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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)

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2024**

FINANCIAL HIGHLIGHTS

- The Group's sales volume increased by 14.0% to approximately 11.4 million tonnes.
- Revenue increased by 9.3% to approximately RMB33,464.6 million.
- Gross profit increased by 18.1% to approximately RMB3,194.3 million.
- Profit after tax increased by 124.9% to approximately RMB680.3 million.
- Profit attributable to equity holders of the Company increased by 60.6% to approximately RMB469.6 million.
- Basic earnings per share increased by 66.7% to approximately RMB0.1.

FINANCIAL RESULTS

The board of directors (“Board”) of Nine Dragons Paper (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group” or “ND Paper”) for the six months ended 31 December 2024 (the “Period”), together with the comparative figures for the corresponding period of the last year.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		31 December	
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	33,464,611	30,611,229
Cost of goods sold		<u>(30,270,346)</u>	<u>(27,905,603)</u>
Gross profit		3,194,265	2,705,626
Other income, other expense and other gains — net		854,255	741,522
Exchange losses on operating activities — net		(5,269)	(12,834)
Selling and marketing costs		(1,244,738)	(1,111,548)
Administrative expenses		(1,207,268)	(1,031,254)
Reversal of loss allowance/(net impairment losses) on financial assets		<u>5,609</u>	<u>(48,034)</u>
Operating profit		1,596,854	1,243,478
Finance costs — net		(771,708)	(603,722)
— Finance income	7	64,199	83,379
— Finance costs	7	(835,907)	(687,101)
Exchange gains/(losses) on financing activities — net		119,811	(45,551)
Share of (loss)/profit of associates and a joint venture — net		<u>(12,808)</u>	<u>3,758</u>
Profit before income tax		932,149	597,963
Income tax expense	8	<u>(251,871)</u>	<u>(295,418)</u>
Profit for the Period		<u>680,278</u>	<u>302,545</u>
Profit attributable to:			
— Equity holders of the Company		469,569	292,436
— Holders of perpetual capital securities		199,529	—
— Non-controlling interests		<u>11,180</u>	<u>10,109</u>
		<u>680,278</u>	<u>302,545</u>

		Six months ended	
		31 December	
	<i>Note</i>	2024	2023
		(Unaudited)	(Unaudited)
Basic earnings per share for profit attributable to equity holders of the Company <i>(expressed in RMB per share)</i>	<i>9</i>	<u>0.10</u>	<u>0.06</u>
Diluted earnings per share for profit attributable to equity holders of the Company <i>(expressed in RMB per share)</i>	<i>9</i>	<u>0.10</u>	<u>0.06</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	31 December	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the Period	680,278	302,545
Other comprehensive income/(loss): <i>(items that may be reclassified subsequently to profit or loss)</i>		
— Currency translation differences	<u>208,970</u>	<u>(229,468)</u>
Total comprehensive income for the Period	<u>889,248</u>	<u>73,077</u>
Total comprehensive income for the period attributable to:		
— Equity holders of the Company	669,707	87,752
— Holders of perpetual capital securities	199,529	—
— Non-controlling interests	<u>20,012</u>	<u>(14,675)</u>
	<u>889,248</u>	<u>73,077</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		31 December 2024	30 June 2024
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	101,055,731	95,462,861
Right-of-use assets	<i>10</i>	5,301,637	5,352,769
Intangible assets		282,758	286,810
Investment in associates and a joint venture		183,492	196,269
Prepayments		498,998	562,865
Deferred income tax assets		200,053	197,113
		<u>107,522,669</u>	<u>102,058,687</u>
Current assets			
Inventories	<i>11</i>	9,522,526	10,169,308
Trade receivables	<i>12</i>	4,078,417	3,534,280
Bills receivables	<i>12</i>	3,091,076	4,948,012
Other receivables and prepayments		7,087,608	6,805,813
Financial assets at fair value through profit or loss		86,122	86,248
Tax recoverable		20,464	39,077
Restricted cash		114,947	132,346
Short-term bank deposits		79,214	37,050
Cash and cash equivalents		11,695,392	10,560,669
		<u>35,775,766</u>	<u>36,312,803</u>
Total assets		<u>143,298,435</u>	<u>138,371,490</u>
EQUITY			
Capital and reserves			
Share capital	<i>13</i>	480,531	480,531
Share premium	<i>13</i>	1,084,720	1,084,720
Other reserves		7,049,637	6,815,423
Retained earnings		37,220,515	36,785,022
		<u>45,835,403</u>	<u>45,165,696</u>
Perpetual capital securities		2,846,329	2,846,329
Non-controlling interests		492,464	472,452
Total equity		<u>49,174,196</u>	<u>48,484,477</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		31 December 2024	30 June 2024
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	51,401,377	52,326,732
Lease liabilities		1,714,831	1,751,420
Other payables		120,101	100,652
Deferred income tax liabilities		4,670,306	4,499,231
		<u>57,906,615</u>	<u>58,678,035</u>
Current liabilities			
Borrowings	<i>14</i>	16,917,523	14,852,349
Trade payables	<i>15</i>	5,627,419	4,745,359
Bills payables	<i>15</i>	8,295,000	6,520,710
Contract liabilities		668,056	632,551
Lease liabilities		101,570	94,932
Other payables		4,572,725	4,330,009
Current income tax liabilities		35,331	33,068
		<u>36,217,624</u>	<u>31,208,978</u>
Total liabilities		<u>94,124,239</u>	<u>89,887,013</u>
Total equity and liabilities		<u>143,298,435</u>	<u>138,371,490</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 (the "Stock Exchange").

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company on 27 February 2025.

The condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2024 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2024.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information applied are consistent with those of the annual financial statements for the year ended 30 June 2024, as described in those annual financial statements, except for the adoption of amendments to standards effective for the financial year beginning on 1 July 2024.

(a) Amendments to standards adopted by the Group

The following amendments to standards are relevant and mandatory for the Group's financial year beginning on 1 July 2024:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

(b) Amendments to standards relevant to the Group have been issued but are not effective

The following amendments to standards and new standards relevant to the Group have been issued but are not effective for the financial year beginning on 1 July 2024 and have not been early adopted by the Group:

Amendments to HKFRS 21	Lack of Exchangeability ¹
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 ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³

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

² Effective for the Group for annual periods beginning on or after 1 July 2026

³ Effective for the Group for annual periods beginning on or after 1 July 2027

The impact of amendments to standards and new standards that issued but not effective is still under assessment by the Group.

4. 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 executive directors of the Company regard that there is only one segment which is used to make strategic decisions.

5. REVENUE

Revenue recognised during the Period are as follows:

	Six months ended 31 December	
	2024	2023
	RMB'000	RMB'000
Sales of packaging paper	30,435,375	28,146,246
Sales of printing and writing paper	2,640,554	2,119,937
Sales of high value specialty paper products	331,749	321,402
Sales of pulp	56,933	23,644
	<u>33,464,611</u>	<u>30,611,229</u>

6. EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables used	26,067,923	24,903,111
Changes in finished goods	1,231,566	179,217
Employee benefit expenses	2,015,971	2,021,605
Depreciation charges of property, plant and equipment (<i>Note 10</i>)	1,805,039	1,602,242
Less: amount charged to other expenses	(5,722)	—
	1,799,317	1,602,242
Reversal of allowance for inventory impairment	(5,458)	(210,124)
Depreciation charges of right-of-use assets (<i>Note 10</i>)	86,217	64,619
Less: amount capitalised in property, plant and equipment	(9,524)	(15,430)
Less: amount charged to other expenses	(31,490)	—
	<u>45,203</u>	<u>49,189</u>

7. FINANCE INCOME AND FINANCE COSTS

	Six months ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:		
Interest income from bank deposits	<u>64,199</u>	<u>83,379</u>
Finance costs:		
Interest on borrowings	(1,123,946)	(1,056,644)
Other incidental borrowing costs	(18,096)	(17,231)
Less: amounts capitalised on property, plant and equipment (Note (a))	<u>324,463</u>	<u>410,966</u>
	(817,579)	(662,909)
Other finance costs	<u>(18,328)</u>	<u>(24,192)</u>
	<u>(835,907)</u>	<u>(687,101)</u>

(a) The capitalisation interest rate is approximately 3.4% for the six months ended 31 December 2024 (six months ended 31 December 2023: 3.7%).

8. INCOME TAX EXPENSE

	Six months ended 31 December	
	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))	27,587	100,188
— Malaysia income tax (Note (c))	4,581	6,260
— Vietnam income tax (Note (d))	<u>11,859</u>	<u>235</u>
	<u>44,027</u>	<u>106,683</u>
Deferred income tax		
— PRC corporate income tax and withholding income tax	203,804	165,188
— Malaysia income tax	195	14,692
— Vietnam income tax	3,845	8,855
— USA income tax	<u>—</u>	<u>—</u>
	<u>207,844</u>	<u>188,735</u>
	<u>251,871</u>	<u>295,418</u>

(a) PRC corporate income tax

The Group's subsidiaries in the 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 six months ended 31 December 2024 as those subsidiaries fulfil the requirements of High and New Technology Enterprise ("HNTE") according to relevant rules and regulations (six months ended 31 December 2023: same). 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 qualifies 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 mainland China 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 Chinese mainland 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 subsidiaries in Chinese mainland for six months ended 31 December 2024 was 5% (six months ended 31 December 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 six months ended 31 December 2024 in respect of operations in Malaysia (six months ended 31 December 2023: same).

(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 six months ended 31 December 2024 in respect of operations in Vietnam (six months ended 31 December 2023: same).

(e) USA income tax

USA income tax has not been provided as the Group did not have any assessable profits during the six months ended 31 December 2024 (six months ended 31 December 2023: same).

(f) **Hong Kong profits tax**

Hong Kong profits tax has not been provided as the Group did not have any assessable profits during the six months ended 31 December 2024 (six months ended 31 December 2023: same).

9. EARNINGS PER SHARE

— **Basic**

	Six months ended 31 December	
	2024	2023
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	<u>469,569</u>	<u>292,436</u>
Weighted average number of ordinary shares in issue (<i>shares in thousands</i>)	<u>4,692,221</u>	<u>4,692,221</u>
Basic earnings per share (<i>RMB per share</i>)	<u>0.10</u>	<u>0.06</u>

— **Diluted**

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding during the six months ended 31 December 2024 (six months ended 31 December 2023: same).

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

	Property, plant and equipment	Right-of-use assets
	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 31 December 2024		
Opening net book amount as at 1 July 2024	95,462,861	5,352,769
Additions	6,992,891	7,557
Disposals	(20,652)	—
Depreciation (<i>Note 6</i>)	(1,805,039)	(86,217)
Exchange differences	<u>425,670</u>	<u>27,528</u>
Closing net book amount as at 31 December 2024	<u>101,055,731</u>	<u>5,301,637</u>
Six months ended 31 December 2023		
Opening net book amount as at 1 July 2023	86,557,207	3,019,260
Additions	6,938,562	1,619,470
Disposals	(36,827)	—
Depreciation (<i>Note 6</i>)	(1,602,242)	(64,619)
Exchange differences	<u>(254,971)</u>	<u>(11,807)</u>
Closing net book amount as at 31 December 2023	<u>91,601,729</u>	<u>4,562,304</u>

11. INVENTORIES

	31 December 2024 RMB'000	30 June 2024 RMB'000
Raw materials	6,890,691	6,303,848
Finished goods	2,631,835	3,865,460
	<u>9,522,526</u>	<u>10,169,308</u>

12. TRADE AND BILLS RECEIVABLES

	31 December 2024 RMB'000	30 June 2024 RMB'000
Trade receivables (<i>Note (b)</i>)	4,109,623	3,565,687
less: allowance for impairment	(31,206)	(31,407)
	<u>4,078,417</u>	<u>3,534,280</u>
Bills receivables (<i>Note (d)</i>)	3,096,859	4,957,444
less: allowance for impairment	(5,783)	(9,432)
	<u>3,091,076</u>	<u>4,948,012</u>

- (a) As at 31 December 2024, the fair value of trade, bills and other receivables approximate their carrying amounts due to their short term maturities (30 June 2024: same).

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

As at 31 December 2024, the ageing analysis of trade receivables based on invoice date was as follows:

	31 December 2024 RMB'000	30 June 2024 RMB'000
0-60 days	3,976,683	3,546,976
Over 60 days	132,940	18,711
	<u>4,109,623</u>	<u>3,565,687</u>

- (c) The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables and bills receivables. For other receivables, the Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.
- (d) Bills receivables as at 31 December 2024 mainly represent bank acceptance notes (30 June 2024: same). The Group holds bank acceptance notes for collection of contractual cash flows and for selling. Therefore, these acceptance bills receivables are measured at fair value through other comprehensive income. Bills receivables are mainly with maturity period of 30 to 180 days (30 June 2024: same).

13. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares in thousands	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:					
Six months ended 31 December 2024					
Balance as at 1 July 2024 and 31 December 2024	<u>4,692,221</u>	<u>469,222</u>	<u>480,531</u>	<u>1,084,720</u>	<u>1,565,251</u>
Six months ended 31 December 2023					
Balance as at 1 July 2023 and 31 December 2023	<u>4,692,221</u>	<u>469,222</u>	<u>480,531</u>	<u>1,084,720</u>	<u>1,565,251</u>

14. BORROWINGS

	31 December 2024 RMB'000	30 June 2024 RMB'000
Non-current		
— Long-term bank and other borrowings	<u>51,401,377</u>	<u>52,326,732</u>
Current		
— Short-term bank borrowings	5,370,694	3,210,872
— Current portion of long-term bank borrowings	<u>11,546,829</u>	<u>11,641,477</u>
	<u>16,917,523</u>	<u>14,852,349</u>
	<u>68,318,900</u>	<u>67,179,081</u>

(a) The Group's borrowings were repayable as follows:

	31 December 2024 RMB'000	30 June 2024 RMB'000
Within 1 year	16,917,523	14,852,349
Between 1 and 2 years	31,324,249	30,198,046
Between 2 and 5 years	14,887,888	16,911,781
Over 5 years	<u>5,189,240</u>	<u>5,216,905</u>
	<u>68,318,900</u>	<u>67,179,081</u>

15. TRADE AND BILLS PAYABLES

	31 December 2024 RMB'000	30 June 2024 RMB'000
Trade payables (<i>Note (a)</i>)	5,627,419	4,745,359
Bills payables	<u>8,295,000</u>	<u>6,520,710</u>
	<u>13,922,419</u>	<u>11,266,069</u>

(a) As at 31 December 2024, the ageing analysis of trade payables based on invoice date is as follows:

	31 December 2024 RMB'000	30 June 2024 RMB'000
0–90 days	4,365,424	4,261,319
Over 90 days	<u>1,261,995</u>	<u>484,040</u>
	<u>5,627,419</u>	<u>4,745,359</u>

16. CAPITAL COMMITMENTS

The Group has material capital commitments contracted but not provided for on property, plant and equipment as follows:

	31 December 2024 RMB'000	30 June 2024 RMB'000
Property, plant and equipment	<u>6,888,598</u>	<u>8,012,562</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the Period under review, the global economic growth momentum slowed down and the geopolitical situation was complicated with changes. However, China's economy, driven by the stabilizing growth policies and further structural reforms, showed a mild turnaround with moderate recovery in domestic consumption. In addition, benefited from the export growth of end customers on top of the peak season factor, the demand for packaging paper improved moderately, driving the packaging paper industry sentiment from the trough to gradual recovery. Despite this, the overall consumer confidence in the market has yet to be fully restored, and the effective consumer demand remained insufficient.

In view of the complex and volatile market conditions, the Group adhered to the philosophy of “expanding with quality, leading with efficiency” to proactively cope with various challenges, optimize and adjust its business strategies in a timely manner and seize every opportunity of recovery of the industry. With excellent and stable quality and diversified product portfolio, the Group fulfilled its goal of capturing the market of high-end products and boosting sales volume and price. During the Period, the sales volume of the Group increased by 14.0% year-on-year to a new record high of 11.4 million tonnes, which contributed to its year-on-year increase of 9.3% in revenue to RMB33,465 million.

The Group continued to optimize its raw material expansion plans, and gradually utilized big data to facilitate scientific and innovative management and comprehensively launch the quality and efficiency enhancement measures, thereby effectively enhancing its cost control capabilities and operating efficiency. At the same time, the Group closely tracked the market dynamics of raw materials and finished product of paper, and timely adjusted its production and sales strategies to maximize profitability. The Group's fundamentals continued to improve and profitability substantially climbed. The gross profit for the Period increased by 18.1% year-on-year, while net profit after tax also surged by 124.9% year-on-year. In addition, we further improved the risk management system and kept working capital, cash flow and exchange rate fluctuation risks to minimum levels, solidly securing the robust development of the Group.

During the Period, the capacity expansion projects for paper production and raw materials of the Group's base in Beihai, Guangxi Zhuang Autonomous Region have commenced production as scheduled, which further expanded the Group's market coverage. As of 31 December 2024, the Group's total annual design production capacity for fibre raw materials amounted to 6.84 million tonnes (wood pulp of 4.08 million tonnes, recycled pulp of 0.70 million tonnes and wood fibre of 2.06 million tonnes), and the total annual design production capacity for paper amounted to 22.87 million tonnes, while the total annual design production capacity for downstream packaging plants amounted to over 2.86 billion sq.m.

Capital Expenditure and Expansion Plan

Leveraging the 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. The Group is investing in an annual design production capacity of 3.05 million tonnes of wood pulp, as well as 3.70 million tonnes of bleached folding boxboard and printing and writing paper in Beihai, Guangxi Zhuang Autonomous Region and Jingzhou, Hubei Province. Upon completion of the above projects, the Group's total annual design production capacity for fibre raw materials will reach 8.19 million tonnes (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 annual design production capacity for paper will reach 25.37 million tonnes. The diversified raw material and product portfolio enhanced the resilience and flexibility of the Group in the complex and volatile market conditions, laying a solid foundation for further strengthening the Group's market competitiveness and structural profitability in the future.

The details of our latest capital expenditure and expansion plan are as follows:

<i>Capital expenditure and expansion plan</i>	<i>(Expected)</i>	
<i>— wood pulp</i>	<i>Annual production capacity</i>	<i>completion time</i>
	<i>(million tpa)</i>	
Beihai, Guangxi Zhuang Autonomous Region	(Chemical pulp) 1.10	Q3 of 2024
	(Bleached chemi-thermo mechanical pulp) 0.60	Q3 of 2024
Jingzhou, Hubei Province	(Chemical pulp) 0.65	Q2 of 2025
	<u>(Bleached chemi-thermo mechanical pulp) 0.70</u>	Q2 of 2025
Total	<u>3.05</u>	

<i>Capital expenditure and expansion plan</i>	<i>(Expected)</i>	
<i>— paper production</i>	<i>Annual production capacity</i>	<i>completion time</i>
	<i>(million tpa)</i>	
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	

FINANCIAL REVIEW

Revenue

The Group achieved a revenue of approximately RMB33,464.6 million for the Period, representing an increase of approximately 9.3% as compared with the corresponding period last year. The major contributor of the Group's revenue was still its packaging paper business, including linerboard, high performance corrugating medium, coated duplex board and bleached folding boxboard, which accounted for approximately 90.9% of the revenue, with the remaining revenue of approximately 9.1% generated from its printing and writing paper, high value specialty paper and pulp products.

The Group's revenue for the period increased by 9.3% as compared with the corresponding period last year, resulting from the net-off effect of the increase in sales volume of approximately 14.0% and the decrease in average selling price of approximately 4.1%.

The Group's annual design production capacity in packaging paperboard, printing and writing paper, high value specialty paper and pulp products as at 31 December 2024 was approximately 27.7 million tpa in aggregation, comprising approximately 13.4 million tpa of linerboard, approximately 3.7 million tpa of high performance corrugating medium, approximately 2.0 million tpa of coated duplex board, approximately 1.8 million tpa of bleached folding boxboard, approximately 1.7 million tpa of printing and writing paper, approximately 5.1 million tpa of high value specialty paper and pulp products. The four US mills capacity of approximately 1.3 million tpa, including of approximately 0.9 million tpa coated one-side, coated freesheet and coated groundwood grade for printing and writing paper and specialty paper products, and of approximately 0.4 million tpa recycled pulp and wood pulp products.

The Group's sales volume increased by approximately 14.0% to 11.4 million tonnes as compared with 10.0 million tonnes in the corresponding period last year. The increase in sales volume was driven by approximately 1.4 million tonnes increase in the China business.

The sales volume of linerboard, high performance corrugating medium and bleached folding boxboard for the period increased by 16.5%, 11.2% and 16.6% respectively while coated duplex board for the period decreased by approximately 1.5% as compared with those in the corresponding period last year.

The majority of the Group's revenue continued to be realised from the China market, in particular from the linerboard, high performance corrugating medium, coated duplex board and bleached folding boxboard sectors. For the Period, revenue related to China consumption represented 89.4% of the Group's total revenue, while the remaining revenue of 10.6% represented sales recorded in other countries outside China.

During the Period, revenue from the Group's top five customers in aggregate accounted for approximately 6.9% (six months ended 31 December 2023: 6.3%) of the Group's total revenue, with that to the single largest customer accounted for approximately 2.6% (six months ended 31 December 2023: 2.8%).

Gross profit and Gross profit margin

The gross profit for the Period was approximately RMB3,194.3 million, an increase of approximately RMB488.7 million or 18.1% as compared with RMB2,705.6 million in the corresponding period last year. The gross profit margin increased from 8.8% in the corresponding period last year to approximately 9.5% for the Period mainly due to the decreased in the cost of raw materials being more significant and faster than the decrease in the selling price of the products.

Selling and marketing costs

Selling and marketing costs increased by approximately 12.0% from RMB1,111.5 million in the corresponding period last year to approximately RMB1,244.7 million for the Period which was mainly contributed by more geographical areas covered and cost incurred to promote sales and marketing to support new paper machine and pulp lines launched in Beihai of Guangxi Zhuang Autonomous Region. The total amount of selling and distribution costs as a percentage of the Group's revenue increase from 3.6% in the corresponding period last year to approximately 3.7% in the Period.

Administrative expenses

Administrative expenses increased by approximately 17.1% from RMB1,031.3 million in the corresponding period last year to approximately RMB1,207.3 million in the Period which was mainly contributed by additional management and administrative costs incurred to support the capacity expansion project mainly constructed in Beihai of Guangxi Zhuang Autonomous Region. As a percentage of Group's revenue, the administrative expenses increased from 3.4% in the corresponding period last year to 3.6% in the Period.

Operating profit

The operating profit for the Period was approximately RMB1,596.9 million, representing an increase of approximately RMB353.4 million or 28.4% over the corresponding period last year. The increase in operating profit for the Period was mainly due to the increase in gross profit of the Group.

Finance costs — net

The net finance costs for the Period increased by approximately RMB168.0 million, or increased by 27.8% from RMB603.7 million in the corresponding period last year to approximately RMB771.7 million in the Period. The increase in finance cost was mainly contributed by the increase in total borrowing from RMB61,026.4 million as at 31 December 2023 to RMB68,318.9 million as at 31 December 2024 to support the capacity expansion projects in Jinzhou of Hubei Province, and Beihai of Guangxi Zhuang Autonomous Region which contributed new production capacity for wood pulp and paper products during the Period.

Income tax expense

Income tax expense for the Period amounted to approximately RMB251.9 million and decreased by approximately 14.7% or RMB43.5 million as compared with the corresponding period last year.

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 qualifies 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

Profit after tax increased from approximately RMB302.5 million in the corresponding period last year to approximately RMB680.3 million for the Period, representing an increase of approximately RMB377.7 million or 124.9%.

Profit attributable to equity holders of the Company

The profit attributable to the equity holders of the Company increased from approximately RMB292.4 million in the corresponding period last year to approximately RMB469.6 million for the Period, representing an increase of approximately RMB177.1 million or 60.6%, mainly attributable to the increase in revenue and in gross profit.

Working capital

The level of inventory as at 31 December 2024 decreased by approximately 6.4% to approximately RMB9,522.5 million from RMB10,169.3 million as at 30 June 2024. Inventories mainly comprise of raw materials (mainly recovered paper, wood chips, coal and spare parts) of approximately RMB6,890.7 million and finished goods of approximately RMB2,631.8 million.

The turnover days for raw materials (excluding spare parts) and finished products were approximately 32 days and 20 days respectively during the Period, compared with 31 days and 23 days in the same period last year.

Trade receivables as at 31 December 2024 were approximately RMB4,078.4 million, increased by approximately 15.4% from RMB3,534.3 million as at 30 June 2024. During the Period, the turnover days of trade receivables were approximately 21 days, compared with 20 days in the same period last year.

Trade payables were approximately RMB5,627.4 million as at 31 December 2024, increased by approximately 18.6% from RMB4,745.4 million as at 30 June 2024. The turnover days of trade payables were approximately 31 days, compared with 24 days in the same period last year.

Liquidity and financial resources

The working capital and long-term funding required by the Group during the Period 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 the Group's available financial resources as at 31 December 2024, the Group had bank and cash balances, short-term bank deposits and restricted cash amounted to approximately RMB11,889.6 million and total undrawn bank facilities of approximately RMB45,340.9 million.

As at 31 December 2024, the shareholders' funds were approximately RMB49,174.2 million, an increase of approximately RMB689.7 million or approximately 1.4% from that as at 30 June 2024.

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 31 December 2024, 98.2% of the Group's borrowings were denominated in RMB, so there would be no significant foreign exchange risk.

FUTURE OUTLOOK

Looking ahead to the second half of the financial year, we will encounter both opportunities and challenges. The Chinese government's special campaign to boost consumption will continue to unleash consumption potential, which will in turn support the demand in the packaging paper industry. Nonetheless, the continued release of new capacity, the gradual recovery of the economy and consumption, and increasingly tense international relations will all affect market demand and supply. However, we strongly believe that the environmental trend of "replacing plastic with paper" and the demand stimulus of "replacing the old with the new" will present opportunities to the paper manufacturing industry. Meanwhile, the Group is determined to deepen its strategy of pulp and paper integration, which will further enhance its cost control capabilities and brand competitiveness, consolidating the foundation of profitability and solidifying the leading position of the Group in the industry.

The Group will push forward the raw material expansion plans in an orderly and steady manner, and strive to strike a proper balance between production and sales. It will also ramp up technological innovation and resource integration, and further promote the standardization and uniformity of pulp and paper production quality. The Group will continue to achieve sustainable supply of exemplary quality paper that embodies the characteristics of Nine Dragons Paper, while raising the proportion of high value-added products. At the same time, the Group will utilize big data to promote the quality and efficiency enhancement measures by pursuing prudent financial strategies. Furthermore, it will strengthen green and compliant operations to achieve high-quality and sustainable development.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2024 (six months ended 31 December 2023: Nil) to the shareholders.

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 the Period.

AUDIT COMMITTEE REVIEW

The audit committee of the Company, 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 Period.

The unaudited condensed consolidated interim financial information of the Group for the Period has been reviewed by the audit committee, with the directors and the Company's auditor, PricewaterhouseCoopers.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Appendix C1 — Corporate Governance Code to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Period.

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 the Period, 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. I would also like to thank our shareholders, bankers 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, 27 February 2025

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. Lam Yiu Kin, Ms. Chan Man Ki Maggie, Dr. Li Huiqun and Dr. Cao Zhenlei.

* *For identification purposes only*