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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)**

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

On 28 February 2013, the Company entered into the 2013 Master Agreement with the Purchaser, pursuant to which the Company has agreed to supply raw paper materials to the Purchaser and its subsidiaries, including the Joint Venture, for a period commencing from the Effective Date until 31 March 2016.

As the Joint Venture is an associate of Mr. Zhang, the transactions under the 2013 Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the annual transaction amount under the 2013 Master Agreement is expected to exceed 0.1% but below 5%, the 2013 Master Agreement will be subject to the reporting and announcement requirements set out in Rule 14A.34 of the Listing Rules and exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

### **THE 2013 MASTER AGREEMENT**

**Date:** 28 February 2013

**Parties:** The Company; and  
The Purchaser

The Purchaser is a company listed on the main board of the Stock Exchange and is principally engaged in the manufacturing and sale of corrugated paperboards and paper-based packaging products to customers which are manufacturers with production bases in the PRC. Mr. Zhang, an executive Director and a substantial shareholder of the Company, is a substantial shareholder holding more than 30% of the issued share capital in the Joint Venture, a non-wholly owned subsidiary of the Purchaser, the Joint Venture is an associate of Mr. Zhang. Given that the scope of supplies under the 2013 Master Agreement will cover the Joint Venture, the 2013 Master Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

**Subject:** Pursuant to the 2013 Master Agreement, the Group will supply raw paper materials to the Purchaser and its subsidiaries, including the Joint Venture, for a period commencing from the Effective Date until 31 March 2016.

**Price:** The basis of determining the prices for the products to be supplied by the Company under the 2013 Master Agreement will be in accordance with the costs and the prevailing market prices of similar products, provided that the prices and terms of sale offered by the Group to the Purchaser are no more favourable to the Purchaser than those offered by the Company to independent third party.

**Annual Caps:** The parties have agreed that the annual transaction amount under the 2013 Master Agreement will not exceed the following annual cap:

	<b>For the period from the Effective Date to 31 March 2014 <i>RMB'000</i></b>	<b>From 1 April 2014 to 31 March 2015 <i>RMB'000</i></b>	<b>From 1 April 2015 to 31 March 2016 <i>RMB'000</i></b>
Sale of raw paper materials	500,000	500,000	600,000

The cap amounts for the sales are determined with reference to the historical transactional amount between the Group and the Purchaser and the projected sales of raw paper materials to the Purchaser over the term of the 2013 Master Agreement.

The Company and the Purchaser have entered into the Existing Agreement on 29 July 2010 to govern the supply of raw paper materials to the Purchaser up to 31 March 2013. The historical transactional amounts between the Group and the Purchaser are as follows:

	<b>From 22 October 2010 to 31 March 2011 <i>RMB'000</i></b>	<b>From 1 April 2011 to 31 March 2012 <i>RMB'000</i></b>	<b>From 1 April 2012 to 31 December 2012 <i>RMB'000</i></b>
Annual cap amount of the Existing Agreement	200,000	400,000	500,000 ( <i>Note</i> )
Actual sale of raw paper materials	94,134	201,589	138,856

*Note:* For the whole year from 1 April 2012 to 31 March 2013.

The Huidong plant of the Purchaser commenced operation since April 2012 with production capacity of 100 million square metres of corrugated paper-board and 100 million of pieces of corrugated paper packaging products. It is expected that the demand from the Purchaser will remain stable with a steady growth, given that its Huidong plant has commenced operation, and a new Fujian plant is expected to commence operation in 2013/2014. The Fujian plant will mainly produce corrugated paper-board with an annual production capacity of approximately 100 million square meters. Upon the commencement of operation of the Fujian plant, the total production capacity of the Purchaser will reach more than 500 million square meters of corrugated paper-board and more than 400 million pieces of corrugated paper packaging products.

### **Payment terms**

Payment for the products supplied by the Group will be settled by open accounts, provided that the terms of sale offered to the Purchaser will be no more favourable to the Purchaser than those offered to independent third party purchasers of products of the Group.

### **Conditions Precedent**

The 2013 Master Agreement is conditional upon the fulfillment of the conditions below:

- (i) the compliance of the requirements of the Listing Rules in relation to continuing connected transactions by the Purchaser; and
- (ii) the compliance of the requirements of the Listing Rules in relation to continuing connected transactions by the Company.

## **REASONS FOR THE TRANSACTION**

On 29 July 2010, Mass Winner Holdings Limited, a wholly owned subsidiary of the Purchaser, and Crown Gold Limited, a company wholly owned by Mr. Zhang, an executive Director and a substantial shareholder of the Company, have entered into a joint venture agreement to establish the Joint Venture to engage in the manufacturing and sale of corrugated paperboard and paper-based packaging products. The Joint Venture is owned as to 60% by the Purchaser and as to 40% by Crown Gold Limited and is an associate of Mr. Zhang for the purpose of the Listing Rules. As it is expected that the supply of raw paper materials to the Purchaser will include supplies to the Joint Venture, the Purchaser and the Company have entered into the Existing Agreement on 29 July 2010 to govern the supply of raw paper materials to the Purchaser. The Existing Agreement is due to expire on 31 March 2013. As it is expected that the Group will continue to supply raw paper materials to the Purchaser in the ordinary course of business of the Group, it is necessary to renew the Existing Agreement and enter into the 2013 Master Agreement.

Given that the 2013 Master Agreement is entered into in the usual and ordinary course of business of the Group and the transactions under the 2013 Master Agreement will be conducted on an arm's length basis and on normal commercial terms, the Directors (including the independent non-executive Directors) consider that the terms of the 2013 Master Agreement are fair and reasonable and the entering into of the 2013 Master Agreement is in the interests of the Group and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Mr. Zhang is an executive Director and a substantial shareholder of the Company. The Joint Venture is 40% owned by Crown Gold Limited, a company wholly owned by Mr. Zhang, the Joint Venture is hence an associate of Mr. Zhang for the purpose of the Listing Rules. As the scope of the 2013 Master Agreement will include supplies to the Joint Venture, the 2013 Master Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the annual transaction amount under the 2013 Master Agreement is expected to exceed 0.1% but below 5%, the transactions under the 2013 Master Agreement will be subject to the reporting and announcement requirements set out in Rule 14A.34 of the Listing Rules and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

At the Board meeting held to approve the 2013 Master Agreement, Mr. Zhang is considered to be interested in the transactions contemplated under the 2013 Master Agreement and has abstained from voting for the resolution proposed to approve the 2013 Master Agreement. Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Lau Chun Shun are associates of Mr. Zhang and are also considered to be interested in the transactions contemplated under the 2013 Master Agreement and have also abstained from voting for the resolution proposed to approve the 2013 Master Agreement.

The Company will comply with the relevant provisions under Chapter 14A of the Listing Rules in the event that the total amount of the transactions under the 2013 Master Agreement is exceeded or that there is any material amendment to the terms of the 2013 Master Agreement.

## **GENERAL**

The Group is engaged in the manufacture and sales of packaging paper, recycled printing and writing paper, pulp and high value specialty paper products in the PRC.

## **DEFINITIONS**

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

“2013 Master Agreement”	the master materials purchase agreement dated 28 February 2013 between the Company and the Purchaser;
“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;
“Director(s)”	the director(s) of the Company;

“Effective Date”	the date the conditions precedent set forth in the 2013 Master Agreement being satisfied, which is expected to be on or before 1 April 2013;
“Existing Agreement”	the agreement dated 29 July 2010 between the Company and the Purchaser;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Joint Venture”	Turbo Best Holdings Limited, a joint venture company established by a subsidiary of the Purchaser and Crown Gold Limited, a company wholly owned by Mr. Zhang, and is indirectly held as to 60% by the Purchaser and as to 40% by Crown Gold Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Zhang”	Mr. Zhang Cheng Fei, a Director and substantial shareholder of the Company;
“Purchaser”	Come Sure Group (Holdings) Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange;
“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;
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules; and
“%”	per cent.

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

28 February 2013

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