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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 2023**

FINANCIAL HIGHLIGHTS

- Sales volume increased by approximately 3.4%.
- Revenue decreased by approximately 12.1% to RMB56,739.4 million, mainly attributable to the decrease in selling price of the products during FY2023.
- Gross profit decreased by approximately 78.1% to RMB1,530.2 million.
- Loss attributable to equity holders of the Company for FY2023 was approximately RMB2,383.4 million. (Loss attributable to equity holders of the Company in second half of FY2023 amounted to RMB994.6 million which decreased by RMB394.2 million as compared to loss attributable to equity holders of the Company in the first half of FY2023 amounted to RMB1,388.8 million.)
- Basic loss per share amounted to RMB0.51.
- No dividend was declared for FY2023.

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 2023 (“FY2023” or the “Year”), together with the comparative figures for the last financial year (“FY2022”) as follows.

CONSOLIDATED INCOME STATEMENT

| | | For the year ended 30 June | |
|---|------|-------------------------------|---------------------|
| | Note | 2023 RMB'000 | 2022 RMB'000 |
| Revenue | 4 | 56,739,440 | 64,538,102 |
| Cost of goods sold | | <u>(55,209,226)</u> | <u>(57,546,222)</u> |
| Gross profit | | 1,530,214 | 6,991,880 |
| Other income, other expenses and other gains — net | | 1,403,089 | 968,095 |
| Exchange gains/(losses) on operating activities — net | | 172,835 | (94,929) |
| Selling and marketing costs | | (2,124,365) | (1,955,444) |
| Administrative expenses | | <u>(2,576,995)</u> | <u>(2,322,490)</u> |
| Operating (loss)/profit | | (1,595,222) | 3,587,112 |
| Finance costs — net | | (1,126,805) | (711,296) |
| — Finance income | 6 | 162,110 | 187,617 |
| — Finance costs | 6 | <u>(1,288,915)</u> | <u>(898,913)</u> |
| Exchange gains on financing activities — net | | 27,839 | 380,692 |
| Share of results of associates and a joint venture — net | | <u>(31,842)</u> | <u>116,514</u> |
| (Loss)/profit before income tax | | (2,726,030) | 3,373,022 |
| Income tax credit/(expense) | 7 | <u>355,191</u> | <u>(62,521)</u> |
| (Loss)/profit for the year | | <u>(2,370,839)</u> | <u>3,310,501</u> |
| (Loss)/profit attributable to: | | | |
| — Equity holders of the Company | | (2,383,376) | 3,275,360 |
| — Non-controlling interests | | <u>12,537</u> | <u>35,141</u> |
| | | <u>(2,370,839)</u> | <u>3,310,501</u> |
| Basic (loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year (expressed in RMB per share) | 8 | <u>(0.51)</u> | <u>0.70</u> |
| Diluted (loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year (expressed in RMB per share) | 8 | <u>(0.51)</u> | <u>0.70</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the year ended | |
|--|---------------------------|-------------------------|
| | 30 June | |
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| (Loss)/profit for the year | (2,370,839) | 3,310,501 |
| Other comprehensive income/(loss) <i>(items that may be reclassified subsequently to profit or loss)</i> | | |
| — Currency translation differences | <u>95,779</u> | <u>(205,277)</u> |
| Total comprehensive (loss)/income for the year | <u>(2,275,060)</u> | <u>3,105,224</u> |
| Attributable to: | | |
| — Equity holders of the Company | <u>(2,309,069)</u> | 3,055,257 |
| — Non-controlling interests | <u>34,009</u> | <u>49,967</u> |
| | <u>(2,275,060)</u> | <u>3,105,224</u> |

CONSOLIDATED BALANCE SHEET

| | <i>Note</i> | 30 June 2023 <i>RMB'000</i> | 30 June 2022 <i>RMB'000</i> |
|---|-------------|---------------------------------------|--------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | <i>10</i> | 86,557,207 | 70,669,667 |
| Right-of-use assets | <i>10</i> | 3,019,260 | 2,155,567 |
| Intangible assets | <i>11</i> | 300,248 | 312,318 |
| Investments in associates and a joint venture | | 175,400 | 270,832 |
| Prepayments | | 1,013,424 | 896,824 |
| Deferred income tax assets | | 130,969 | 154,146 |
| | | 91,196,508 | 74,459,354 |
| Current assets | | | |
| Inventories | <i>12</i> | 8,855,674 | 12,170,100 |
| Trade and bills receivables | <i>13</i> | 4,460,129 | 4,951,111 |
| Other receivables and prepayments | | 5,556,064 | 5,418,883 |
| Financial assets at fair value through profit or loss | | 87,404 | 79,533 |
| Tax recoverable | | 32,330 | 237,240 |
| Restricted cash | | 113,319 | 67,774 |
| Short-term bank deposits | | 32,088 | 42,485 |
| Cash and cash equivalents | | 10,317,488 | 9,654,344 |
| | | 29,454,496 | 32,621,470 |
| Total assets | | 120,651,004 | 107,080,824 |
| EQUITY | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | <i>14</i> | 480,531 | 480,531 |
| Share premium | <i>14</i> | 1,084,720 | 1,084,720 |
| Other reserves | | 6,812,482 | 6,403,756 |
| Retained earnings | | 36,274,153 | 39,085,792 |
| | | 44,651,886 | 47,054,799 |
| Non-controlling interests | | 484,536 | 450,527 |
| Total equity | | 45,136,422 | 47,505,326 |

CONSOLIDATED BALANCE SHEET (CONTINUED)

| | <i>Note</i> | 30 June 2023 | 30 June 2022 |
|-------------------------------------|-------------|---------------------------|--------------------|
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | <i>15</i> | 43,180,730 | 36,861,721 |
| Other payables | | 105,296 | 107,468 |
| Deferred income tax liabilities | | 4,157,579 | 4,414,832 |
| | | <u>47,443,605</u> | <u>41,384,021</u> |
| Current liabilities | | | |
| Borrowings | <i>15</i> | 13,592,522 | 7,379,280 |
| Trade and bills payables | <i>16</i> | 9,648,322 | 6,667,945 |
| Contract liabilities | | 454,378 | 374,065 |
| Other payables | | 4,353,603 | 3,516,906 |
| Current income tax liabilities | | 22,152 | 253,281 |
| | | <u>28,070,977</u> | <u>18,191,477</u> |
| Total liabilities | | <u>75,514,582</u> | <u>59,575,498</u> |
| Total equity and liabilities | | <u>120,651,004</u> | <u>107,080,824</u> |

CASH FLOWS INFORMATION

| | For the year ended 30 June | |
|---|-----------------------------------|-------------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| (Loss)/profit for the year | (2,370,839) | 3,310,501 |
| Adjustments for non-cash items/income tax expense/other items with investing or financing cash flows effects/changes in working capital | <u>11,375,807</u> | <u>1,083,670</u> |
| Cash generated from operations | 9,004,968 | 4,394,171 |
| Income tax paid | (62,951) | (263,979) |
| Interest paid | <u>(2,017,530)</u> | <u>(1,099,696)</u> |
| Net cash generated from operating activities | 6,924,487 | 3,030,496 |
| Net cash used in investing activities | (17,424,026) | (12,321,554) |
| Net cash generated from financing activities | <u>11,136,472</u> | <u>8,920,623</u> |
| Net increase/(decrease) in cash and cash equivalents | 636,933 | (370,435) |
| Cash and cash equivalents at beginning of the year | 9,654,344 | 10,031,059 |
| Exchange gains/(losses) on cash and cash equivalents | <u>26,211</u> | <u>(6,280)</u> |
| Cash and cash equivalents at end of the year | <u><u>10,317,488</u></u> | <u><u>9,654,344</u></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 2023.

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, amendments and interpretations to standards adopted by the Group

The following new standards, amendments and interpretations to standards are relevant and mandatory for the Group's financial year beginning on 1 July 2022:

| | |
|----------------------------------|---|
| HKAS 16 (Amendments) | Property, Plant and Equipment: Proceeds before Intended Use |
| HKFRS 3 (Amendments) | Reference to the Conceptual Framework |
| HKAS 37 (Amendments) | Onerous Contracts — Cost of Fulfilling a Contract |
| Annual Improvements | Annual Improvements to HKFRS Standards 2018–2020 Cycle |
| Accounting Guideline 5 (Revised) | Revised Accounting Guideline 5 Merger |

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 and amendments to standards relevant to the Group have been issued but are not effective

The following new standards and amendments to standards have been issued but are not mandatory for annual period beginning after 1 July 2022 and have not been early adopted:

| | |
|---|--|
| HKFRS 17 | Insurance Contract ¹ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| HKAS 8 (Amendments) | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current ² |
| HKAS 1 (Amendments) | Non-current Liabilities with Covenants ² |
| Hong Kong Interpretation 5 (2020) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ² |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements ² |
| Amendments to HKFRS 16 | Lease liability in a sale and leaseback ² |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |

¹ Effective for the Group for annual periods beginning on or after 1 July 2023

² Effective for the Group for annual periods beginning on or after 1 July 2024

³ Effective date to be determined

The Group will apply the above new standards and amendments to standards when they become effective. The Group anticipate that the application of the above new standards and amendments to standards 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 | |
|--|----------------------------|-------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Sales of packaging paper | 51,009,294 | 59,922,416 |
| Sales of printing and writing paper | 4,699,885 | 3,655,895 |
| Sales of high value specialty paper products | 675,291 | 662,116 |
| Sales of pulp | 354,970 | 297,675 |
| | <u>56,739,440</u> | <u>64,538,102</u> |

5. OPERATING (LOSS)/PROFIT

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

| | For the year ended 30 June | |
|---|----------------------------|---------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Depreciation (<i>Note 10</i>) | 3,691,597 | 2,937,717 |
| Amortisation of intangible assets (<i>Note 11</i>) | 29,721 | 22,673 |
| Employee benefit expenses | 4,014,510 | 3,652,758 |
| Changes in finished goods | 2,993,011 | (3,135,242) |
| Raw materials and consumables used | 45,959,412 | 55,290,217 |
| Amortisation of right-of-use assets (<i>Note 10</i>) | 91,673 | 60,221 |
| Less: amount capitalised in property, plant and equipment | (29,616) | (6,626) |
| | <u>62,057</u> | <u>53,595</u> |

6. FINANCE INCOME AND FINANCE COSTS

| | For the year ended 30 June | |
|--|----------------------------|------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Finance income: | | |
| Interest income from bank deposits | <u>162,110</u> | <u>187,617</u> |
| Finance costs: | | |
| Interest on borrowings | (1,863,598) | (985,467) |
| Other incidental borrowing costs | (120,143) | (72,155) |
| Less: amounts capitalised on property, plant and equipment | <u>746,863</u> | <u>217,262</u> |
| | (1,236,878) | (840,360) |
| Other finance costs | <u>(52,037)</u> | <u>(58,553)</u> |
| | <u>(1,288,915)</u> | <u>(898,913)</u> |

7. INCOME TAX CREDIT/(EXPENSE)

| | For the year ended 30 June | |
|--|----------------------------|------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Current income tax | | |
| — PRC corporate income tax and withholding income tax (Notes (a) and (b)) | 120,870 | 93,196 |
| — United States of America (“USA”) income tax (Note (c)) | — | — |
| — Socialist Republic of Vietnam (“Vietnam”) income tax (Note (d)) | (1,590) | (19,843) |
| — Hong Kong profits tax (Note (e)) | <u>—</u> | <u>—</u> |
| | <u>119,280</u> | <u>73,353</u> |
| Deferred income tax | | |
| — PRC corporate income tax and withholding income tax | 322,950 | (129,194) |
| — USA income tax | (77,925) | — |
| — Vietnam income tax | <u>(9,114)</u> | <u>(6,680)</u> |
| | <u>235,911</u> | <u>(135,874)</u> |
| | <u>355,191</u> | <u>(62,521)</u> |

(a) PRC corporate income tax

The Group's subsidiaries in the mainland China 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 2023 as those subsidiaries fulfil the requirements of High and New Technology Enterprise ("HNTE") according to relevant rules and regulations (2022: 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 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 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 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 2023 was 5% (2022: 5%).

(c) 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 2023 (2022: same).

(d) Vietnam income tax

Vietnam income tax has been provided at the income tax rate on the estimated assessable profit for the year ended 30 June 2023 in respect of operations in Vietnam (2022: same).

(e) 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 2023 (2022: nil).

8. (LOSS)/EARNINGS PER SHARE

— Basic

| | For the year ended 30 June | |
|--|----------------------------|------------------|
| | 2023 | 2022 |
| (Loss)/profit attributable to equity holders of the Company (RMB'000) | <u>(2,383,376)</u> | <u>3,275,360</u> |
| Weighted average number of ordinary shares in issue (shares in thousands) | <u>4,692,221</u> | <u>4,692,221</u> |
| Basic (loss)/earnings per share (RMB per share) | <u>(0.51)</u> | <u>0.70</u> |

— Diluted

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential diluted ordinary shares outstanding during the year ended 30 June 2023 (year ended 30 June 2022: same).

9. DIVIDENDS

| | For the year ended 30 June | |
|---|----------------------------|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Interim dividend (2022: RMB8.0 cents) per ordinary share | — | 375,378 |
| Final dividend (2022: RMB2.0 cents) per ordinary share (Note) | — | 93,844 |
| | <u>—</u> | <u>469,222</u> |

Note: The Board does not recommend the payment of a final dividend for the year ended 30 June 2023 (year ended 30 June 2022: RMB2.0 cents per ordinary share).

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 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> |
| Closing net book amount | | |
| Year ended 30 June 2022 | | |
| Opening net book amount | 60,198,470 | 1,650,534 |
| Additions | 13,192,219 | 530,273 |
| Acquisition of a subsidiary | 80,082 | 30,177 |
| Disposals | (108,319) | — |
| Depreciation/amortisation (<i>Note 5</i>) | (2,937,717) | (60,221) |
| Exchange differences | 244,932 | 4,804 |
| | <u>70,669,667</u> | <u>2,155,567</u> |
| Closing net book amount | | |

11. INTANGIBLE ASSETS

| | Year ended 30 June 2023 <i>RMB'000</i> |
|--------------------------------|--|
| 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 | |
| Year ended 30 June 2022 | |
| Opening net book amount | 313,137 |
| Additions | 11,196 |
| Acquisition of a subsidiary | 8,412 |
| Amortisation (<i>Note 5</i>) | (22,673) |
| Exchange differences | 2,246 |
| | <u>312,318</u> |
| Closing net book amount | |

12. INVENTORIES

| | 30 June 2023 <i>RMB'000</i> | 30 June 2022 <i>RMB'000</i> |
|----------------|---------------------------------------|--------------------------------|
| Raw materials | 5,385,760 | 5,551,699 |
| Finished goods | 3,469,914 | 6,618,401 |
| | <u>8,855,674</u> | <u>12,170,100</u> |

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB54,940,449,000 for the year ended 30 June 2023 (2022: RMB57,546,222,000).

Write-downs of inventories to net realisable value amounted to RMB268,777,000 for the year ended 30 June 2023 (2022: nil). These were recognised as an expense during the year ended 30 June 2023 and included in cost of goods sold.

13. TRADE AND BILLS RECEIVABLES

| | 30 June 2023 <i>RMB'000</i> | 30 June 2022 <i>RMB'000</i> |
|---------------------------------------|---------------------------------------|--------------------------------|
| Trade receivables (<i>Note (a)</i>) | 3,086,387 | 3,682,958 |
| Bills receivables (<i>Note (b)</i>) | 1,373,742 | 1,268,153 |
| | <u>4,460,129</u> | <u>4,951,111</u> |

(a) As at 30 June 2023, the ageing analysis of trade receivables based on invoice date is as follows:

| | 30 June 2023 <i>RMB'000</i> | 30 June 2022 <i>RMB'000</i> |
|--------------|---------------------------------------|--------------------------------|
| 0-30 days | 2,575,787 | 3,113,623 |
| 31-60 days | 432,809 | 527,862 |
| Over 60 days | 77,791 | 41,473 |
| | <u>3,086,387</u> | <u>3,682,958</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 are mainly with maturity period of 180 to 360 days. Bills receivables as at 30 June 2023 mainly represents the bank acceptance notes (30 June 2022: 90 to 180 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 1 July 2022 and 30 June 2023 | 4,692,220,811 | 469,222 | 480,531 | 1,084,720 | 1,565,251 |
| Balance as at 1 July 2021 | 4,692,220,811 | 469,222 | 480,531 | 3,884,720 | 4,365,251 |
| Reduction of share premium and transfer to contributed surplus | — | — | — | (2,800,000) | (2,800,000) |
| Balance as at 30 June 2022 | 4,692,220,811 | 469,222 | 480,531 | 1,084,720 | 1,565,251 |

15. BORROWINGS

| | 30 June 2023 <i>RMB'000</i> | 30 June 2022 <i>RMB'000</i> |
|--|--------------------------------|--------------------------------|
| Non-current | | |
| — Long-term bank and other borrowings | 43,180,730 | 36,861,721 |
| Current | | |
| — Short-term bank borrowings | 5,889,013 | 4,492,142 |
| — Current portion of long-term bank borrowings | 7,703,509 | 2,887,138 |
| | 13,592,522 | 7,379,280 |
| Total borrowings | 56,773,252 | 44,241,001 |

The maturity of the borrowings is as follows:

| | 30 June 2023 <i>RMB'000</i> | 30 June 2022 <i>RMB'000</i> |
|-----------------------|--------------------------------|--------------------------------|
| Within 1 year | 13,592,522 | 7,379,280 |
| Between 1 and 2 years | 23,510,231 | 20,528,865 |
| Between 2 and 5 years | 15,426,361 | 15,280,836 |
| Over 5 years | 4,244,138 | 1,052,020 |
| | 56,773,252 | 44,241,001 |

16. TRADE AND BILLS PAYABLES

| | 30 June 2023 <i>RMB'000</i> | 30 June 2022 <i>RMB'000</i> |
|------------------------------------|---------------------------------------|--------------------------------|
| Trade payables (<i>Note (a)</i>) | 3,277,468 | 2,650,968 |
| Bills payables (<i>Note (b)</i>) | 6,370,854 | 4,016,977 |
| | <u>9,648,322</u> | <u>6,667,945</u> |

(a) The ageing analysis of trade payables based on invoice date as at 30 June 2023 is as follows:

| | 30 June 2023 <i>RMB'000</i> | 30 June 2022 <i>RMB'000</i> |
|--------------|---------------------------------------|--------------------------------|
| 0-90 days | 2,746,127 | 2,484,165 |
| Over 90 days | 531,341 | 166,803 |
| | <u>3,277,468</u> | <u>2,650,968</u> |

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

(b) Bills payables are mainly with maturity period of 90 to 360 days.

17. CAPITAL COMMITMENTS

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

| | 30 June 2023 <i>RMB'000</i> | 30 June 2022 <i>RMB'000</i> |
|-------------------------------|---------------------------------------|--------------------------------|
| Property, plant and equipment | <u>7,545,689</u> | <u>8,316,524</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the Year under review, as affected by the pandemic containment measures and sluggish post-pandemic economic recovery in mainland China, the insufficient domestic demand and consumption as well as the shrinking export market imposed significant constraints on both the demand of packaging paper and its prices, which therefore had continued to weaken. Meanwhile, unfavourable factors such as global inflation, fluctuations in energy prices, US dollars interest rate hikes and intensified import competition had adversely affected the profit performance of the Group.

In view of such challenging operating conditions, the Group adjusted its operating strategies from time to time by actively reducing costs and inventories, and strengthening working capital and cash flow management. At the same time, we responded to market demand by taking the initiative to develop new products and find new customers, while utilizing alternative raw materials to increase our competitiveness. As a result, we saw a slight increase in sales volume during the Year. However, as sluggish market forced us to lower prices to promote sales and suspend production several times to reduce inventories, we recorded a loss this year for the first time since our listing.

In order to achieve sustainable development and lay a solid foundation for driving profitable development in the long run, a number of the Group's capacity expansion projects for paper production and raw materials have started production as scheduled during the Year. As of 30 June 2023, the Group's total design production capacity for fibre raw materials amounted to 4.62 million tpa (wood pulp of 2.17 million tonnes, recycled pulp of 0.70 million tonnes and wood fibre of 1.75 million tonnes), and the total design production capacity for paper amounted to 20.02 million tpa, while the total annual design production capacity for downstream packaging plants exceeded 2.8 billion sq.m.

Capacity Expansion Plan

Sourcing high-quality raw materials is fundamental to the development of a paper making enterprise, and is also the key to cost control. As such, the Group has been actively expanding the supply of raw materials. Upon the completion of all projects, the Group's total design production capacity for fibre raw materials will reach 6.83 million tpa (wood pulp of 4.07 million tonnes, recycled pulp of 0.70 million tonnes and wood fibre of 2.06 million tonnes), which will give better play to the advantages of its vertical integration of the production chain.

Besides, optimization of product mix and improvement of structural profitability have become the main direction for future development of the Group. A number of our domestic and overseas capacity expansion projects for paper production are underway, including the production capacity expansion projects for virgin kraftliner, printing and writing paper and bleached folding boxboard. These projects are expected to add new production capacity of 4.25 million tonnes to the Group upon commencement of production, bringing the total design production capacity for paper manufacturing to reach 24.27 million tpa by that time.

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 |
|---|---|-------------------------------------|
| China | | |
| Beihai, Guangxi Zhuang Autonomous Region | (Bleached chemi-thermo mechanical pulp) 0.20 | Q4 of 2023 |
| | (Bleached chemi-thermo mechanical pulp) 0.60 | Q2 of 2024 |
| | (Chemical pulp) 1.10 | Q2 of 2024 |
| Total | 1.90 | |

| Capacity expansion project — wood fibre | New annual production capacity (million tpa) | Expected completion time |
|--|---|-------------------------------------|
| Vietnam | 0.10 | Q3 of 2023 |
| Malaysia | 0.21 | Q1 of 2024 |
| Total | 0.31 | |

| Capacity expansion project — paper production | New annual production capacity (million tpa) | Expected completion time |
|--|---|-----------------------------|
| China | | |
| Beihai, Guangxi Zhuang Autonomous Region | (Virgin kraftliner) 0.80 | Q4 of 2023 |
| | (Printing & writing paper) 0.55 | Q4 of 2023 |
| | (Bleached folding boxboard) 1.20 | Q3 of 2024 |
| | (Sack kraft paper) 0.20 | Q4 of 2025 |
| Jingzhou, Hubei Province (Phase II) | (Virgin kraftliner) 0.60 | Q4 of 2024 |
| | (Corrugating medium) 0.60 | Q4 of 2024 |
| Malaysia | (Corrugating medium) 0.30 | Q3 of 2023 |
| Total | 4.25 | |

As of 30 June 2023, the Group employed a total of 23,079 full-time staff.

FINANCIAL REVIEW

Revenue

The Group achieved a revenue of approximately RMB56,739.4 million for FY2023, representing an decrease of approximately 12.1% as compared with FY2022. 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 89.9% of the revenue, with the remaining revenue of approximately 10.1% generated from its printing and writing paper, high value specialty paper and pulp products.

The Group's revenue for FY2023 decreased by approximately 12.1% as compared with FY2022, resulting from the net effect of the decrease in average selling price of approximately 15.0% and the increase in sales volume of approximately 3.4%. Revenue of linerboard, high performance corrugating medium, coated duplex board and printing and writing paper for FY2023 accounted for approximately 49.5%, 25.5%, 15.0% and 8.3% respectively of the total revenue, compared to 49.3%, 25.3%, 18.2% and 5.7% respectively in FY2022.

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 2023 was approximately 22.9 million tpa in aggregation, comprising approximately 12.6 million tpa of linerboard, approximately 3.4 million tpa of high performance corrugating medium, approximately 2.6 million tpa of coated duplex board, approximately 1.1 million tpa of printing and writing paper and approximately 3.2 million tpa 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 reached approximately 16.6 million tonnes in FY2023, increased by approximately 3.4% as compared with 16.0 million tonnes in FY2022. The increase in sales volume was driven by approximately 0.6 million tonnes increase in China business.

The sales volume of linerboard and high performance corrugating medium for FY2023 increased by approximately 5.3% and 8.6% respectively, while coated duplex board for FY2023 decreased by 10.6% as compared with those in FY2022.

The majority of the Group's revenue continued to be realised from the China market, in particular from the linerboard and high performance corrugating medium sectors. For FY2023, revenue related to China consumption represented 89.0% of the Group's total revenue, while the remaining revenue of 11.0% represented overseas sales to customers in other countries.

For FY2023, revenue from the Group's top five customers in aggregate accounted for approximately 7.0% (FY2022: 7.1%) of the Group's total revenue, with that to the single largest customer accounted for approximately 3.5% (FY2022: 3.5%).

Gross profit and Gross profit margin

The gross profit for FY2023 was approximately RMB1,530.2 million, an decrease of approximately RMB5,461.7 million or 78.1% as compared with RMB6,991.9 million in FY2022. The gross profit margin decreased from 10.8% in FY2022 to 2.7% in FY2023 mainly due to the decrease in selling price of the products.

Selling and marketing costs

Selling and marketing costs increased by approximately 8.6% from RMB1,955.4 million in FY2022 to approximately RMB2,124.4 million in FY2023 which was mainly contributed by more geographical areas covered and cost incurred to promote sales and marketing to support (i) new bases constructed in Jingzhou of Hubei Province and Selangor of Malaysia; and (ii) new paper machine launched in the existing base in Shenyang as well. The total amount of selling and marketing costs as a percentage of the Group's revenue slightly increased from 3.0% in FY2022 to approximately 3.7% in FY2023.

Administrative expenses

Administrative expenses increased by approximately 11.0% from RMB2,322.5 million in FY2022 to approximately RMB2,577.0 million in FY2023 which was mainly contributed by additional management and administrative costs incurred 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 have new production capacity for wood pulp and paper products commence production during the year and in the coming years. As a percentage of Group's revenue, the administrative expenses increased from 3.6% in FY2022 to approximately 4.5% in FY2023.

Operating loss/profit

The operating loss for FY2023 was approximately RMB1,595.2 million as compared with operating profit of RMB3,587.1 million in FY2022. The operating loss for FY2023 was mainly due to the decrease in gross profit margin of the Group.

Finance costs — net

The net finance costs increased by approximately RMB415.5 million, or 58.4% from RMB711.3 million in FY2022 to approximately RMB1,126.8 million in FY2023. The increase in finance cost was mainly contributed by the increase in total borrowing from RMB44,241.0 million as at 30 June 2022 to RMB56,773.3 million as at 30 June 2023 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.

Exchange gains/(losses) on operating and financing activities — net

The exchange gains on operating and financing activities before tax for FY2023 in aggregation amounted to approximately RMB200.6 million (represented by exchange gains on operating activities before tax of approximately RMB172.8 million and exchange gains on financing activities before tax of approximately RMB27.8 million).

In FY2022, the exchange gains on operating and financing activities before tax in aggregation amounted to approximately RMB285.8 million (represented by exchange losses on operating activities before tax of approximately RMB94.9 million and exchange gains on financing activities before tax of approximately RMB380.7 million).

The aggregated exchange gains on operating and financing activities net of tax amounted to approximately RMB243.2 million in FY2023 as compared to the aggregated exchange gains on operating and financing activities net of tax amounted to approximately RMB283.0 million in FY2022.

Income tax credit/expense

Income tax credit for the FY2023 amounted to approximately RMB355.2 million as compared with income tax expense for FY2022 amounted to approximately RMB62.5 million. The income tax credit raised mainly attributable by the recognition of deferred income tax assets related to the loss incurred by the various subsidiaries in the mainland China in FY2023.

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 loss/profit

The loss attributable to equity holders of the Company amounted to approximately RMB2,383.4 million in FY2023 as compared to the profit attributable to the equity holders of the Company amounted to RMB3,275.4 million in FY2022, the decrease mainly attributable by the decrease in selling prices of packaging paper and decrease in gross profit margin.

Working capital

The level of inventory as at 30 June 2023 decreased by approximately 27.2% to approximately RMB8,855.7 million from RMB12,170.1 million as at 30 June 2022. Inventories mainly comprise of raw materials (mainly recovered paper, coal and spare parts) of approximately RMB5,385.8 million and finished goods of approximately RMB3,469.9 million.

In FY2023, raw material (excluding spare parts) turnover days increased to approximately 29 days as compared to 28 days for FY2022 while the finished goods turnover days decreased to approximately 24 days as compared to 42 days for FY2022.

Trade and bills receivables as at 30 June 2023 were approximately RMB4,460.1 million, decreased by approximately 9.9% from RMB4,951.1 million as at 30 June 2022. During FY2023, the turnover days of trade receivables were approximately 20 days, compared with 21 days in FY2022.

Trade and bills payables were approximately RMB9,648.3 million as at 30 June 2023, increased by approximately 44.7% from RMB6,667.9 million in FY2022. The turnover days of trade and bills payable were approximately 64 days for FY2023 as compared with 42 days for FY2022.

Liquidity and financial resources

The working capital and long-term funding required by the Group in FY2023 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 2023, the Group had bank and cash balances, short-term bank deposits and restricted cash amounted to approximately RMB10,462.9 million and total undrawn bank facilities of approximately RMB55,234.0 million.

As at 30 June 2023, the shareholders' funds were approximately RMB45,136.4 million, an decrease of approximately RMB2,368.9 million or approximately 5.0% from that as at 30 June 2022.

Debts Management

The Group's outstanding borrowings increased by approximately RMB12,532.3 million from RMB44,241.0 million as at 30 June 2022 to approximately RMB56,773.3 million as at 30 June 2023 to support the capacity expansion plan of the Group. The short-term and long-term borrowings amounted to approximately RMB13,592.5 million and RMB43,180.7 million respectively, accounting for 23.9% and 76.1% 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 2023, total foreign currency borrowings amounted to the equivalent of approximately RMB3,840.6 million and loans denominated in RMB amounted to approximately RMB52,932.7 million, representing approximately 6.8% and 93.2% 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 3.5% and 2.5% per annum as at 30 June 2023 and approximately 2.9% and 2.2% per annum as at 30 June 2022 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 RMB2,035.8 million in FY2023 from RMB1,116.2 million in FY2022.

Future Outlook

As we look forward to the post-pandemic era, there will be both opportunities and challenges. Despite headwinds remain in play over the current business environment, such as the unresolved geopolitical crises and the contraction of overseas economic activities which are unfavourable to export business, the Chinese Central Government has scaled up its policy support for the development of private economy, giving the Group the confidence that both domestic demand and consumption will pick up further while the industrial economy will continue to stabilize and improve. 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 its market share and gradually achieving steady operation and profitability.

The Group will strive to strike a proper balance between production and sales, and push forward the raw material expansion plans. It will also cater to the market demand by developing innovative products and, at the same time, work on cost reduction and efficiency enhancement. With a focus on fostering profitable growth in the long run, the Group is committed to pursuing safe and green production, and will achieve a turnaround as soon as possible.

DIVIDEND

The Company did not distribute an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: RMB8.0 cents) to the shareholders.

The Board has decided not to declare the final dividend for the year ended 30 June 2023 (FY2022: RMB2.0 cents).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2023 AGM will be held on or before 31 December 2023. A notice convening the 2023 AGM and the book closure of register of members, for the purpose of ascertaining shareholders' entitlement to attend the 2023 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 FY2023.

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 FY2023 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 FY2023, the Group has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 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 10 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 FY2023, 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 2023

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

** For identification purposes only*