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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)*

## **ANNOUNCEMENT RESUMPTION OF TRADING**

This announcement is made by Nine Dragons Paper (Holdings) Limited (the “**Company**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Background facts

In connection with the Company’s US\$300 million 7.875% senior notes due 2013 (the “**2013 Notes**”), the Company has engaged Standard & Poor's Ratings Services (“**S&P**”) and Fitch as rating agencies to provide certain rating services. As of 14 June 2011, the principal amount of the 2013 Notes which remain outstanding was USD47,575,000 (out of the total initial issued amount of Notes of US\$300 million). It has come to the notice of the Company on 14 June 2011 that S&P had withdrawn its 'BB' long-term corporate credit rating on the Company, the 'BB-' issue rating on the Company's outstanding senior unsecured notes i.e. the 2013 Notes; and that it also withdrew the 'cnBBB-' long-term Greater China credit scale rating on the Company and the 'cnBB+' rating on its outstanding senior unsecured notes i.e. the 2013 Notes (collectively, the “**Withdrawal**”).

S&P stated that in its view, the Company has an aggressive debt-funded growth appetite and that it had withdrawn the ratings because it had insufficient access to management and therefore could not fully understand the Company's strategy and financial management or assess its future credit risks; which the Company categorically denies. The Company wishes to clarify that it has not received any written information request by S&P which it has not responded to. The Company also wishes to point out that Fitch, the other rating agency engaged by the Company in connection with the 2013

Notes, has not indicated such an issue with the Company's management nor has it withdrawn its ratings. The Company has promptly responded to all written information requests by Fitch when made. The Company is willing to cooperate with S&P and ready to respond to any information request from S&P for purposes of the rating at any time. Based on information available to the Company, it expects that Fitch will remain as the Company's rating agency.

The Company also wishes to confirm that it has paid all fees which are due and payable under its engagement letter with S&P and that there is currently no outstanding fee which is due and payable under such engagement.

#### New Rating Agent and Effect

In light of S&P's Withdrawal, the Company contemplates appointing a second rating agency (in addition to Fitch) in relation to the 2013 Notes. The Company has received a proposal from Moody's Investor Services ("**Moody's**") in this regard and expects to finalise the appointment shortly.

The directors of the Company wish to point out that the Withdrawal will not result in any additional upward adjustment in applicable interest rate under the terms of the 2013 Notes (which currently stands at 9.875% per annum) or other existing financial indebtedness of the Company.

There is no rating requirement for the existing bank borrowings and other banking or credit facilities, except for the 2013 Notes. The Withdrawal does not constitute an event of default under the terms of the 2013 Notes or any material financial indebtedness of the Company. In addition, the Company has not to date received any notice of default or payment demand from its lenders following the Withdrawal.

As at 14 June 2011, the Company and its subsidiaries had total undrawn bank facilities of approximately RMB19,772,000,000 and has successfully repaid or rolled over all loans upon maturity. The Company does not expect the Withdrawal to have any material adverse effect on the normal business operations and financial condition of the Company and its subsidiaries.

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.

#### Suspension and Resumption of Trading

Trading in the shares of the Company ("**Shares**") on the Stock Exchange was suspended at the request of the Company with effect from 2:50 p.m. on 14 June 2011 pending the release of this announcement. Application has been

made to the Stock Exchange for resumption of trading in the Shares with effect from 1:30 p.m. on 15 June 2011.

**By order of the Board**  
**Nine Dragons Paper (Holdings)**  
**Limited**  
Cheung Yan  
*Chairlady*

Hong Kong, 15 June 2011

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