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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)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

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

Reference is made to the announcement of the Company dated 26 June 2008 in relation to the continuing connected transactions under the Longteng Purchase Agreement and the Longteng Supply Agreement.

On 9 May 2011, Dongguan Longteng and the Company entered into the Supplemental Longteng Purchase Agreement and the Supplemental Longteng Supply Agreement to revise the annual caps for the continuing connected transactions under each of the agreements.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the revised annual caps under each of the Supplemental Longteng Purchase Agreement and the Supplemental Longteng Supply Agreement on an annual basis exceed 0.1% but are below 5% (other than profit ratio), the revision to the annual caps are subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and are exempted from the independent shareholders' approval requirement of the Listing Rules.

Reference is made to the announcement of the Company dated 26 June 2008 in relation to the continuing connected transactions under the Longteng Purchase Agreement and the Longteng Supply Agreement.

(A) Longteng Purchase Agreement

On 26 June 2008, Dongguan Longteng and the Company entered into the Longteng Purchase Agreement pursuant to which Dongguan Longteng agreed to purchase packaging paperboard products manufactured by the Group from time to time. Dongguan Longteng is held as to 70% by Mr. Zhang Cheng Ming, a brother of Ms.

Cheung Yan and Mr. Zhang Cheng Fei, who are the Directors and substantial shareholders of the Company, the transactions contemplated under the Longteng Purchase Agreement constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Longteng Purchase Agreement has a term of three financial years ending 30 June 2011, subject to, among other things, the aggregate annual transaction amounts not being exceeded for each of the financial years of the term of the Longteng Purchase Agreement.

The aggregate annual amount of purchases by Dongguan Longteng from the Group amounted to RMB52.2 million and RMB119 million for the two years ended 30 June 2009 and 2010, respectively, and are within the annual caps of RMB173 million and RMB207 million set for the two years ended 30 June 2009 and 2010 respectively in the Longteng Purchase Agreement. The aggregate amount of purchases by Dongguan Longteng from the Group for the period from 1 July 2010 to 31 March 2011 amounted to approximately RMB215 million. The Directors confirm that the annual cap for the Longteng Purchase Agreement for the year ending 30 June 2011 has not been exceeded up to the date of this announcement.

Proposed Revision to the Annual Cap

The Directors anticipate that the business of Dongguan Longteng will continue to grow and the prices of raw materials and finished products will increase. Based on the historical transaction value between Dongguan Longteng and the Group, the Directors expect that the purchase from the Group by Dongguan Longteng for the year ending 30 June 2011 will be approximately RMB316 million and will exceed the annual cap of RMB241 million under the Longteng Purchase Agreement for the year ending 30 June 2011.

On 9 May 2011, the Company and Dongguan Longteng entered into the Supplemental Longteng Purchase Agreement to increase the annual cap for the purchases under the Longteng Purchase Agreement to RMB316 million for the year ending 30 June 2011. The increase was determined by reference to the anticipated requirements of packaging paperboard products by Dongguan Longteng for the year ending 30 June 2011. Save for the revision to the annual cap for the year ending 30 June 2011, all other terms and conditions of the Longteng Purchase Agreement remain unchanged.

Listing Rule Implications

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules on the revised annual cap under the Supplemental Longteng Purchase Agreement exceed 0.1% but is below 5% (other than profit ratio) on annual basis for the year ending 30 June 2011, the revision to the annual cap is subject to the reporting and announcement requirements and is exempted from the independent shareholders'

approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the transactions under the Supplemental Longteng Purchase Agreement are entered into in the usual and ordinary course of business of the Group and the transactions under the Supplemental Longteng Purchase Agreement will be conducted on an arm's length basis and on normal commercial terms. Accordingly, the Directors (including the independent non-executive Directors) consider the terms of the Supplemental Longteng Purchase Agreement are fair and reasonable and the entering into of the said agreement is in the interests of the Group and the shareholders of the Company as a whole.

(B) Longteng Supply Agreement

On 26 June 2008, Dongguan Longteng and the Company entered into the Longteng Supply 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. Dongguan Longteng is held as to 70% by Mr. Zhang Cheng Ming, a brother of Ms. Cheung Yan and Mr. Zhang Cheng Fei, who are the Directors and substantial shareholders of the Company. Transactions under the Longteng Supply Agreement constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The Longteng Supply Agreement has a term of three financial years ending 30 June 2011, subject to, among other things, the aggregate annual transaction amounts not being exceeded for each of the financial years of the term of the Longteng Supply Agreement.

The aggregate annual amount of purchases by the Group from Dongguan Longteng amounted to RMB74.6 million and RMB134 million for the two years ended 30 June 2009 and 2010, respectively, and are within the annual caps of RMB126 million and RMB151 million set for the two years ended 30 June 2009 and 2010 respectively under the Longteng Supply Agreement. The aggregate amount of purchases by the Group from Dongguan Longteng for the period from 1 July 2010 to 31 March 2011 amounted to approximately RMB170 million. The Directors confirm that the annual cap for the Longteng Supply Agreement for the year ending 30 June 2011 has not been exceeded up to the date of this announcement.

Proposed Revision to the Annual Cap

The Directors anticipate that 2 additional new paper machines will commence production by the end of June 2011, the Company has to stock up certain packaging materials and chemicals in preparation for the additional production requirements. As a result, purchases from Dongguan Longteng will be increased substantially for

the period ending 30 June 2011. Based on the historical transaction values between Dongguan Longteng and the Group and the anticipate new production requirements of the Group, the Directors expect that the purchase of the Group from Dongguan Longteng for the year ending 30 June 2011 will be approximately RMB271 million and will exceed the annual cap of RMB181 million.

On 9 May 2011, Dongguan Longteng and the Company entered into the Supplemental Longteng Supply Agreement to increase the annual cap for the purchases under the Longteng Supply Agreement to RMB271 million for the year ending 30 June 2011. The increase was determined by reference to the anticipated requirements of packaging materials and chemicals by the members of the Group for the year ending 30 June 2011. Save for the revision to the annual cap for the year ending 30 June 2011, all other terms and conditions of the Longteng Supply Agreement remain unchanged.

Listing Rule Implications

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules on the revised annual cap under the Supplemental Longteng Supply Agreement exceed 0.1% but is below 5% (other than profit ratio) on annual basis for the year ending 30 June 2011, the revision to the annual cap is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the transactions under the Supplemental Longteng Supply Agreement are entered into in the usual and ordinary course of business of the Group and the transactions under the Supplemental Longteng Supply Agreement will be conducted on an arm's length basis and on normal commercial terms. Accordingly, the Directors (including the independent non-executive Directors) consider the terms of the Supplemental Longteng Supply Agreement are fair and reasonable and the entering into of the said agreement is in the interests of the Group and the shareholders of the Company as a whole.

GENERAL

The Group primarily manufactures linerboard, high-performance corrugating medium and certain types of coated duplex board. The Group also manufactures specialty paper, wood and bamboo pulp through a subsidiary, and produces unbleached kraft pulp through its joint venture subsidiary, which the Group uses as raw material for its own production as well as sells to third parties.

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 any of the Supplemental Longteng Purchase Agreement and

the Supplemental Longteng Supply Agreement are exceeded or that there is any material amendment to their terms.

At the Board meeting held to approve the Supplemental Longteng Purchase Agreement and the Supplemental Longteng Supply Agreement, Ms. Cheung Yan and Mr. Zhang Cheng Fei, who are the sister and brother of Mr. Zhang Cheng Ming, the controlling shareholder of Dongguan Longteng, and Mr. Liu Ming Chung and Mr. Lau Chun Shun, who are associates of Ms. Cheung Yan, were all considered to be interested in the transactions contemplated in this announcement and have abstained from voting in respect of the resolutions proposed to approve the Supplemental Longteng Purchase Agreement and the Supplemental Longteng Supply Agreement.

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
“Dongguan Longten”	Dongguan Longeng Paper Co., Ltd. (東莞市龍騰紙業有限公司) a limited liability company established in the PRC in May 2003
“Director(s)”	the director(s) 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 People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longteng Purchase	the agreement entered into between Dongguan Longteng

Agreement”	and the Company on 26 June 2008 whereby Dongguan Longteng agreed to purchase packaging paperboard products manufactured by the Group
“Longteng Supply Agreement”	the agreement entered into between Dongguan Longteng and the Company on 26 June 2008 whereby Dongguan Longteng agreed to supply packaging materials and chemicals for the production of paperboard products to the Group
“ Supplemental Longteng Purchase Agreement”	the supplemental purchase agreement dated 9 May 2011 entered into between Dongguan Longteng and the Company in relation to the revision to the annual cap for the Longteng Purchase Agreement for the year ending 30 June 2011
“Supplemental Longteng Supply Agreement”	the supplemental supply agreement dated 9 May 2011 entered into between Dongguan Longteng and the Company in relation to the revision to the annual cap for the Longteng Supply Agreement for the year ending 30 June 2011
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
NINE DRAGONS PAPER (HOLDINGS) LIMITED
Cheung Yan
Chairlady

Hong Kong, 9 May 2011

As at the date of this announcement, the executive directors are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Zhang Yuanfu, Mr. Lau Chun Shun and Ms. Gao Jing; 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.

**For identification purposes only*