

Chung Hwa Pulp to set up two pulp plants in mainland China

(Taipei, June 13, 2006) In light of consistent increases in demands for pulp, Chung Hwa Pulp Corp. will invest US\$250 million to set up a new pulp plant with an annual output reaching 200,000 metric tons in the mainland China, through its mainland subsidiary, Ding Feng Paper Company.

The construction of the proposed new plant is expected to be complete by the end of 2008. Including the new plant, Chung Hwa will have three pulp plants in the mainland with a total annual output amounting to 600,000 metric tons, making the company the second-largest pulp producer there.

At a general shareholders meeting, Chung Hwa Pulp passed a proposal to dispatch NT\$0.9 (US\$0.028 at US\$1:NT\$32) in cash dividends this year. The company posted after-tax earnings of NT\$717 million (US\$22.4 million), or NT\$1.2 (US\$0.037) in earnings per share, on sales of NT\$5.225 billion (US\$163.28 million) last year.

S.S. Lo, chairman of Chung Hwa Pulp, said the global supply of pulp is on the wane, even as demand continues to grow. Lo estimated his company would see a 12% annual increase in sales of pulp and paper products to reach 176,200 and 121,500 metric tons this year, respectively.

Chung Hwa Pulp president Kuo Ching-hsiung said his company has to meet the mainland authority's stipulation that it produce an annual output of 600,000 metric tons of pulp and 300,000 metric tons of culture paper within the next five years, a prerequisite for allowing Chung Hwa Pulp to invest in Ding Feng Paper in the mainland.

To meet the mainland authority's request, Ding Feng will increase the size of its woodland holdings in the mainland to 600,000 acres in 2008 from the present 340,000 acres.

Kuo said that in 2000, his company cooperated with Yuen Foong Yu Paper Mfg. Co. to purchase production equipment from a mainland state-run pulp plant with a total investment of US\$22 million. The investment has helped Chung Hwa Pulp raise its production capacity for pulp to the present 100,000 metric tons from 50,000 metric tons at the beginning of this year. The company predicted it would be able to reach a full production capacity of 108,000 metric tons this year.

Chung Hwa Pulp stated that the global supply of pulp has decreased by two million metric tons over the past half-year because of the shutdown of several pulp plants in the Americas at the end of last year.

Due to the impact of the shortfall in the global pulp supply, some foreign institutional investors, including Morgan Stanley and Merrill Lynch, predicted that the pulp price quoted in the domestic market in Taiwan would increase to US\$750 per metric ton next year from the present US\$580. (Source: CENS)

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