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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 78.13% EQUITY INTEREST IN
HEBEI YONGXIN PAPER CO., LTD.**

The Board is pleased to announce that the Purchasers and the Vendors have entered into the Agreement on 12 January 2011, pursuant to which the Purchasers have conditionally agreed to purchase and the Vendors have conditionally agreed to sell, the Sale Interest, representing 78.13% equity interest in the Target Company, for the Consideration of RMB564,000,000 (approximately HK\$665,251,000), which will be payable by the Purchasers subject to the terms and conditions of the Agreement.

As at the date of this announcement, the Target Company is owned as to 78.13% by the Vendors. Immediately after Completion, Nine Dragons Worldwide will own 66.00% equity interest in the Target Company, Dongguan Nine Dragons will own 12.13% equity interest in the Target Company and the Vendors will cease to have any equity interest in the Target Company.

As one of the applicable percentage ratios exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that the Purchasers and the Vendors have entered into the Agreement on 12 January 2011, pursuant to which the Purchasers have conditionally agreed to purchase and the Vendors have conditionally agreed to sell, the Sale Interest, representing 78.13% equity interest in the Target Company for the Consideration of RMB564,000,000 (approximately HK\$665,251,000). The terms and conditions of the Agreement are described in more detail below.

* *For identification purposes only*

SUMMARY OF THE TERMS OF THE AGREEMENT

Date

12 January 2011

Parties

- Vendors:
1. Wing Fat
 2. Wing Fat (Dongguan)
- Purchasers:
3. Nine Dragons Worldwide
 4. Dongguan Nine Dragons

Wing Fat (Dongguan) is a wholly-owned subsidiary of Wing Fat, which is in turn a non wholly-owned subsidiary of Shanghai Industrial Holdings Limited (Stock Code: 363) (owned as to 93.44%), a company incorporated in Hong Kong and whose shares are listed on the Stock Exchange. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Asset to be acquired

Subject to the terms of the Agreement, the Purchasers have agreed to acquire, and the Vendors have agreed to sell, the Sale Interest, representing 78.13% equity interest in the Target Company. Immediately after Completion, Nine Dragons Worldwide will own 66.00% equity interest in the Target Company and Dongguan Nine Dragons will own 12.13% equity interest in the Target Company.

Consideration and Payment Terms

The Consideration is RMB564,000,000 (approximately HK\$665,251,000), which was determined after arm's length negotiations between the parties with reference to (i) the prospects of the business of the Target Company and (ii) the unaudited consolidated net asset value of the Target Company as at 31 December 2010, which was approximately RMB620,000,000 (approximately HK\$731,300,000) (based on PRC GAAP).

The Consideration will be payable by the Purchasers as follows:

- (a) as to RMB70,000,000 (approximately HK\$82,567,000) which has been paid by Dongguan Nine Dragons to Wing Fat (Dongguan) as a deposit and will be applied towards payment of the Consideration;

- (b) as to RMB140,000,000 (comprising (i) RMB15,000,000 (approximately HK\$17,693,000) and (ii) the equivalent of RMB125,000,000 (approximately HK\$147,440,000) in HK\$) to be paid by the Purchasers within 3 Business Days following satisfaction of all the Second Instalment Conditions;
- (c) as to the equivalent of RMB290,000,000 (approximately HK\$342,062,000) in HK\$ to be paid by Nine Dragons Worldwide to Wing Fat (i) within 3 Business Days following satisfaction of all the Third Instalment Conditions; or (ii) in the event that the Target Company is unable to obtain the new approval certificate relating to the Target Company on or before 31 March 2011 (and the failure to do so is not caused by the Vendors) and all other Third Instalment Conditions have been duly satisfied, within 3 Business Days after 31 March 2011, whichever is earlier. If the failure to obtain the approval certificate is attributable to the Vendors, this payment shall be accordingly deferred; and
- (d) as to the equivalent of RMB64,000,000 (approximately HK\$75,490,000) in HK\$ to be paid by Nine Dragons Worldwide to Wing Fat within 3 Business Days following satisfaction (or as the case may be waiver) of all the Balance Payment Conditions.

Conditions

Payment of the Consideration by the Purchasers is subject to satisfaction of the Second Instalment Conditions, the Third Instalment Conditions and the Balance Payment Conditions.

Second Instalment Conditions

The Second Instalment Conditions are as follows:

- (1) all other shareholders of the Target Company having signed the written confirmation waiving their respective pre-emptive rights in respect of the Sale Interest;
- (2) the board of directors of the Target Company having duly approved, among others, the Acquisition;
- (3) each of the Vendors having obtained all necessary consents or authorization in compliance with applicable law in respect of the Acquisition; and
- (4) the Vendors and the Target Company having obtained all necessary written consents from certain lenders of the Target Company in respect of the Acquisition.

Third Instalment Conditions

The Third Instalment Conditions are as follows:

- (1) the satisfaction of all Second Instalment Conditions;
- (2) there being no material adverse change affecting the Target Company since 31 December 2010 in respect of, among other things, its business, operations, financial condition; and
- (3) the Target Company having obtained its new approval certificate.

Balance Payment Conditions

The Balance Payment Conditions are as follows:

- (1) satisfaction of all Second Instalment Conditions;
- (2) the Purchasers having completed and satisfied with the results of its due diligence review in respect of the legal, environmental, financial, taxation and other related aspects of the Target Company;
- (3) the relevant regulatory authority having issued a new approval certificate to the Target Company;
- (4) the relevant regulatory authority having issued a new business licence to the Target Company;
- (5) there being no material adverse change affecting the Target Company since 31 December 2010 in respect of, among other things, its business, operations, financial condition; and
- (6) the Vendors, with the assistance of the Target Company, having completed all tax-related filings in relation to the Acquisition to the relevant regulatory authorities.

Completion

Unless otherwise waived in accordance with the Agreement, Completion will take place on the third Business Day following satisfaction (or, as the case may be, waiver) of all the Balance Payment Conditions.

Termination

The Agreement will terminate if the Balance Payment Conditions are not satisfied (or as the case may be waived) on or before 31 May 2011 (or such other date as the parties to the Agreement may agree).

Prior to Completion, the Purchasers may by written notice terminate the Agreement if the Purchasers discover any matter or event which would cause or potentially cause a material adverse change in respect of the financial condition or prospects of the Target Company.

INFORMATION ON THE VENDORS AND THE TARGET COMPANY

The Vendors are principally engaged in the manufacture and sale of packaging materials and printed products.

The Target Company is principally engaged in the manufacture and sale of containerboard products. As at the date of this announcement, the Target Company is owned as to (i) 66% by Wing Fat; (ii) 12.13% by Wing Fat (Dongguan); (iii) 20% by Xinnan (Tianjin) Papers Co., Ltd.# (新南(天津)紙業有限公司); and (iv) 1.87% by Tianjin Tiannan Trading Co., Ltd.# (天津市天南工貿有限公司). To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Xinnan (Tianjin) Papers Co., Ltd. and Tianjin Tiannan Trading Co., Ltd. and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Financial information of the Target Company

The unaudited consolidated net profit/(loss) before and after taxation of the Target Company for the two years ended 31 December 2010, based on PRC GAAP, were as follows:–

	Year ended 31 December 2010 Approximately RMB'000	Year ended 31 December 2009 Approximately RMB'000
Profit/(loss) before and after taxation	75,000	(38,000)

According to the unaudited consolidated accounts of the Target Company (prepared in accordance with PRC GAAP), the net asset value of the Target Company as at 31 December 2010 was approximately RMB620,000,000 (approximately HK\$731,300,000).

GENERAL INFORMATION OF THE GROUP

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

THE REASONS FOR AND THE BENEFITS OF THE AGREEMENT

The Target Company is principally engaged in the manufacture and sale of containerboard products. The Board believes that the inclusion of the Target Company into the Group as contemplated under the Agreement will provide greater synergy, strengthen the Group's competitiveness and enhance the Group's profile in the PRC.

The Directors consider that the terms of the Agreements are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“Acquisition”	the acquisition of the Sale Interest by the Purchasers on terms and conditions set out in the Agreement
“Agreement”	the equity transfer agreement dated 12 January 2011 entered into between the Purchasers and the Vendors in respect of the Acquisition
“Balance Payment Conditions”	the conditions precedent to payment of the balance payment of the Consideration, as more particularly set out under section headed “Conditions” of this announcement
“Board”	the board of Directors
“Business Day”	any day on which banks in the PRC and Hong Kong are generally open for business other than (i) a Saturday; (ii) a Sunday; or (iii) a public holiday

“Company”	Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning set forth in the Listing Rules
“Consideration”	the consideration for the Acquisition
“Directors”	the directors of the Company
“Dongguan Nine Dragons”	東莞玖龍紙業有限公司 (Dongguan Nine Dragons Paper Industries Co., Ltd.#), a company established in the PRC and a non-wholly owned subsidiary of the Company
“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 PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nine Dragons Worldwide”	Nine Dragons Worldwide Investment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administration of the PRC and Taiwan)
“PRC GAAP”	the generally accepted accounting principles applied in the PRC
“Purchasers”	Nine Dragons Worldwide and Dongguan Nine Dragons; and each of them, a Purchaser
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 78.13% equity interest in the Target Company to be purchased by the Purchasers from the Vendors in accordance with the Agreement

“Second Instalment Conditions”	the conditions precedent to payment of the second instalment of the Consideration, as more particularly set out under the section headed “Conditions” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	河北永新紙業有限公司 (Hebei Yongxin Paper Co., Ltd.)#, a company established in the PRC
“Third Instalment Conditions”	the conditions precedent to the third instalment of the Consideration, as more particularly set out under the section headed “Conditions” of this announcement
“Vendors”	Wing Fat and Wing Fat (Dongguan); and each of them, a Vendor
“Wing Fat”	The Wing Fat Printing Company, Limited, a company incorporated in Hong Kong
“Wing Fat (Dongguan)”	永發印務(東莞)有限公司 (The Wing Fat (Dongguan) Printing Co., Ltd.)#, a company established in the PRC
“%”	per cent.

The English names of the PRC entities mentioned in this announcement marked “#” are translations from their Chinese names. If there is any inconsistency, the Chinese name shall prevail.

In this announcement, RMB has been converted to HK\$ at the rate of HK\$1 = RMB0.8478 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

For and on behalf of the Board of
Nine Dragons Paper (Holdings) Limited
Cheung Yan
Chairlady

Hong Kong, 12 January 2011

As at the date of this announcement, the Executive Directors of the Company are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Zhang Yuanfu, Mr. Lau Chun Shun and Ms. Gao Jing; and the Independent Non-Executive Directors are Ms. Tam Wai Chu, Maria, Mr. Chung Shui Ming, Timpson, Dr. Cheng Chi Pang and Mr. Wang Hong Bo.