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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)

## **REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

This announcement is made pursuant to Rule 14A.36 of the Listing Rules.

Reference is made to the waiver granted by the Stock Exchange on 16 February 2006 from, among others, strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules for the transactions under the Longteng Supply Agreement and the announcement of the Company dated 27 February 2007 in relation to the First Supplemental Agreement for revising the annual caps for the transactions under the Longteng Supply Agreement.

Due to the commencement of production of a new 800,000 tons production line in the second half of 2007 and the corresponding increase in demand for materials, it is expected that the annual caps for the First Supplemental Agreement will be exceeded for the year ending 30 June 2008. Accordingly, Zhang's Enterprise and Dongguan Longteng have entered into the Second Supplemental Agreement to increase the annual cap for the transactions under the Longteng Supply Agreement to RMB105 million for the year ending 30 June 2008.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules on the revised annual caps under the Second Supplemental Agreement exceed 0.1% but are below 2.5% (other than profit ratio), the revision of the annual caps is subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules and exempt from the requirement of independent shareholders' approval.

Reference is made to the waiver granted by the Stock Exchange on 16 February 2006 from, among others, strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules for the transactions under the Longteng Supply Agreement and the announcement of the Company dated 27 February 2007 in relation to the First Supplemental Agreement for revising the annual caps for the transactions under the Longteng Supply Agreement.

On 12 February 2006 and 27 February 2007, Zhang's Enterprises and Dongguan Longteng entered into the Longteng Supply Agreement and the First Supplemental Agreement pursuant to which Dongguan Longteng agreed to supply packaging materials and chemicals for production of paperboard products to members of the Group from time to time.

The Longteng Supply Agreement (as revised by the First Supplemental Agreement) has a term commencing on the Listing Date until 30 June 2008, subject to, among other things, the aggregate

annual amount of purchases by the Group from Dongguan Longteng not exceeding RMB29.6 million, RMB50 million and RMB60 million for the three years ending 30 June 2006, 2007 and 2008, respectively.

The total purchases from Dongguan Longteng for the two years ended 30 June 2006 and 2007 amounted to approximately RMB22.0 million and RMB45.7 million and are within the annual caps for the two years ended 30 June 2006 and 2007 respectively under the Longteng Supply Agreement and the First Supplemental Agreement. Purchases from Dongguan Longteng for the period from 1 July 2007 to 29 February 2008 amounted to approximately RMB50 million and is within the annual cap for the year ending 30 June 2008. Owing to the commencement of production of a new 800,000 tons per annum production line in the second half of 2007, which raised the total production capacity of the Group and give rise to a corresponding increase in demand for production materials, the Directors expect that purchases by the Group from Dongguan Longteng will exceed the annual caps of RMB60 million permitted under the First Supplemental Agreement for the year ending 30 June 2008.

On 3 April 2008, Zhang's Enterprises and Dongguan Longteng entered into the Second Supplemental Agreement to increase the annual caps for the supplies under the Longteng Supply Agreement (as amended by the First Supplemental Agreement) to RMB105 million for the year ending 30 June 2008. The increases were determined by reference to the anticipated requirements of packaging materials and chemicals by the Group for the period up to 30 June 2008. Save for the revision to the annual cap for the year ending 30 June 2008, all other terms and conditions of the Longteng Supply Agreement remain unchanged.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules on the revised annual caps under the Second Supplemental Agreement exceed 0.1% but are below 2.5% (other than profit ratio) on an annual basis for the year ending 30 June 2008, the revision to the annual caps is subject to the announcement and reporting requirements of Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the transactions under the Second Supplemental Agreement are entered into in the usual and ordinary course of businesses of the Group and the transactions under the Second Supplemental Agreement are conducted on an arm's length basis and on normal commercial terms between the Company and Dongguan Longteng, the increases of the annual caps under the Second Supplemental Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **GENERAL**

The Group is engaged in the manufacture of packaging paperboard products, which include linerboard, high performance corrugating medium and coated duplex board as well as unbleached kraft pulp.

The Company will comply with the relevant provisions under Chapter 14A of the Listing Rules governing connected transactions in the event that the total amount of the transactions under the Second Supplemental Agreement on an aggregated basis exceed 2.5% for each of the percentage ratios (other than the profit ratio), or that there is any material amendment to their terms.

## **DEFINITIONS**

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“associate”	Has the same meaning as given to it under the Listing Rules
“Board”	The board of Directors
“Company”	Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning as given to it under the Listing Rules
“Director(s)”	The director(s) of the Company
“Dongguan Longteng”	Dongguan Longteng Paper Company Limited, a company held as to 70% by Mr. Zhang Cheng Ming, a brother of Mr. Zhang and Ms. Cheung, who are Directors and substantial shareholders of the Company
“First Supplemental Agreement”	the supplemental agreement dated 27 February 2007 to the Longteng Supply Agreement between Zhang’s Enterprises and Dongguan Longteng
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longteng Supply Agreement”	the agreement dated 12 February 2006 between Zhang’s Enterprises and Dongguan Longteng in relation to the purchase by the Group of packaging materials and chemicals from Dongguan Longteng
“Mr. Zhang”	Mr. Zhang Cheng Fei, a Director and substantial shareholder of the Company
“Ms. Cheung”	Ms. Cheung Yan, a Director and substantial shareholder of the Company
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Second Supplemental Agreement”	the supplemental agreement dated 3 April 2008 entered into between Zhang’s Enterprises and Dongguan Longteng in relation to the revision to the annual cap for the year ending 30 June 2008 for the transactions under the Longteng Supply Agreement and the First Supplemental Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	Has the same meaning ascribed to it under the Listing Rules
“Zhang’s Enterprises”	Zhang’s Enterprises Company Limited, a wholly owned subsidiary of the Company
“%”	Per cent.

By Order of the Board  
**NINE DRAGONS PAPER (HOLDINGS) LIMITED**  
**Cheung Yan**  
*Chairman*

Hong Kong, 3 April 2008

*As at the date of this announcement, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei and Ms. Gao Jing are executive Directors, Mr. Lau Chun Shun is an non-executive Director and Ms. Tam Wai Chu, Maria, Mr. Chung Shui Ming, Timpson, Dr. Cheng Chi Pang and Mr. Wang Hong Bo are independent non-executive Directors.*

*\*For identification purposes only*