBLE ASSETS

	Year ended 30 June 2024 <i>RMB'000</i>
Year ended 30 June 2024	
Opening net book amount	300,248
Additions	6,583
Amortisation (<i>Note 5</i>)	(18,879)
Exchange differences	(1,142)
	<u>286,810</u>
Closing net book amount	
	<u>286,810</u>
Year ended 30 June 2023	
Opening net book amount	312,318
Additions	13,002
Amortisation (<i>Note 5</i>)	(29,721)
Exchange differences	4,649
	<u>300,248</u>
Closing net book amount	<u>300,248</u>

12. INVENTORIES

	30 June 2024 <i>RMB'000</i>	30 June 2023 <i>RMB'000</i>
Raw materials	6,303,848	5,385,760
Finished goods	3,865,460	3,469,914
	<u>10,169,308</u>	<u>8,855,674</u>

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB54,018,202,000 for the year ended 30 June 2024 (2023: RMB54,940,449,000).

Write-downs of inventories to net realisable value amounted to RMB35,468,000 for the year ended 30 June 2024 (2023: RMB268,777,000). The Group reversed RMB268,777,000 of a previous inventory write-down for the year end 30 June 2024 (2023: Nil), as the Group sold the relevant goods that had been written down. These were recognised as an expense during the year ended 30 June 2024 and included in cost of goods sold.

13. TRADE AND BILLS RECEIVABLES

	30 June 2024 <i>RMB'000</i>	30 June 2023 <i>RMB'000</i>
Trade receivables (<i>Note (a)</i>)	3,565,687	3,086,387
less: allowance for impairment	(31,407)	—
	<u>3,534,280</u>	<u>3,086,387</u>
Bills receivables (<i>Note (b)</i>)	4,957,444	1,373,742
less: allowance for impairment	(9,432)	—
	<u>4,948,012</u>	<u>1,373,742</u>

(a) As at 30 June 2024, the ageing analysis of trade receivables based on invoice date is as follows:

	30 June 2024 <i>RMB'000</i>	30 June 2023 <i>RMB'000</i>
0-30 days	3,525,840	2,575,787
31-60 days	21,136	432,809
Over 60 days	18,711	77,791
	<u>3,565,687</u>	<u>3,086,387</u>

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, which are widely dispersed.

The Group's credit sales to customers are mainly entered into on credit terms of not more than 60 days.

- (b) Bills receivables as at 30 June 2024 mainly represent bank acceptance note (30 June 2023: same) with maturity period of 30 to 180 days (30 June 2023: 180 to 360 days).

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Issued and fully paid					
Balance as at 30 June 2022, 30 June 2023 and 30 June 2024	4,692,220,811	469,222	480,531	1,084,720	1,565,251

15. PERPETUAL CAPITAL SECURITIES

	For the year ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Balance as at 1 July	—	—
Issuance	2,824,660	—
Profit attributable to holders of perpetual capital securities	21,669	—
Balance as at 30 June	2,846,329	—

In June 2024, the Company issued US\$400,000,000 (equivalent to approximately RMB2,845,400,000) senior perpetual capital securities listed on the Singapore Exchange Securities Trading Limited with the aggregate net proceeds after transaction cost of US\$397,084,000 (equivalent to approximately RMB2,824,660,000).

Distribution is payable semi-annually in arrears based on a distribution rate as defined in the subscription agreement. The average annual distribution rate is about 14% for the year ended 30 June 2024 (2023: nil).

There is no maturity of the securities and the payments of distribution can be deferred at the discretion of the Company, and there is no limit as to the number of times of deferral of distribution. When the Company elects to declare dividends to their respective ordinary shareholders, the Company shall make distribution to the holders of perpetual capital securities at the distribution rate as defined in the subscription agreements.

16. BORROWINGS

	30 June 2024 <i>RMB'000</i>	30 June 2023 <i>RMB'000</i>
Non-current		
— Long-term bank and other borrowings	<u>52,326,732</u>	<u>43,180,730</u>
Current		
— Short-term bank borrowings	3,210,872	5,889,013
— Current portion of long-term bank borrowings	<u>11,641,477</u>	<u>7,703,509</u>
	<u>14,852,349</u>	<u>13,592,522</u>
Total borrowings	<u><u>67,179,081</u></u>	<u><u>56,773,252</u></u>

The maturity of the borrowings is as follows:

	30 June 2024 <i>RMB'000</i>	30 June 2023 <i>RMB'000</i>
Within 1 year	14,852,349	13,592,522
Between 1 and 2 years	30,198,046	23,510,231
Between 2 and 5 years	16,911,781	15,426,361
Over 5 years	<u>5,216,905</u>	<u>4,244,138</u>
	<u><u>67,179,081</u></u>	<u><u>56,773,252</u></u>

17. TRADE AND BILLS PAYABLES

	30 June 2024 <i>RMB'000</i>	30 June 2023 <i>RMB'000</i>
Trade payables (<i>Note (a)</i>)	4,745,359	3,277,468
Bills payables (<i>Note (b)</i>)	<u>6,520,710</u>	<u>6,370,854</u>
	<u><u>11,266,069</u></u>	<u><u>9,648,322</u></u>

(a) The ageing analysis of trade payables based on invoice date as at 30 June 2024 is as follows:

	30 June 2024 <i>RMB'000</i>	30 June 2023 <i>RMB'000</i>
0–90 days	4,261,319	2,746,127
Over 90 days	<u>484,040</u>	<u>531,341</u>
	<u><u>4,745,359</u></u>	<u><u>3,277,468</u></u>

Trade payables are settled in accordance with agreed terms with suppliers.

(b) Bills payables are mainly with maturity period of 90 to 180 days as at 30 June 2024 (30 June 2023: 90 to 360 days).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the year under review, the Chinese economy faced the triple pressure of shrinking demand, supply shocks and weakening expectations with a sustained weakness in consumer confidence, which restrained the rebound of sales in the packaging paper industry to a certain extent. Meanwhile, the overall domestic supply of packaging paper continued to increase, posing notable downward pressure on paper prices. Besides, high interest rates in the United States and the weakening of the Renminbi, coupled with the continued expansion of production capacity by the peers and the continued increase in imported paper further added pressure on supply, putting the packaging paper industry under constant stress.

The Group proactively responded to these difficulties and challenges by pursuing progress amidst stability and promoting stability through making progress. Leveraging its excellent product quality and diverse product portfolio, the Group has a large, stable and diversified customer base, which contributed to the Group's significant year-on-year growth of 18.3% in sales volume and its year-on-year increase of 4.9% in revenue to RMB59,496.4 million for the year. We optimized the raw material structure, kept a close tab on the supply and prices of raw materials, and implemented refined production and sales management, inventory management and a range of cost reduction and efficiency enhancement measures to effectively strengthen the operating efficiency and cost control capabilities, thereby significantly improving the profitability of the Group. Recording a substantial year-on-year growth of 273.2% in the gross profit and significant year-on-year growth of 6.9 percentage points in the gross profit margin, we successfully navigated across the cycle and registered a turnaround from loss to profit during the year. In addition, we further improved the risk management system and kept working capital, cash flow and exchange rate fluctuation risks to minimum levels, solidifying the high-quality sustainable development of the Group.

During the year, a number of the Group's capacity expansion projects for paper production and raw materials have started production as scheduled. Among which, the new base in Beihai, Guangxi Zhuang Autonomous Region was also officially put into operation, which further expanded the Group's market coverage. As of 30 June 2024, the Group's total design production capacity for fibre raw materials amounted to 5.14 million tpa (wood pulp of 2.38 million tonnes, recycled pulp of 0.70 million tonnes and wood fibre of 2.06 million tonnes), and the total design production capacity for paper amounted to 21.67 million tpa, while the total annual design production capacity for downstream packaging plants amounted to 2.86 billion sq.m.

Capacity Expansion Plan

Leveraging the significant advantages of vertical integration of the supply chain resources, which include high-quality and sustainable raw material supply, an efficient paper production capacity and the synergy with downstream packaging business, the Group has been taking steady and progressive steps to push forward the strategy of integrated pulp and paper production. Aside from adding a production capacity of 3.05 million tonnes for wood pulp in Beihai, Guangxi Zhuang Autonomous Region and Jingzhou, Hubei Province, the Group also pressed on with capacity expansion projects for paper production in respect of bleached folding boxboard and printing and writing paper with a total production capacity of 3.70 million tonnes in Beihai, Guangxi Zhuang Autonomous Region and Jingzhou, Hubei Province. Upon completion of the above projects, the Group's total design production capacity for fibre raw materials will reach 8.19 million tpa (wood pulp of 5.43 million tonnes, recycled pulp of 0.70 million tonnes and wood fibre of 2.06 million tonnes), and the total design production capacity for paper will reach 25.37 million tpa. These projects would lay a solid foundation for further strengthening the Group's market competitiveness as well as improving its structural profitability in the future, reinforcing steady growth of the Group amidst the complex and volatile market.

The details of our latest plan for capacity expansion projects are as follows:

Capacity expansion project — wood pulp	New annual production capacity (million tpa)	Expected completion time
Beihai, Guangxi Zhuang Autonomous Region	(Chemical pulp) 1.10	Q3 of 2024
Jingzhou, Hubei Province	(Bleached chemi-thermo mechanical pulp) 0.60	Q3 of 2024
	(Chemical pulp) 0.65	Q2 of 2025
	(Bleached chemi-thermo mechanical pulp) 0.70	Q2 of 2025
Total	3.05	

Capacity expansion project — paper production	New annual production capacity (million tpa)	Expected completion time
Beihai, Guangxi Zhuang Autonomous Region	(Bleached folding boxboard) 1.20	Q3 of 2024
	(Printing and writing paper) 0.70	Q2 of 2025
Jingzhou, Hubei Province (Phase II)	(Printing and writing paper) 0.60	Q1 of 2025
Jingzhou, Hubei Province (Phase III)	(Bleached folding boxboard) 1.20	Q2 of 2025
Total	3.70	

As of 30 June 2024, the Group employed a total of 25,410 full-time staff.

FINANCIAL REVIEW

Revenue

The Group achieved a revenue of approximately RMB59,496.4 million for FY2024, representing an increase of approximately 4.9% as compared with FY2023. The major contributor of the Group's revenue was still its packaging paper business, including linerboard, high performance corrugating medium and coated duplex board, which accounted for approximately 91.8% of the revenue, with the remaining revenue of approximately 8.2% generated from its printing and writing paper, high value specialty paper and pulp products.

The Group's revenue for FY2024 increased by approximately 4.9% as compared with FY2023, resulting from the net effect of the increase in sales volume of approximately 18.3% and the decrease in average selling price of approximately 11.4%. Revenue of linerboard, high performance corrugating medium, coated duplex board and printing and writing paper for FY2024 accounted for approximately 55.5%, 22.6%, 13.7% and 6.9% respectively of the total revenue, compared to 49.5%, 25.5%, 15.0% and 8.3% respectively in FY2023.

The Group's annual design production capacity in packaging paperboard, printing and writing paper, and high value specialty paper and pulp products as at 30 June 2024 was approximately 24.8 million tpa in aggregation, comprising approximately 13.4 million tpa of linerboard, approximately 3.7 million tpa of high performance corrugating medium, approximately 2.6 million tpa of coated duplex board, approximately 1.7 million tpa of printing and writing paper and approximately 3.4 million tpa high value specialty paper and pulp products. The four US mills capacity was approximately 1.3 million tpa, including approximately 0.9 million tpa of coated one-side, coated freesheet and coated groundwood grade for printing and writing paper and specialty paper products; and approximately 0.4 million tpa of recycled pulp and wood pulp.

The Group's sales volume reached approximately 19.6 million tonnes in FY2024, increased by approximately 18.3% as compared with 16.6 million tonnes in FY2023. The increase in sales volume was driven by approximately 3.0 million tonnes increase in China business.

The sales volume of linerboard, high performance corrugating medium and coated duplex board for FY2024 increased by approximately 32.9%, 3.1% and 4.3% respectively as compared with those in FY2023.

The majority of the Group's revenue continued to be realised from the China market, in particular from the linerboard, high performance corrugating medium and coated duplex board sectors. For FY2024, revenue related to China consumption represented 88.1% of the Group's total revenue, while the remaining revenue of 11.9% represented overseas sales to customers in other countries.

For FY2024, revenue from the Group's top five customers in aggregate accounted for approximately 6.4% (FY2023: 7.0%) of the Group's total revenue, with that to the single largest customer accounted for approximately 2.7% (FY2023: 3.5%).

Gross profit and Gross profit margin

The gross profit for FY2024 was approximately RMB5,711.5 million, an increase of approximately RMB4,181.3 million or 273.2% as compared with RMB1,530.2 million in FY2023. The gross profit margin increased from 2.7% in FY2023 to 9.6% in FY2024 mainly due to the decrease in the cost of raw materials being more significant than the decrease in the selling price of the products.

Selling and marketing costs

Selling and marketing costs increased by approximately 10.1% from RMB2,124.4 million in FY2023 to approximately RMB2,338.5 million in FY2024 which was mainly contributed by more geographical areas covered and cost incurred to promote sales and marketing to support new paper machines launched in Beihai of Guangxi Zhuang Autonomous Region and Selangor of Malaysia. The total amount of selling and marketing costs as a percentage of the Group's revenue slightly increased from 3.7% in FY2023 to approximately 3.9% in FY2024.

Administrative expenses

Administrative expenses decreased by approximately 16.6% from RMB2,577.0 million in FY2023 to approximately RMB2,150.1 million in FY2024 which was mainly contributed by tighten control of management and administrative costs as well as optimization of management personnel structure. As a percentage of Group's revenue, the administrative expenses decreased from 4.5% in FY2023 to approximately 3.6% in FY2024.

Operating profit/loss

The operating profit for FY2024 was approximately RMB2,645.1 million as compared with operating loss of RMB1,595.2 million in FY2023. The increase in operating profit for FY2024 was mainly due to the increase in revenue and in gross profit margin of the Group.

Finance costs — net

The net finance costs increased by approximately RMB306.8 million, or 27.2% from RMB1,126.8 million in FY2023 to approximately RMB1,433.6 million in FY2024. The increase in finance cost was mainly contributed by the increase in total borrowing from RMB56,773.3 million as at 30 June 2023 to RMB67,179.1 million as at 30 June 2024 to support the capacity expansion projects, mainly new bases constructed including Jingzhou of Hubei Province, Beihai of Guangxi Zhuang Autonomous Region and Selangor of Malaysia which contributed new production capacity for wood pulp and paper products during the year and in the coming one to two years.

Income tax expense/credit

Income tax expense for the FY2024 amounted to approximately RMB444.5 million as compared with income tax credit for FY2023 amounted to approximately RMB355.2 million.

In accordance with the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Implementing the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources Cai Shui [2008] No. 47 (《財政部、國家稅務總局關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》財稅[2008]47號), and the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources (2021) (《資源綜合利用企業所得稅優惠目錄(2021年版)》) issued by the Circular of the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Ecology and Environment on 16 December 2021, an enterprise, which uses the raw materials under the catalogue to produce recycled resource products under the catalogue and the products meet the national or industrial standards, is entitled to incentive tax arrangement such that only 90% of the sales revenue of the products is subject to the calculation of the taxable income. The Group's sales of recycled products qualify for the incentive tax arrangement and therefore 10% of the Group's revenue from sales of recycled products was deducted from the taxable income of the Group in the calculation of CIT from 1 January 2021 onwards.

Net profit/loss

The profit attributable to equity holders of the Company amounted to approximately RMB750.7 million in FY2024 as compared to the loss attributable to the equity holders of the Company amounted to RMB2,383.4 million in FY2023, the profit attributable to the equity holder of the Company mainly attributable to the increase in revenue and in gross profit margin.

Working capital

The level of inventory as at 30 June 2024 increased by approximately 14.8% to approximately RMB10,169.3 million from RMB8,855.7 million as at 30 June 2023. Inventories mainly comprise of raw materials (mainly recovered paper, coal and spare parts) of approximately RMB6,303.8 million and finished goods of approximately RMB3,865.5 million.

In FY2024, raw material (excluding spare parts) turnover days increased to approximately 31 days as compared to 29 days for FY2023 while the finished goods turnover days increased to approximately 25 days as compared to 24 days for FY2023.

Trade and bills receivables as at 30 June 2024 were approximately RMB8,482.3 million, increased by approximately 90.2% from RMB4,460.1 million as at 30 June 2023, which was mainly contributed by the increase in bills receivables from RMB1,373.7 million as at 30 June 2023 to RMB4,948.0 million as at 30 June 2024. The increase in bills receivables as at 30 June 2024 mainly represented bank acceptance note with maturity period of 30 to 180 days and to recruit more customers with more geographical areas covered including but not limited to Jingzhou of Hubei Province and Beihai of Guangxi Zhuang Autonomous Region. During FY2024, the turnover days of trade receivables were approximately 20 days (2023: same).

Trade and bills payables were approximately RMB11,266.1 million as at 30 June 2024, increased by approximately 16.8% from RMB9,648.3 million in FY2023. The turnover days of trade payables were approximately 27 days for FY2024 as compared with 22 days for FY2023.

Liquidity and financial resources

The working capital and long-term funding required by the Group in FY2024 primarily comes from its operating cash flows and bank borrowings, while the Group's financial resources are used in its capital expenditures, operating activities and repayment of borrowings.

In terms of available financial resources as at 30 June 2024, the Group had bank and cash balances, short-term bank deposits and restricted cash amounted to approximately RMB10,730.1 million and total undrawn bank facilities of approximately RMB39,314 million.

As at 30 June 2024, the shareholders' funds were approximately RMB48,484.5 million, an increase of approximately RMB3,348.1 million or approximately 7.4% from that as at 30 June 2023 mainly due to in June 2024, the Company issued US\$400 million 14.0% (equivalent to approximately RMB2,845 million) senior perpetual capital securities listed on the Singapore Exchange Securities Trading Limited with the aggregate net proceeds after transaction cost of US\$397 million (equivalent to approximately RMB2,824 million).

Debts Management

The Group's outstanding borrowings increased by approximately RMB10,405.8 million from RMB56,773.3 million as at 30 June 2023 to approximately RMB67,179.1 million as at 30 June 2024 to support the capacity expansion plan of the Group. As at 30 June 2024, the short-term and long-term borrowings amounted to approximately RMB14,852.3 million and RMB52,326.8 million respectively, accounting for 22.1% and 77.9% of the total borrowings respectively.

Treasury policies

The Group has established a treasury policy with the objective of achieving better control of treasury operations and lowering cost of funds. Therefore, funding for all its operations and foreign exchange exposure have been centrally reviewed and monitored at the Group level. To manage the Group's exposure to fluctuations in foreign currency exchange rates and interest rates on specific transactions, foreign currency borrowings, currency structured instruments and other appropriate financial instruments will be used to hedge material exposure.

It is the policy of the Group not to enter into any derivative products for speculative activities.

The treasury policies followed by the Group aim to:

(a) *Minimise interest risk*

This is accomplished by loan re-financing and negotiation. The Board will continue to closely monitor the Group's loan portfolio and compare the loan margin spread under its existing agreements against the current borrowing interest rates under different currencies and new offers from banks.

(b) *Minimise currency risk*

In view of the current volatile currency market, the Board closely monitors the Group's foreign currency borrowings and will consider arranging for monetary and interest rate hedge at appropriate time to mitigate the corresponding risk. As at 30 June 2024, total foreign currency borrowings amounted to the equivalent of approximately RMB1,090.6 million and loans denominated in RMB amounted to approximately RMB66,088.5 million, representing approximately 1.6% and 98.4% of the Group's borrowings respectively.

Cost of borrowing

The effective interest rates of long-term borrowings and short-term borrowings both were stable at approximately 3.2% and 3.1% per annum as at 30 June 2024 and approximately 3.5% and 2.5% per annum as at 30 June 2023 respectively. The gross interest and finance charges (including interest capitalised but before interest income and exchange gains or losses on financing activities) increased to approximately RMB2,317.0 million in FY2024 from RMB2,035.8 million in FY2023.

Future Outlook

Looking ahead to the next fiscal year, we will encounter both opportunities and challenges. The United States is returning to cutting its interest rate after four years, while the Chinese government has launched a batch of policy measures to stabilize the economy, expand domestic demand and promote consumption. It is believed that with the intensive implementation of the relevant policies, consumer confidence will be further boosted by the combined efforts of all parties and the internal impetus of consumption, which will in turn promote the growth of demand in the packaging paper industry. Nonetheless, the competitive pressure of zero tariff on imported paper, the increased supply of new capacity from the peers, the necessarily gradual recovery of economic and consumer confidence, and the complex and volatile international situation have all added uncertainties to the current business environment. However, we firmly believe that the external factors such as the environmental trend of “replacing plastic with paper”, the change in market demand arising from consumption upgrade of “replacing the old with the new”, and fluctuations in raw material supply will further strengthen the Group’s competitive advantages of the integrated pulp and paper production. This will not only facilitate us to increase the market share and consolidate our market position as an industry leader, but also lay a stronger foundation for the profitability of the Group.

The Group will strive to strike a proper balance between production and sales, and push forward its domestic and overseas raw material expansion plans in an orderly and steady manner. It will also strengthen technological innovation and resource integration to provide differentiated and high-quality products, and continuously increase the proportion of high value-added products. At the same time, the Group will implement cost reduction and efficiency enhancement measures in all aspects, adhere to prudent financial strategies and pursuing safe and green production, so as to achieve high-quality and sustainable development and maintain its robust profitability.

DIVIDEND

The Company did not distribute an interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: Nil) to the shareholders.

The Board has decided not to declare the final dividend for the year ended 30 June 2024 (FY2023: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2024 AGM will be held on or before 31 December 2024. A notice convening the 2024 AGM and the book closure of register of members, for the purpose of ascertaining shareholders’ entitlement to attend the 2024 AGM, will be published and despatched in the manner as required by the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for FY2024.

AUDIT COMMITTEE REVIEW

The audit committee, which comprises three independent non-executive directors, has reviewed with Company's management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters of the Group for the year.

The consolidated financial statements of the Group for FY2024 have been reviewed by the audit committee, with the directors and the Company's auditor, PricewaterhouseCoopers.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

During FY2024, the Group has complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiries have been made to all directors, who have confirmed that, during FY2024, they were in compliance with provisions of the Model Code.

APPRECIATION

In addition to my gratitude to our management and staff, I would like to express my sincere appreciation to governments of various levels for providing a business-friendly environment that has allowed us to prosper and positively influence the lives of our employees while contributing to the success of our industry. We would also like to thank our shareholders, investors, bankers, customers and business partners for their support and look forward to sharing our continued success.

By Order of the Board
Nine Dragons Paper (Holdings) Limited
Cheung Yan
Chairlady

Hong Kong, 25 September 2024

As at the date of this announcement, the Board of the Company comprises eight Executive Directors, being Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Ken Liu, Mr. Lau Chun Shun, Mr. Zhang Lianpeng, Mr. Zhang Yuanfu and Ms. Zhang Lianru; and four Independent Non-Executive Directors, being Mr. Ng Leung Sing, Mr. Lam Yiu Kin, Ms. Chan Man Ki, Maggie and Dr. Li Huiqun.

* *For identification purposes only*