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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

This announcement is made by Nine Dragons Paper (Holdings) Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions (as defined in the Listing Rules)) under Part XIVA of the Securities and Futures Ordinance (“**SFO**”) (Chapter 571, Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at the date of this announcement, the Group’s strategic plan for the establishment of production bases in the PRC and overseas has basically completed. Centered at Dongguan, the Group has established four major national strategic production bases (Dongguan, Taicang, Tianjin and Chongqing bases), four supplemental regional production bases (Shenyang, Quanzhou, Leshan and Hebei Yongxin) and a foreign base in Vietnam. For the financial year ending 30 June 2013, the annual design production capacity of the Group has reached 12.55 million tonnes. Following the commencement of production of the two linerboard production lines at the Quanzhou base for a total of 0.65 million tonnes and a corrugating medium production line for 0.3 million tonnes at the Leshan base by the end of December 2013, it is expected that the total annual design production capacity of the Group will reach 13.50 million tonnes by then.

The Board is of the unanimous view that the Group’s leading position in the industry will be further strengthened and become irreplaceable given that the strategic production layout in the PRC and overseas has basically completed. Having considered the leading position of the Group and the current market conditions, the Board determined that it is necessary to make temporary adjustment to the strategic development target in the coming three years. The Group’s focus on strategic development will shift from rapid development in the past to a prudent and sustainable development stage with further control of capital expenditure, reduction of net debt to equity ratio and enhancement of profitability.

The Board of the Group has formulated the following plans in respect of the capital expenditure and net debt to equity ratio for the three financial years ending 30 June 2016 based on the adjustment of the strategic development focuses of the Group:

1. Planned commencement of production of new paper machines in the coming three years

1.1 A new 0.35 million tonnes testlinerboard production line installed in Shenyang is expected to commence production by the end of December 2015; a new 0.35 million tonnes kraftlinerboard production line is expected to commence production at the Vietnam base by the end of 2016.

1.2 After the commencement of the two new production lines above in Shenyang and Vietnam, the total annual design production capacity of the Shenyang base and Vietnam base with two linerboard production lines each will reach 0.7 million tonnes and 0.45 million tonnes respectively.

(Note: Currently a 0.35 million tonnes kraftlinerboard production line is being constructed at the Shenyang base. The production line is expected to commence production by the end of February 2014. The operation of an existing 0.1 million tonnes kraftlinerboard production line in Vietnam is in very sound operation.)

2. Targeted net debt to equity ratio as at 30 June 2016

With market recovery and enhancement in profitability, the Group's net debt to equity ratio (net debt / total equity) will gradually reduce, and is planned to reduce to 70%-80% before 30 June 2016; and

3. Capital expenditure before 30 June 2016

By the end of 2016, the Group's total annual design capacity will reach approximately 15 million tonnes. This will have basically achieved the Group's capacity target and its production strategic layout is basically completed, with its leading position in the industry further strengthened. Therefore, the Board of the Group has planned that if the net debt to equity ratio of the Group does not reach 70%-80% before 30 June 2016, except for the two new production lines as mentioned in paragraph 1.1 above, its future development planning will be that any other new development plans will be formulated in accordance with the abovementioned gearing level of 70%-80% and market conditions.

By Order of the Board

Cheung Yan

Chairlady

Hong Kong, 14 June, 2013

As at the date of this announcement, the executive directors are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Yuanfu; the independent non-executive directors are Ms. Tam Wai Chu, Maria, Dr. Cheng Chi Pang, Mr. Fok Kwong Man, Mr. Ng Leung Sing and Mr. Wang Hong Bo.

** For identification purposes only*