

What's Hot Today:

► **Nine Dragons Paper (2689 HK, HK\$5.72, HK\$26.8bn)**
profitability improvement on track

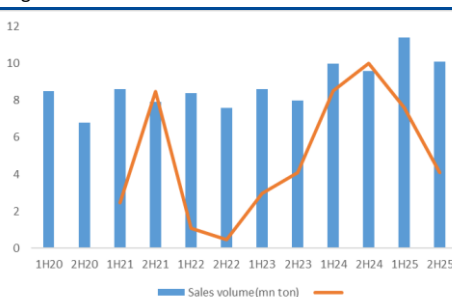
FY25 earnings inline. Nine Dragons Paper (NDP) is a leading paper manufacturer in China, specializing in packaging paper, high-end virgin paper and paper products. It posted a 6% YoY increase in revenue to RMB63.2bn for its full-year FY6/25 results. Net profit surged by 135% YoY to RMB1.8bn with a NPM of 2.8%, inline with its previous profit alert of RMB1.7-1.9bn. During 2H25, revenue increased by 3% YoY to RMB29.8bn, driven by 5% YoY growth in volume. This implied that the YoY ASP decline had been narrowed to 2%. GPM expanded by 3.2ppts YoY to 13.6%, as pulp, the key material saw a 8% YoY price drop. NP in 2H25 jumped 1.8x YoY to RMB1.3bn. Its per-ton NP reached RMB128, which is the first time the metric has been above RMB100 since 2H22.

Fig 1: 2H25 results review

	2H24		2H25			Results comments
	RMB mn	% of Rev	RMB mn	% of Rev	YoY chg	
Revenue	28,885		29,776		3%	volume+5%, ASP-2%
Cost of sales	(25,879)		(25,725)		-1%	
Gross profit	3,006	10.4%	4,051	13.6%	35%	Raw material pulp and OCC dropped
Other revenue	810		708		-13%	
Selling and distribution expenses	(1,227)	-4.2%	(1,390)	-4.7%	13%	
Administrative expenses	(1,119)	-3.9%	(1,049)	-3.5%	-6%	
Operating profit	1,402	4.9%	2,340	7.9%	67%	
Finance costs	(830)		(779)		-6%	
Profit before income taxes	640		1,552		142%	
Income tax expense	(149)		(31)		-79%	
Net profit	458	1.6%	1,298	4.4%	183%	Thanks to higher GPM and strict cost control

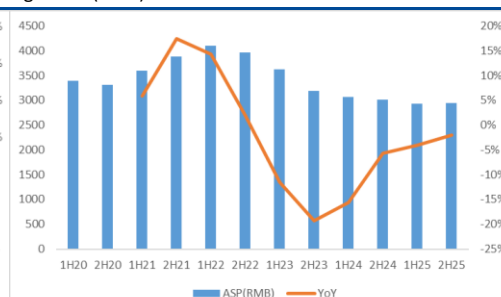
Source: Company Data, Sunwah Kingsway Research

Fig 2: Sales volume and YoY



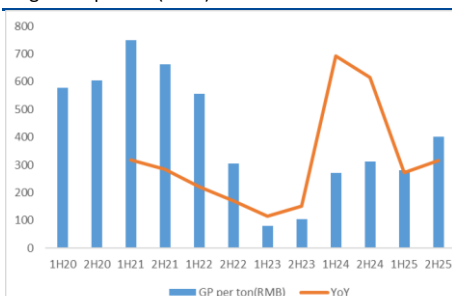
Source: Company Data, Sunwah Kingsway Research

Fig 3: ASP(RMB) and YoY



Source: Company Data, Sunwah Kingsway Research

Fig 4: GP per ton(RMB) and YoY



Source: Company Data, Sunwah Kingsway Research

Fig 5: NP per ton(RMB) and YoY



Source: Company Data, Sunwah Kingsway Research

China & HK Indices	CLOSE	1D	YTD
HSI	26,484	-0.1%	32.0%
HSCEI	9,444	0.0%	29.6%
HSCCI	3,992	-1.3%	5.6%
CSI300	4,593	0.6%	16.7%
Shanghai A	4,039	-0.0%	-2.4%
Shanghai B	260	0.1%	-2.4%
Shenzhen A	2,625	0.2%	28.2%
Shenzhen B	1,349	-0.3%	11.3%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	45,947	-0.4%	8.0%
S&P 500	6,604	-0.5%	12.3%
Nasdaq	22,384	-0.5%	15.9%
Nikkei Index	45,444	-0.7%	13.9%
FTSE Index	9,213	-0.4%	12.7%
CAC Index	7,795	-0.4%	5.6%
DAX Index	23,534	-0.6%	18.2%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	3,749	0.4%	42.7%
STEEL (US\$/oz.)	2,155	-0.1%	20.7%
SILVER (US\$/oz.)	45	2.9%	55.6%
CRUDE OIL (US\$/bbl)	64	-0.0%	-9.1%
COPPER (US\$/oz.)	10,259	2.9%	17.0%
ALUMINIUM (US\$/oz.)	2,658	0.8%	4.2%
PLATINUM (US\$/oz.)	1,528	3.6%	70.1%
ZINC (US\$/oz.)	2,926	1.3%	-1.7%
WHEAT (US\$/bu)	527	1.4%	-4.4%
CORN (US\$/bu)	425	0.4%	-4.1%
SUGAR (US\$/lb)	N/A	N/A	
SOYBEAN (US\$/bu)	1,012	0.3%	-1.3%
PVC (US\$/t)	N/A	N/A	-12.2%
CRB	303	1.2%	3.0%
BDI			124.7%

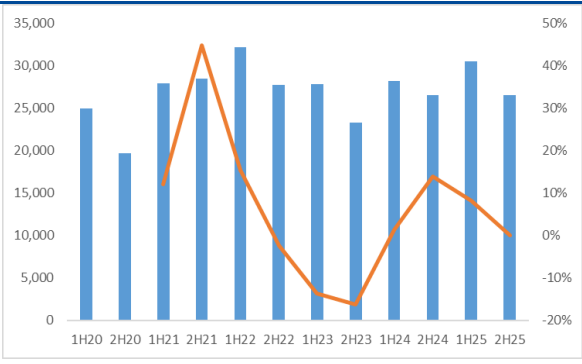
Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.784	0.857	149.800	0.800	7.134
HKD	0.128		0.110	19.246	10.273	0.917
EUR	1.167	9.080		174.750	1.072	8.313
JPY	0.007	5.196	0.572		0.534	0.048
CHF	1.251	9.734	1.072	187.295		8.919
RMB	0.140	1.091	0.120	21.009	0.112	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	16	6.6%

Source: Bloomberg

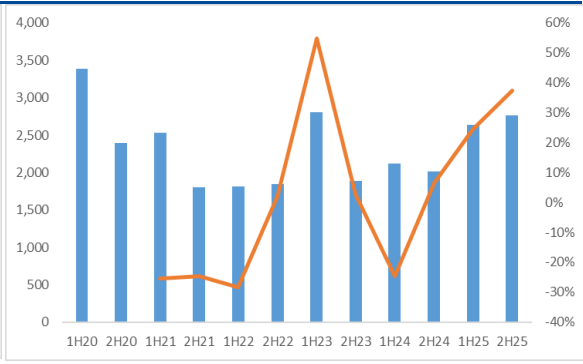
Capacity expansion in progress, future targets clear. In terms of product mix, packaging paper remained flat at RMB26.5bn, accounting for 89% of total revenue. Printing & Writing Paper surged by 37% YoY to RMB 2.8bn, while High Value Specialty Paper and Pulp led the growth, rising 1x and 1.3x YoY respectively. As of August 2025, the total production capacities of pulp and paper stood at 8.2mn tons and 24.7mn tons respectively. Meanwhile, the company plans to add new production capacities with 2.0mn tons for pulp and 0.7mn tons for Printing and Writing Paper. The Mgt expects capacity expansion to be completed by 1Q27 (Sep. 2026). By then, the pulp and paper production capacities will reach 10.2mn tons and 25.4mn tons respectively.

Fig 6: Revenue of Packaging Paper (RMBmn) and YoY



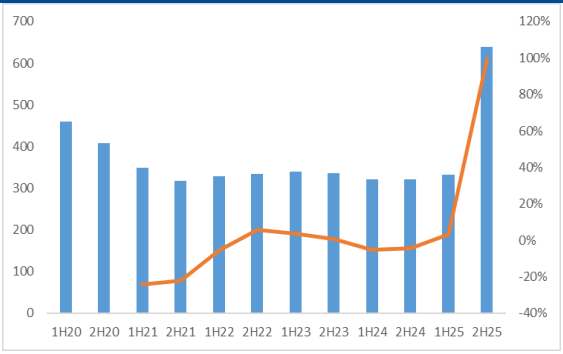
Source: Company Data, Sunwah Kingsway Research

Fig 7: Revenue of Printing & Writing Paper (RMBmn) and YoY



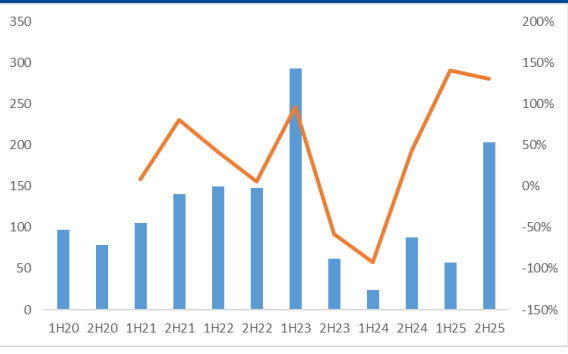
Source: Company Data, Sunwah Kingsway Research

Fig 8: Revenue of High Value Specialty Paper Products (RMBmn) and YoY



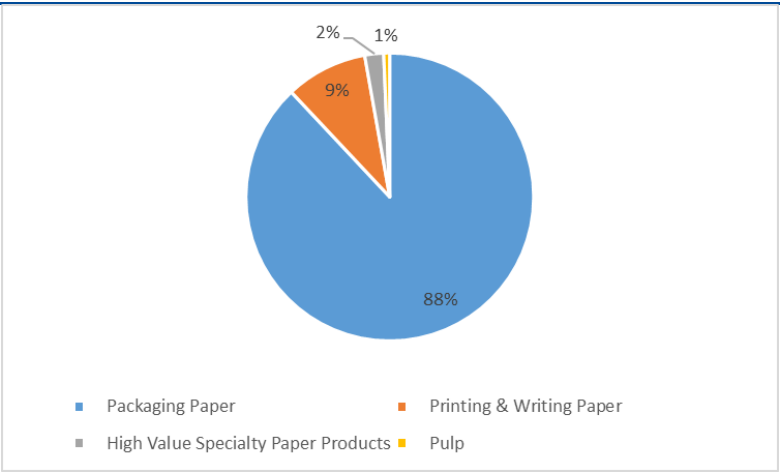
Source: Company Data, Sunwah Kingsway Research

Fig 9: Revenue of Pulp (RMBmn) and YoY



Source: Company Data, Sunwah Kingsway Research

Fig 10: Revenue breakdown by products



Source: Company Data, Sunwah Kingsway Research

Our view: Since July 2025, leading paper companies have raised product prices in multiple rounds, as raw material costs rise and the Guangdong Province Paper Industry Association has rolled out an "Anti-involution" initiative (反内捲). According to SCI99, the prices of NDP’s linerboard and corrugating medium during July-August have increased by approximately RMB80 per ton and RMB300 per ton respectively.

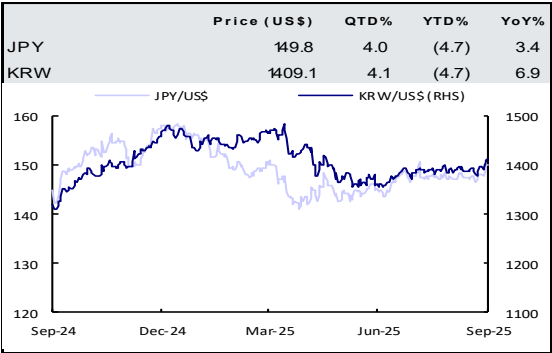
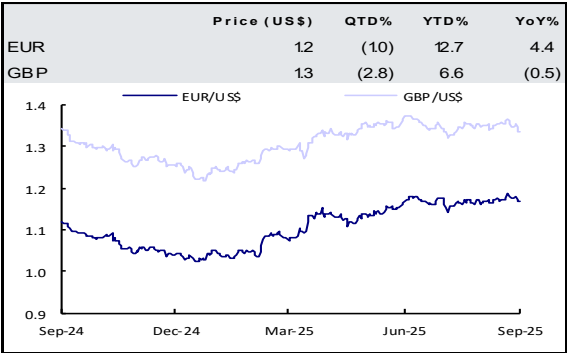
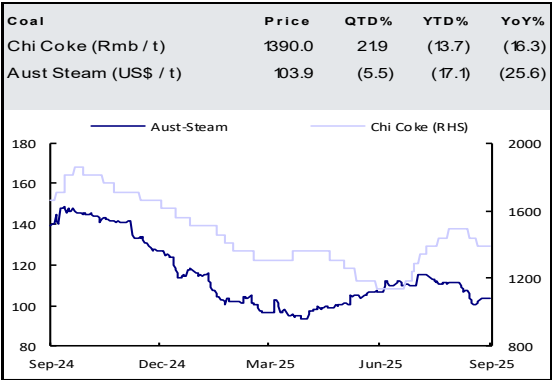
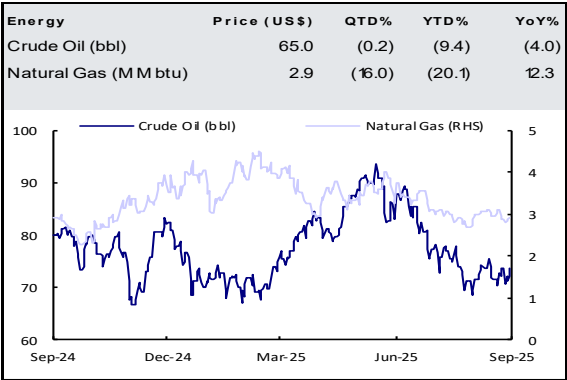
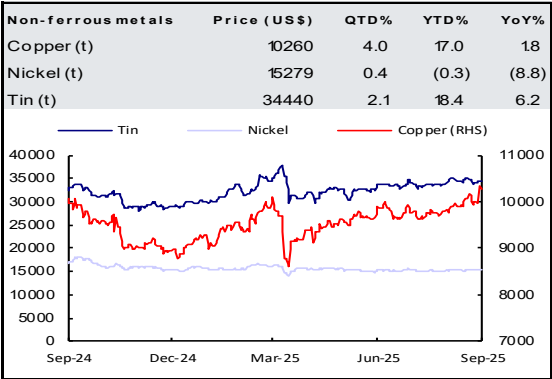
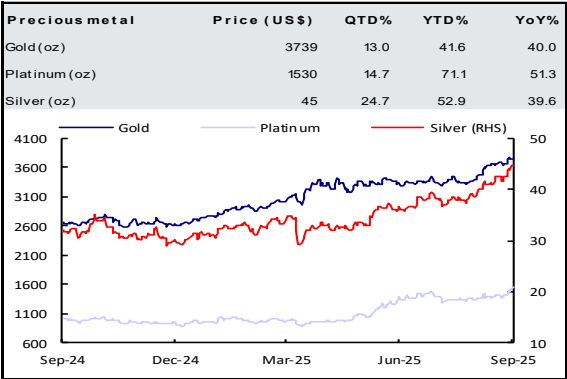
Looking ahead, as 1H26 (July–December) is the peak season for the paper industry and NDP continues to increase its pulp production capacity, we believe its GPM could further expand. Meanwhile, the ongoing efforts to implement strict cost control and enhance operational efficiency are anticipated to push up its NP per ton. The counter is trading at 10x FY26E P/E.

Fig 11: Financial summary

RMB mn		1H20	2H20	1H21	2H21	1H22	2H22	1H23	2H23	1H24	2H24	1H25	2H25
Revenue		28,836	22,505	30,887	30,687	34,471	30,067	31,198	25,541	30,611	28,885	33,465	29,776
	YoY			7%	36%	12%	-2%	-9%	-15%	-2%	13%	9%	3%
Gross profit		4,918	4,109	6,455	5,236	4,681	2,311	686	844	2,706	3,006	3,194	4,051
	YoY			31%	27%	-27%	-56%	-85%	-63%	294%	256%	18%	35%
	GPM	17%	18%	21%	17%	14%	8%	2%	3%	9%	10.4%	9.5%	13.6%
S&M expense		-903	-682	-921	-891	-947	-1,008	-1,125	-999	-1,112	-1,227	-1,245	-1,390
	% of revenue	-3.1%	-3.0%	-3.0%	-2.9%	-2.7%	-3.4%	-3.6%	-3.9%	-3.6%	-4.2%	-3.7%	-4.7%
Admin. expense		-925	-955	-980	-1,086	-1,202	-1,120	-1,226	-1,351	-1,031	-1,119	-1,207	-1,049
	% of revenue	-3.2%	-4.2%	-3.2%	-3.5%	-3.5%	-3.7%	-3.9%	-5.3%	-3.4%	-3.9%	-3.6%	-3.5%
Operating profit		3,338	2,723	4,934	3,608	2,888	699	-862	-734	1,243	1,402	1,597	2,340
	YoY			48%	32%	-41%	-81%	-130%	-205%	-244%	-291%	28%	67%
	OPM	12%	12%	16%	12%	8%	2%	-3%	-3%	4%	5%	5%	8%
Finance expense		-464	-293	-277	-359	-334	-377	-560	-567	-604	-830	-772	-779
	% of revenue	-1.6%	-1.3%	-0.9%	-1.2%	-1.0%	-1.3%	-1.8%	-2.2%	-2.0%	-2.9%	-2.3%	-2.6%
Net profit		2,279	1,890	4,002	3,099	2,775	501	-1,389	-995	292	458	470	1,298
	YoY			76%	64%	-31%	-84%	-150%	-299%	-121%	-146%	61%	183%
	NPM	8%	8%	13%	10%	8%	2%	-4%	-4%	1%	2%	1%	4%

Source: Company Data, Sunwah Kingsway Research

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Initial Jobless Claims	WoW		25-Sep-25
Wholesale Inventories	MoM		25-Sep-25
Existing Home Sales	MoM		25-Sep-25
Durable Goods Orders	MoM		25-Sep-25
GDP	QoQ		25-Sep-25
Personal Income & Spending	MoM		26-Sep-25
Consumer Confidence	MoM		30-Sep-25
ISM Manufacturing PMI	MoM		1-Oct-25
Factory Orders	MoM		2-Oct-25
Employment Report	MoM		3-Oct-25
Trade Balance	MoM		7-Oct-25
CPI	MoM		15-Oct-25
PPI	MoM		16-Oct-25
Business Inventories	MoM		16-Oct-25
Retail Sales	MoM		16-Oct-25
Industrial Production	MoM		17-Oct-25
Housing Starts / Building Permits	MoM		17-Oct-25
New home Sales	MoM		24-Oct-25
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		30-Sep-25
Foreign Exchange Reserves	QoQ		7-Oct-25
Money Supply - M2	MoM		10-Oct-25
Trade Balance	MoM		13-Oct-25
PPI	MoM		15-Oct-25
CPI	MoM		15-Oct-25
Retail Sales	MoM		20-Oct-25
Industrial Production	MoM		20-Oct-25
GDP	YoY		20-Oct-25

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		30-Sep-25
Retail Sales	MoM		2-Oct-25
PMI	MoM		6-Oct-25
Foreign Currency Reserve	MoM		8-Oct-25
Unemployment Rate	MoM		20-Oct-25
CPI	MoM		23-Oct-25
Trade Balance	MoM		27-Oct-25
GDP	QoQ		31-Oct-25
Producer Prices Index	QoQ		15-Dec-25
Industrial Production	QoQ		15-Dec-25
Composite Interest Rate	MoM		

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