



## China | Papermaking

25 September 2025

## Nine Dragons (2689 HK)

## FY25 NP upswing on GPM expansion

- Nine Dragons (ND) FY25 (Yr ended Jun) revenue increased 6.3% while NP went up by 135.4%
- Sales volume reached a record high; GPM showed clear improvement

## Sales vol. reached record high; clear GPM improvement

ND reported its FY25 results (Yr ended Jun) with revenue amounting to Rmb63.2bn, representing a YoY increase of 6.3%. The major revenue contributor remained as its packaging paper business which consists of linerboard, high performance corrugating medium, coated duplex board and bleached folding boxboard, which in all accounted for 90.0% of the total sales in FY25. Sales vol. increased by 9.6% YoY to new record high of 21.5m tonnes while ASP dropped by 3.0% in FY25. The sales vol. of linerboard bleached folding boxboard and high-performance corrugating medium increased by 10.2%/74.1%/1.6% respectively while coated duplex board decreased by 5.0% YoY in FY25. In FY25, ND derived 88.7% of its total revenue from the China market, primarily driven by sales of linerboard, high-performance corrugating medium, coated duplex board, and bleached folding boxboard. The remaining 11.3% was generated from overseas.

GPM expanded by 1.9ppt to 11.5% in FY25. The improvement in GPM was driven by a sharper decline in raw material costs compared to the reduction in ASP. FY25 NP consequently surged by 135.4% YoY to Rmb1.8bn.

## Advancing investment in pulp and integration of full value chain

China's paper manufacturing industry is undergoing a pivotal transformation where success is greatly depends on securing raw materials. Thus, by expanding the company's wood pulp footprint and integrating the full industrial chain is not simply to expand scale, but more importantly to serve as a strategic move to strengthen cost efficiency and supply chain resilience. As of Jun 2025, ND's total annual design production capacity in packaging paperboard, printing and writing paper, high value specialty paper and pulp products reached 28.9m tonnes per annum (tpa). The company is investing in approximately 3.4m tonnes of annual design production capacity for wood pulp across Beihai, Jingzhou, Chongqing, and Tianjin. Once these projects are completed, the company's designated capacity for fibre raw materials will reach around 10.2m tonnes, comprising 7.4m tonnes of wood pulp, 0.7m tonnes of recycled pulp, and 2.1 m tonnes of wood fibre. This expansion will further optimize the company's raw material mix and reinforce control over the industrial chain, enhancing overall competitiveness.

## Continued to navigate the shifting dynamics in paper packaging

Looking ahead, supportive policy measures from the Chinese government – aiming at stimulating domestic demand and boosting consumption are expected to underpin demand in the packaging paper sector. However, certain headwinds such as ongoing geopolitical tensions, a slow consumption recovery and ongoing capacities issue continue to persist and pose challenges to companies like ND.

Despite the above-mentioned uncertainties, ND will continue to capitalize on its vertically integrated pulp and paper operations, a key lever for long-term cost efficiency and competitive strength. This integrated model will continue to anchor profitability and serve a strategic growth engine in the evolving market landscape.

The company is now trading at consensus FY26/FY27 PE of 10.4x/9.0x.

## NON-RATED

Last Price (HK\$)*	5.72
Target Price (HK\$)	N/A
Upside / (Downside)(%)	N/A
Previous rating	NON-RATED
Previous TP	N/A
Hang Seng Index*	26,484.68
* Prices as of	25-Sep-25

## Key Data

Ticker	2689 HK
Market Cap (HK\$m)	26,840
3M avg daily T/O (HK\$m)	87.3
52-week High (HK\$)	6.15
52-week Low (HK\$)	2.68
Free Float (%)	32.5%
Shares O/S (m)	4,692.2

Performance	Absolute	Relative
1 month	2.7%	0.2%
3 months	75.5%	62.1%
6 months	67.7%	47.9%

## Price Chart



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Figure 1 P&amp;L

Year ended Jun (Rmbm)	FY24	FY25	YoY change
Revenue	59,496.4	63,240.5	6.3
COGS	(53,784.9)	(55,995.4)	
<b>Gross profit</b>	<b>5,711.5</b>	<b>7,245.1</b>	<b>26.9</b>
Other income	1,551.4	1,562.5	
Exchange gains/ (losses)	(46.7)	37.7	
Selling and marketing costs	(2,338.5)	(2,635.0)	
Administrative expenses	(2,150.1)	(2,256.1)	
Net impairment losses on financial assets	(82.4)	(17.7)	
<b>Operating profit</b>	<b>2,645.1</b>	<b>3,936.6</b>	<b>48.8</b>
Finance costs - net	(1,433.6)	(1,551.1)	
Exchange gains on financing activities	19.2	113.9	
Share of results of associates / JV	7.7	(14.8)	
<b>Before tax income</b>	<b>1,238.4</b>	<b>2,484.6</b>	<b>100.6</b>
Tax	(444.5)	(282.9)	
<b>After tax income</b>	<b>793.9</b>	<b>2,201.7</b>	<b>177.3</b>
MI	(21.5)	(34.2)	
Holdes of perpetual capital securities	(21.7)	(400.4)	
<b>Net profit</b>	<b>750.7</b>	<b>1,767.1</b>	<b>135.4</b>

Source: Company data

Figure 2 Sales breakdown

Year ended Jun (Rmbm)	FY24	% to total sales	FY25	% to total sales	YoY change
Packaging paper	54,609.0	91.8	56,899.7	90.0	4.2
Printing and writing paper	4,133.7	6.9	5,407.7	8.6	30.8
High value specialty paper products	641.8	1.1	672.9	1.1	4.8
Pulp	111.8	0.2	260.2	0.4	132.8
	<b>59,496.4</b>	<b>100.0</b>	<b>63,240.5</b>	<b>100.0</b>	<b>6.3</b>

Source: Company data

Figure 3 Peer comparable

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	P/E (x)			EPS YoY%		Div Yld (%)			P/B (x)		ROE (%)		ROIC Hist (%)	Share px chg (%)		
					Hist	FY1	FY2	FY1	FY2	Hist	FY1	FY2	Hist	FY1	Hist	FY1		1-mth	3-mth	12-mth
HSI		26,485			12.6	12.9	11.5	(2.7)	12.2	3.0	3.2	3.2	1.42	1.37	10.8	10.3		2.5	8.2	38.5
MSCI ACWI Cont & Packag		261.67			20.7	18.0	13.5	15.4	32.9	3.3	3.4	3.4	1.94	1.91	6.2	9.1		(6.0)	(4.1)	(15.8)
MSCI ACWI		979.25			35.4	21.2	18.8	67.5	13.1	1.7	1.9	1.9	3.55	3.38	14.5	14.9		2.8	8.5	16.1
<b>Sector Average</b>					#VALUE!	13.2	10.0	(3.0)	27.4	4.1	3.8	3.8	0.80	0.84	(1.4)	7.8	0.4	(5.2)	11.8	(1.9)
<b>Sector Median</b>					#VALUE!	12.1	10.2	2.5	20.8	3.3	3.0	3.0	0.69	0.71	3.9	5.6	3.1	(5.1)	3.9	(7.7)
Cmpc	CMPC CI	1,454.00	3,816	4.3	7.8	19.8	12.0	(60.8)	64.9	2.3	2.7	2.7	0.47	0.47	3.6	2.4	2.4	(6.3)	1.7	(6.1)
Holmen Ab-B Shs	HOLMB SS	359.60	6,200	5.8	20.0	20.7	18.1	(3.3)	14.3	3.3	N/A	N/A	1.00	0.98	4.9	4.7	3.7	(4.9)	(2.3)	(16.8)
Indah Kiat Pulp	INKP UJ	7,700.00	2,516	3.9	6.3	6.9	5.5	(13.0)	25.4	0.6	N/A	N/A	0.38	0.37	4.8	5.6	3.7	(1.9)	36.3	(9.4)
Lee & Man Paper	2314 HK	2.78	1,535	4.3	9.1	7.5	7.1	22.1	5.4	4.0	N/A	N/A	0.41	0.41	4.9	5.6	3.1	(4.5)	21.4	28.1
Mondi Plc	MNDI LN	1,017.00	6,037	887.3	14.5	13.0	10.4	8.3	24.6	5.9	5.7	5.7	1.08	1.06	3.9	8.6	3.6	(5.3)	(12.6)	(27.4)
Navigator Co Sa/	NVG PL	3.26	2,721	2.5	8.1	9.6	8.6	(16.2)	12.4	7.5	N/A	N/A	1.71	1.66	15.8	15.8	10.0	(3.8)	0.2	(11.1)
Nine Dragons Pap	2689 HK	5.72	3,451	11.2	14.1	10.4	9.0	33.3	16.1	N/A	N/A	N/A	0.52	0.49	3.8	4.8	2.7	2.7	75.5	82.2
Shandong Chen-B	200488 CH	1	634	0.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.36	N/A	(102.9)	N/A	(18.6)	(9.0)	42.0	(47.4)
Oji Holdings Cor	3861 JP	831.50	5,670	24.8	17.6	13.4	11.1	31.4	20.8	2.9	N/A	N/A	0.74	0.68	2.2	5.1	(3.5)	4.2	17.9	43.9
Tjwi Kimia	TKIM UJ	7,125.00	1,325	0.9	1,512.9	N/A	N/A	N/A	N/A	0.4	N/A	N/A	0.48	N/A	6.7	6.0	0.9	0.0	27.8	(2.7)
Sappi Ltd	SAP SJ	2,357.00	823	419.3	3.1	9.3	4.3	(64.4)	115.8	11.2	N/A	N/A	0.34	0.33	3.9	2.3	3.2	(19.4)	(23.1)	(50.8)
Shandong Sun -A	002078 CH	14	5,554	38.1	12.8	11.3	9.9	13.1	13.5	2.1	N/A	N/A	1.30	1.26	10.7	11.2	7.5	(4.1)	4.4	9.3
Shanying Intl-A	600567 CH	1.80	1,464	45.8	N/A	18.0	11.3	N/A	60.0	N/A	N/A	N/A	0.64	0.67	(3.6)	1.1	(0.2)	(7.2)	(6.2)	19.2
Stora Enso Oyj-R	STERV FH	9.44	8,773	14.5	N/A	21.9	13.2	N/A	66.1	2.6	N/A	N/A	0.74	0.73	(1.1)	2.8	(0.3)	(9.5)	5.4	(15.7)
Suzano Sa	SUZB3 BZ	49.95	11,841	42.9	N/A	5.2	7.1	N/A	(26.8)	4.0	3.0	3.0	1.43	1.44	18.7	24.2	7.1	(6.5)	(3.0)	(4.2)
Upm-Kymmene Oyj	UPM FH	23.32	14,443	21.5	13.4	17.8	12.4	(24.7)	44.0	6.4	N/A	N/A	1.23	1.16	3.3	5.8	3.1	(8.1)	3.4	(20.7)

Source: Bloomberg, Crosby



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