



玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 2689)

IMPLEMENTATION OF REVISED CAPITAL EXPENDITURE PLANS AND REVISED ANNUAL PRODUCTION CAPACITY

The Board wishes to announce that the Group will implement revised capital expenditure plans for financial years 2006 and 2007 with greater production capacities to seize the anticipated business opportunities arising from the sustained growth in the demand for containerboard products.

Unless otherwise defined herein, terms defined in the prospectus dated 20 February 2006 (the “**Prospectus**”) issued by Nine Dragons Paper (Holdings) Limited (the “**Company**”) have the same meanings when used in this announcement. Reference is made to the paragraph headed “Capital Expenditures” in the section headed “Financial Information” of the Prospectus.

Background

It is stated in the Prospectus that the planned annual production capacity of the Group as at the end of financial years 2006, 2007 and 2008 will be approximately 3,300,000 tonnes, 4,600,000 tonnes and 5,400,000 tonnes respectively.

As mentioned in the Company’s financial year 2006 interim report, the rate of the sustained growth in the demand for containerboard products has exceeded management’s expectation. According to RISI, China will still be a net importer of approximately 1.6 million tonnes per annum of containerboard products by 2009. In order to seize the anticipated business opportunities arising therefrom, the Company decides to implement revised capital expenditure plans with greater production capacity growth for financial years 2006 and 2007. Under the revised plan, the Group’s aggregate annual production capacity is expected to reach 5,350,000 tonnes in financial year 2007, representing an increase of 750,000 tonnes in aggregate as compared with the Group’s original plan as disclosed in the Prospectus.

Details of the Revised Capital Expenditure Plans

In its original plan as set out in the Prospectus, the Group intended to bring online in financial year 2007 one paper machinery for the production of linerboard, or PM12, and one paper machinery for the production of high performance corrugating medium, or PM13, and envisaged a production lay-out of one paper machine in one workshop. In order to cater for the greater production capacity growth, the Group has undertaken a thorough technical feasibility study of the original lay-out plan together with the technical advisors of the machine suppliers, the Board has been advised that by adopting a lay-out of two machines installed side by side in a workshop (“the dual-machine lay-out”) the production capacity can

be significantly increased and the operational efficiency can be significantly enhanced. Besides, the dual-machine lay-out is expected to enable the Group to optimize its product mix and provide savings in investment, operating and labour costs as a result of the sharing of equipment and labour time between the two machines and better utilization of space.

Under the revised plan, the Group will put online two paper machines for each of the original PM12 and PM13 using the dual-machine lay-out, with aggregate additional annual production capacity of 700,000 tonnes as compared to the original plan. The Group will also upgrade PM8's annual production capacity of 450,000 tonnes of high performance corrugating medium with two-ply sheet to 500,000 tonnes of linerboard with three-ply sheet in financial year 2007.

The following table sets forth information relating to the Group's design annual production capacity after the completion of the revised plan in financial year 2007:

	Dongguan	Taicang	Total
Linerboard	1,800,000 tonnes	1,000,000 tonnes	2,800,000 tonnes
High performance corrugating medium	900,000 tonnes	700,000 tonnes	1,600,000 tonnes
Coated duplex board with grey back	<u>950,000 tonnes</u>	—	<u>950,000 tonnes</u>
Total	<u>3,650,000 tonnes</u>	<u>1,700,000 tonnes</u>	<u>5,350,000 tonnes</u>

The Company is now in the final stage of negotiation with the machine suppliers and has been assured that there are no significant obstacles in meeting the Company's requirements on the implementation of the revised capital expenditure plans, including the machines delivery time, in order to achieve the Company's original production schedules.

To further cope with its business growth, the Group will construct two power plants in Dongguan with total installed capacity of 100 MW in financial year 2007 and the plants are expected to commence operations in financial year 2008.

As a result of the above changes, the Group's capital expenditures will increase by RMB165.8 million and RMB178.6 million to RMB1,773.0 million and RMB2,412.9 million for financial years 2006 and 2007 respectively. The total incremental increase in the capital expenditures for financial years 2006 and 2007 of RMB344.4 million is relatively small as compared with the incremental increase in production capacity of 750,000 tonnes in financial year 2007. The revised plans can also enable the Group to fulfill one year earlier its original planned annual production capacity for financial year 2008 so as to capture the anticipated business opportunities in the containerboard market. The Group has been able to achieve such efficiency in capital expenditures because of the accumulation of management team's experience and technical knowledge from the successful installation and operation of ten paper machines in the past and the cost savings in adopting the dual-machine lay-out.

Use of Net Proceeds of the Global Offering

Despite all these changes in the future capital expenditures, the use of net proceeds of the Global Offering of the Company is consistent with the Prospectus.

Reasons for the implementation of the Revised Capital Expenditure Plans

The Board considers that the implementation of the revised capital expenditure plans is in the best interest of all the shareholders and the Group and will not have any material adverse effect on the liquidity and gearing position of the Group. The incremental increase in the capital outlay is relatively small as compared with the incremental increase in its production capacity and the expected cost savings. The revised capital expenditure plans would enable the Group to capture the anticipated market opportunities and further enjoy the benefit of economies of scale.

On behalf of the Board

Cheung, Yan

Chairman

*As at the date of this announcement, the directors of the Company are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Wang Hai Ying, Mr. Lau Chun Shun**, Ms. Tam Wai Chu, Maria***, Mr. Chung Shui Ming, Timpson***, Dr. Cheng Chi Pang*** and Mr. Wang Hong Bo***.*

* *for identification only*

** *Non-executive Director*

*** *Independent non-executive Directors*

Hong Kong, 26 April 2006

Please also refer to the published version of this announcement in South China Morning Post.