



玖龍紙業(控股)有限公司

NINE DRAGONS PAPER (HOLDINGS) LIMITED

For Immediate Release

20 September 2006

Nine Dragons Paper (Holdings) Limited Announces its 2006 Annual Results Consolidated Revenue Jumped 63.8% to RMB7,900 million

- Consolidated revenue jumped 63.8% to a record high of RMB7,900 million.
- Gross profit rose by 1.45 times to RMB1,860 million.
- Gross margin increased by 15.8% to 23.5%.
- Profit for the year grew by 3.4 times to RMB1,400 million.
- Basic earnings per share climbed from RMB0.10 to RMB0.41.
- Final dividend per share was RMB2.3 cents.(HK\$2.259 cents)

(Hong Kong, 20 September 2006) The Board of Directors of Nine Dragons Paper (Holdings) Limited (“Nine Dragons Paper”; Stock Code: 2689) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2006. For the year ended 30 June 2006, the Group’s revenue was RMB7,900 million, representing an increase of 63.8% over the previous financial year. Gross profit was RMB1,860 million, representing an increase of 1.45 times over the previous financial year. Operating profit was RMB1,810 million, representing an increase of 2.25 times over the previous financial year. Profit for the year grew by 3.4 times to RMB1,400 million. Profit attributable to equity holders was RMB1,375 million, 30.9% more than the profit forecast in listing prospectus.

The directors recommend the payment of a final dividend per share of RMB2.3 cents (HK\$2.259 cents) for the year ended 30 June 2006.

Ms. Cheung Yan, Chairman of Nine Dragons Paper said, “Benefited from the sharply increased demand for packaging paper and containerboard in the market, together with the Group’s high quality products, the Group won the trust from customers. For the year ended 30 June 2006, the Group’s total sales volume of packaging paper jumped 73.8 % to 2.76 million tonnes, which drove the total revenue to a record high. Meanwhile, due to economies of scale resulted from production capacity expansion last year, coupled with the realization of synergies from the newly acquired companies, and the vigorous cost control by the management, gross profits margin further increased from 15.8% of last year to 23.5 %.”

For the year ended 30 June 2006, other gains increase RMB333 million to RMB357 million. The increase of other gains was mainly due to the commencement of operations of Power Plant Unit 6 of the Group’s coalfired cogeneration power plant in Dongguan and Power Plant Unit 2 in Taicang, which resulted in the increased sale of excess electricity to RMB150 million. Besides, the increase was also



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attributable to the interest income of RMB117 million derived from the lock up of subscription monies during the listing of the Company's shares in March 2006.

When looking forward for the future business development, Ms Cheung said, "Relying on Nine Dragon Paper's economies of scale and the benefits brought about by its preliminary infrastructure investments, the Group plans to further expand our production base by establishing new production bases in the mid-western and northern China in the next three to five years. Besides, we are now under negotiation with authorities in Dongguan in respect of the construction of a pier in order to increase the Group's operational capability. The target of the Group for the coming year is to expand its annual production capacity by 62% from the existing 3.3 million tonnes to 5.35 million tonnes so as to further strengthen its leading position in the international and domestic packaging paperboard market. Furthermore, we plan to invest in four additional paper machines in the financial year of 2008, with the view of expanding the production capacity by a further 1.8 million tonnes from a base of 5.35 million tonnes, among which 1 million tonnes will be used for kraftlinerboard and the remaining 0.8 million tonnes for corrugating medium. The production capability expansion of 1.8 million tonnes is expected to be commenced by the end of 2008. The Group's future capital expenditure will be financed by self-raised funds and bank loans. Our production capacity will be reached 7.15 million tonnes at that time. In the future, we may consider projects of strategic joint venture or acquisition provided that those projects can create value for shareholders and the Group in long run, in order to increase its return on capital employed."

The shareholders' funds as at 30 June 2006 were RMB7,540 million, increased RMB5,220 million than last year. The Group had total available bank loan and overdraft facilities of RMB5,440 million and cash and bank deposits of RMB3,020 million. The net gearing equity ratio was 24.9% for the year ended 30 June 2006. With the strong recurrent cashflow, the Group is able to reap the benefits of investment opportunities. We expect the capital expenditure in 2007 to reach RMB2,800 million.

Benefited from China's rapid economic growth and fast industrial development which drove a huge demand for paper products, Nine Dragons Paper will seize the market opportunity. With management's professional knowledge in the market, increased capability and enhanced product's quality, the Group will further explore the market and continue to maintain the leading position in the industry.

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Background of Nine Dragons Paper

Nine Dragons Paper (Holdings) Limited is the largest producer in China, and one of the largest producers in the world, of containerboard products, with an aggregate annual production capacity of 3,300,000 tonnes. The Company serves as a one-stop shop for a variety of packaging paperboard products and produces primarily linerboard, including kraftlinerboard, testlinerboard and white top linerboard, high performance corrugating medium and coated duplex board with grey back. The Company also produces unbleached kraft pulp. Nine Dragons Paper was incorporated in Bermuda on 17 August 2005 as an exempt company with limited liability and was listed on the Main Board of the Hong Kong Stock Exchange on 3 March 2006.

This press release is issued by Wonderful Sky Public Relations & Financial Consultant Co., Ltd. on behalf of Nine Dragons Paper (Holdings) Limited.

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