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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)

CONTINUING CONNECTED TRANSACTIONS

References are made to announcement and circular of the Company dated 16 May 2011 and 1 June 2011 respectively in relation to the continuing connected transactions of the Group under the 2011 Continuing Connected Transactions. As the current term of each of the agreements under the 2011 Continuing Connected Transactions will expire on 30 June 2014, the Company has on 8 May 2014 entered into the Longteng Packaging Paperboard Supply Agreement, the Longteng Packaging Materials and Chemicals Purchase Agreement, the ACN Recovered Paper Purchase Agreement, the Taicang Packaging Paperboard Supply Agreement and the Taicang Packaging Scrap Materials Purchase Agreement to renew such continuing connected transactions.

On 8 May 2014, the Company also entered into the Nantong Tenglong Chemicals Purchase Agreement, the Honglong Packaging Paperboard Supply Agreement, the Tianjin ACN Wastepaper Purchase Agreement and the Honglong Packaging Scrap Materials Purchase Agreement in relation to certain new continuing connected transactions of the Group.

The applicable percentage ratios for the aggregated annual transaction amounts of the Taicang Packaging Scrap Materials Purchase Agreement and the Honglong Packaging Scrap Materials Purchase Agreement are over 0.1% but less than 5%, the Taicang Packaging Scrap Materials Purchase Agreement and the Honglong Packaging Scrap Materials Purchase Agreement are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement of Chapter 14A of the Listing Rules.

The Longteng Packaging Materials and Chemicals Purchase Agreement and the Nantong Tenglong Chemicals Purchase Agreement are of similar nature and related to the purchase of chemicals for the Group's production requirements from companies controlled by Mr. Zhang Cheng Ming and Mr. Zhang Cheng Guo, who are respectively the brothers of Ms. Cheung Yan and Mr. Zhang Cheng Fei, both being Directors and substantial shareholders of the Company. Accordingly, the Longteng Packaging Materials and Chemicals Purchase Agreement and the

* *For identification purposes only*

Nantong Tenglong Chemicals Purchase Agreement would need to be aggregated for the calculation of the classification of the transactions. As the applicable ratios for the aggregated annual transaction amount of the Longteng Packaging Materials and Chemicals Purchase Agreement and the Nantong Tenglong Chemicals Purchase Agreement are over 5%, the Longteng Packaging Materials and Chemicals Purchase Agreement and the Nantong Tenglong Chemicals Purchase Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Longteng Packaging Paperboard Supply Agreement, the Taicang Packaging Paperboard Supply Agreement and the Honglong Packaging Paperboard Supply Agreement are of similar nature and related to the supply of the Group's paperboard products to companies controlled by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei, as the case may be, all being Directors and substantial shareholders of the Company, and their associates. Accordingly, the Longteng Packaging Paperboard Supply Agreement, the Taicang Packaging Paperboard Supply Agreement and the Honglong Packaging Paperboard Supply Agreement would need to be aggregated for the calculation of the classification of the transactions. As the applicable ratios for the aggregated annual transaction amount of the Longteng Packaging Paperboard Supply Agreement, the Taicang Packaging Paperboard Supply Agreement and the Honglong Packaging Paperboard Supply Agreement are over 5%, the Longteng Packaging Paperboard Supply Agreement, the Taicang Packaging Paperboard Supply Agreement and the Honglong Packaging Paperboard Supply Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The applicable ratios for each of the ACN Recovered Paper Purchase Agreement and the Tianjin ACN Wastepaper Purchase Agreement are over 5%, each of the ACN Recovered Paper Purchase Agreement and the Tianjin ACN Wastepaper Purchase Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions.

A circular containing, among other things, details of the Non-exempt Continuing Connected Transactions, a letter from the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions and a notice of the special general meeting to be convened to approve the Non-exempt Connected Transactions will be despatched to the Shareholders on or before 29 May 2014.

INTRODUCTION

References are made to announcement and circular of the Company dated 16 May 2011 and 1 June 2011 respectively in relation to the continuing connected transactions of the Group under the 2011 Continuing Connected Transactions. As the current term of each of the agreements under the 2011 Continuing Connected Transactions will expire on 30 June 2014, the Company has on 8 May 2014 entered into the Longteng Packaging Paperboard Supply Agreement, the Longteng Packaging Materials and Chemicals Purchase Agreement, the ACN Recovered Paper Purchase Agreement, the Taicang Packaging Paperboard Supply Agreement, the Taicang Packaging Scrap Materials Purchase Agreement to renew the terms of such continuing connected transactions.

On 8 May 2014, the Company also entered into the Nantong Tenglong Chemicals Purchase Agreement, the Honglong Packaging Paperboard Supply Agreement, the Tianjin ACN Wastepaper Purchase Agreement and the Honglong Packaging Scrap Materials Purchase Agreement in relation to certain new continuing connected transactions of the Group.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Taicang Packaging Scrap Materials Purchase Agreement

Date: 8 May 2014

Parties: the Company; and
Taicang Packaging.

Subject: Pursuant to the terms of the Taicang Packaging Scrap Materials Purchase Agreement, the Group will purchase scrap materials from Taicang Packaging from time to time.

Term: The Taicang Packaging Scrap Materials Purchase Agreement has a fixed term of three financial years ending on 30 June 2017.

Price: The purchase prices of the scrap materials supplied by Taicang Packaging will be determined with reference to the prevailing market prices and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the paragraph headed “Pricing Principles for Continuing Connected Transactions” below, and will be no less favourable to the Group than those offered by other independent suppliers of similar products. The terms of the Taicang Packaging Scrap Materials Purchase Agreement were concluded after arm’s length negotiations and were based on normal commercial terms in the parties’ ordinary course of business.

Cap Amount: The transaction amount under the Taicang Packaging Scrap Materials Purchase Agreement for each of three financial years ending 30 June 2017 will not exceed the following annual cap:

	Financial year ending 30 June 2015 RMB' million	Financial year ending 30 June 2016 RMB' million	Financial year ending 30 June 2017 RMB' million
Annual cap	20	20	20

The caps under the Taicang Packaging Scrap Materials Purchase Agreement were determined with reference to the historical transaction amount of supplies from Taicang Packaging for the three financial years ended 30 June 2013 and the nine months ended 31 March 2014, which are set out below:

	For the year ended 30 June 2011 RMB' million	For the year ended 30 June 2012 RMB' million	For the year ended 30 June 2013 RMB' million	For the nine months ended 31 March 2014 RMB' million
Annual cap	N/A (Below the de minimis threshold)	30	45	50 <i>(Note 1)</i>
Actual purchases	10	12	8	8 <i>(Note 2)</i>

Notes:

1. Annual cap is for the entire financial year ended 30 June 2014
2. un-audited figures

Reasons for the Taicang Packaging Scrap Materials Purchase Agreement

Taicang Packaging generates a significant amount of scrap materials during its manufacturing of packaging materials, such scrap materials can be used by the Group for its manufacturing process. The Group and Taicang Packaging entered into an agreement on 16 May 2011 with respect to the purchase by the Group of scrap materials products from Taicang Packaging. As the current term of

the agreement is due to expire on 30 June 2014, the Taicang Packaging Scrap Materials Purchase Agreement is entered into to facilitate the continuous purchase by the Group of such scrap materials products from Taicang Packaging.

As the Taicang Packaging Scrap Materials Purchase Agreement is entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, the Directors (including the independent non-executive Directors) consider that the transactions between the Company and Taicang Packaging and the proposed annual caps for the transactions under the Taicang Packaging Scrap Materials Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Honglong Packaging Scrap Materials Purchase Agreement

Date: 8 May 2014

Parties: the Company; and
Honglong Packaging.

Subject: Pursuant to the terms of the Honglong Packaging Scrap Materials Purchase Agreement, the Group will purchase scrap materials from Honglong Packaging from time to time.

Term: The Honglong Packaging Scrap Materials Purchase Agreement has a fixed term of three financial years ending on 30 June 2017.

Price: The purchase prices of the scrap materials supplied by Honglong Packaging will be determined with reference to the prevailing market prices and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the paragraph headed "Pricing Principles for Continuing Connected Transactions" below, and will be no less favourable to the Group than those offered by other independent suppliers of similar products. The terms of the Honglong Packaging Scrap Materials Purchase Agreement were concluded after arm's length negotiations and were based on normal commercial terms in the parties' ordinary course of business.

Cap Amount: The transaction amount under the Honglong Packaging Scrap Materials Purchase Agreement for each of three financial years ending 30 June 2017 will not exceed the following annual cap:

	Financial year ending 30 June 2015 RMB' million	Financial year ending 30 June 2016 RMB' million	Financial year ending 30 June 2017 RMB' million
Annual cap	10	10	10

The caps under the Honglong Packaging Scrap Materials Purchase Agreement were determined based on the expected demand for the scrap materials by the Group for its production. Honglong Packaging was established in June 2013 and there were no previous transactions between the Group and Honglong Packaging with respect to the purchase of scrap materials from Honglong Packaging.

Reasons for the Honglong Packaging Scrap Materials Purchase Agreement

Honglong Packaging generates a significant amount of scrap materials during its manufacturing of packaging materials, such scrap materials can be used by the Group for its manufacturing process. The Honglong Packaging Scrap Materials Purchase Agreement is entered into to facilitate the purchase by the Group of such scrap materials products from Honglong Packaging.

As the Honglong Packaging Scrap Materials Purchase Agreement is entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, the Directors (including the independent non-executive Directors) consider that the transactions between the Company and Honglong Packaging and the proposed annual caps for the transactions under the Honglong Packaging Scrap Materials Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rule Implications

The Taicang Packaging Scrap Materials Purchase Agreement and Honglong Packaging Scrap Materials Purchase Agreement are of similar nature and related to the purchase of scrap materials for the Group's production requirements from companies controlled by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei, all being Directors and substantial shareholders of the Company. Accordingly, the Taicang Packaging Scrap Materials Purchase Agreement and Honglong Packaging Scrap Materials Purchase Agreement would need to be aggregated for the calculation of the classification of the transactions.

As the applicable percentage ratios for the aggregated annual transaction amount of the transactions under the Taicang Packaging Scrap Materials Purchase Agreement and Honglong Packaging Scrap Materials Purchase Agreement are over 0.1% but less than 5% on an annual basis, the Taicang

Packaging Scrap Materials Purchase Agreement and Honglong Packaging Scrap Materials Purchase Agreement will be subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Purchase of chemicals and packaging materials

(A) Longteng Packaging Materials and Chemicals Purchase Agreement

Date: 8 May 2014

Parties: the Company; and

Dongguan Longteng.

Dongguan Longteng is a limited liability company established in the PRC which is principally engaged in the trading of packaging paperboard and production of packaging materials and chemicals. Dongguan Longteng is held as to 80% by Mr. Zhang Cheng Ming, a brother of Mr. Zhang Cheng Fei and Ms. Cheung Yan, who are Directors and substantial shareholders of the Company. Dongguan Longteng is therefore an associate of a connected person of the Company and the transactions between the Group and Dongguan Longteng constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Subject: Dongguan Longteng will supply packaging materials and chemicals to the Group for the Group's production requirements from time to time.

Term: The Longteng Packaging Materials and Chemicals Purchase Agreement has a fixed term of three financial years ending on 30 June 2017.

Price: The purchase prices of the products supplied by Dongguan Longteng will be determined with reference to the prevailing market prices and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the paragraph headed "Pricing Principles for Continuing Connected Transactions" below. The terms of the Longteng Packaging Materials and Chemicals Purchase Agreement were concluded after arm's length negotiations and were based on normal commercial terms in the parties' ordinary course of business.

Cap Amount: The transaction amount under the Longteng Packaging Materials and Chemicals Purchase Agreement for each of three financial years ending 30 June 2017 will not exceed the following annual cap:

	Financial year ending 30 June 2015 RMB' million	Financial year ending 30 June 2016 RMB' million	Financial year ending 30 June 2017 RMB' million
Annual cap	600	600	600

The annual caps under the Longteng Packaging Materials and Chemicals Purchase Agreement were determined based on the historical transactional amounts between the Group and Dongguan Longteng, the increased proportion of purchase of chemicals from Dongguan Longteng to satisfy the production requirements of the Group, and the expected increases in demand for packaging materials and chemicals by the Group as a result of the new production lines of the Group with annual capacities of 1 million tonnes at Quanzhou and Shenyang beginning commercial production. The historical amount of purchases by the Group from Dongguan Longteng for the three financial years ended 30 June 2013 and the nine months ended 31 March 2014 are as follows:

	For the year ended 30 June 2011 RMB' million	For the year ended 30 June 2012 RMB' million	For the year ended 30 June 2013 RMB' million	For the nine months ended 31 March 2014 RMB' million
Annual cap	271	500	1,500	2,200 <i>(Note 1)</i>
Actual purchases	241	264	278	166 <i>(Note 2)</i>

Notes:

1. The annual cap is for the entire financial year ended 30 June 2014
2. un-audited figures

The above annual caps have taken into consideration the anticipated purchase of a new chemical from Dongguan Longteng for the production of the Group's coated linerboard and coated duplex board. As Dongguan Longteng did not produce the new chemical in the end, the actual volume of purchase was lower by such non-purchase of the new chemical from Dongguan Longteng.

Reasons for the Longteng Packaging Materials and Chemicals Purchase Agreement

The Group and Dongguan Longteng entered into an agreement on 12 February 2006 to regulate the supply of packaging materials and chemical products to the Group. Such agreement was renewed on 26 June 2008 and 16 May 2011 respectively, and the current term of the agreement is due to expire on 30 June 2014. As the Group requires packaging materials and chemicals for the production of paperboard products in its ordinary course of business, the Longteng Packaging Materials and Chemicals Purchase Agreement is entered into to facilitate the continuous supply of such packaging materials and chemical products to the Group.

As the Longteng Packaging Materials and Chemicals Purchase Agreement is entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, the Directors consider that the transactions between the Company and Dongguan Longteng and the proposed annual caps for the transactions under the Longteng Packaging Materials and Chemicals Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors will be set out in the circular of the Company after taking advice from the independent financial adviser.

(B) *Nantong Tenglong Chemicals Purchase Agreement*

Date: 8 May 2014

Parties: the Company; and

Nantong Tenglong.

Nantong Tenglong is a limited liability company established in the PRC which is principally engaged in the production of chemicals. Nantong Tenglong is wholly-owned by Mr. Zhang Cheng Guo, a brother of Mr. Zhang Cheng Fei and Ms. Cheung Yan, who are Directors and substantial shareholders of the Company. Nantong Tenglong is therefore deemed to be a connected person of the Company and the transactions between the Group and Nantong Tenglong constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Subject: Nantong Tenglong will supply packaging materials and chemicals to the Group for the Group's production requirements from time to time.

Term: The Nantong Tenglong Chemicals Purchase Agreement has a fixed term of three financial years ending on 30 June 2017.

Price: The purchase prices of the products supplied by Nantong Tenglong will be determined with reference to the prevailing market prices and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the paragraph headed "Pricing Principles for Continuing Connected Transactions" below, and will be no less favourable to the Group than those offered to independent purchasers of the Group's products. The terms of the Nantong Tenglong Chemicals Purchase Agreement were concluded after arm's length negotiations and were based on normal commercial terms in the parties' ordinary course of business.

Cap Amount: The transaction amount under the Nantong Tenglong Chemicals Purchase Agreement for each of three financial years ending 30 June 2017 will not exceed the following annual cap:

	Financial year ending 30 June 2015 RMB' million	Financial year ending 30 June 2016 RMB' million	Financial year ending 30 June 2017 RMB' million
Annual cap	1,150	1,150	1,150

The annual caps under the Nantong Tenglong Chemicals Purchase Agreement were determined based on the expected demand for chemical products by the Group for its production.

Nantong Tenglong will commence its trial production in April 2014 and there have not been any previous transactions between the Group and Nantong Tenglong.

Reasons for the Nantong Tenglong Chemicals Purchase Agreement

The Group requires chemical products for its production of paperboard products. The Nantong Tenglong Chemicals Purchase Agreement is entered into to facilitate the supply of chemical products to the Group to satisfy the Group's production requirements.

As the Nantong Tenglong Chemicals Purchase Agreement is entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, the Directors consider that the transactions between the Company and Nantong Tenglong and the proposed annual caps for the transactions under the Nantong Tenglong Chemicals Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors will be set out in the circular of the Company after taking advice from the independent financial adviser.

Listing Rule Implications

The Longteng Packaging Materials and Chemicals Purchase Agreement and the Nantong Tenglong Chemicals Purchase Agreement are of similar nature and related to the purchase of chemicals for the Group's production requirements from companies controlled by Mr. Zhang Cheng Ming and Mr. Zhang Cheng Guo, who are respectively the brothers of Ms. Cheung Yan and Mr. Zhang Cheng Fei, both being Directors and substantial shareholders of the Company. Accordingly, the Longteng Packaging Materials and Chemicals Purchase Agreement and the Nantong Tenglong Chemicals Purchase Agreement would need to be

aggregated for the calculation of the classification of the transactions. As the applicable ratios for the aggregate annual transaction amount of the Longteng Packaging Materials and Chemicals Purchase Agreement and the Nantong Tenglong Chemicals Purchase Agreement are over 5%, the Longteng Packaging Materials and Chemicals Purchase Agreement and the Nantong Tenglong Chemicals Purchase Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Supply of paperboard products

(C) *Longteng Packaging Paperboard Supply Agreement*

Date: 8 May 2014

Parties: the Company; and
Dongguan Longteng.

Subject: The Group will supply packaging paperboard products to Dongguan Longteng.

Term: The Longteng Packaging Paperboard Supply Agreement has a fixed term of three financial years ending on 30 June 2017.

Price: The selling prices of the products of the Group will be determined with reference to the prevailing market prices and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the paragraph headed "Pricing Principles for Continuing Connected Transactions" below, and will be no less favourable to the Group than those offered to independent purchasers of the Group's products. The terms of the Longteng Packaging Paperboard Supply Agreement were concluded after arm's length negotiations and were based on normal commercial terms in the parties' ordinary course of business.

Cap Amount: The transaction amount under the Longteng Packaging Paperboard Supply Agreement for each of three financial years ending 30 June 2017 will not exceed the following annual cap:

	Financial year ending 30 June 2015 RMB' million	Financial year ending 30 June 2016 RMB' million	Financial year ending 30 June 2017 RMB' million
Annual cap	610	800	1,000

The annual caps under the Longteng Packaging Paperboard Supply Agreement were determined based on historical transaction amount, the expected business growth of Dongguan Longteng and its increased demand for packaging paperboard products from the Group as a result of such growth, and the expected increases in the prices of raw materials and finished products during the period due to inflation.

The historical transaction amount of purchases by Dongguan Longteng for the three financial years ended 30 June 2013 and the nine months ended 31 March 2014 are as follows:

	For the year ended 30 June 2011 RMB' million	For the year ended 30 June 2012 RMB' million	For the year ended 30 June 2013 RMB' million	For the nine months ended 31 March 2014 RMB' million
Annual cap	316	600	900	1,100 ^(Note 1)
Actual sales	310	364	421	344 ^(Note 2)

Notes:

1. The annual cap is for the entire financial year ended 30 June 2014
2. un-audited figures

As the paperboard prices have not risen to the level expected, the actual amount of purchases by Dongguan Longteng from the Group for paperboard products for the two years ended 30 June 2013 and the nine months ended 31 March 2014 were significant lower than the annual caps set for the relevant periods.

Reasons for the Longteng Packaging Paperboard Supply Agreement

The Group and Dongguan Longteng entered into an agreement on 12 February 2006 to regulate the supply of packaging paperboard products manufactured by the Group to Dongguan Longteng. Such agreement was renewed on 26 June 2008 and 16 May 2011 respectively, and the current term of the agreement is due to expire on 30 June 2014. As the Group has been selling packaging paperboard products to Dongguan Longteng in the ordinary course of business of the Group for a long period of time, the Longteng Packaging Paperboard Supply Agreement is entered into to facilitate the continuous sale of the packaging paperboard products to Dongguan Longteng.

As the Longteng Packaging Paperboard Supply Agreement is entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, the Directors consider that the transactions between the Company and Dongguan Longteng and the proposed annual caps for the transactions under the Longteng Packaging Paperboard Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors will be set out in the circular of the Company after taking advice from the independent financial adviser.

(D) *Taicang Packaging Paperboard Supply Agreement*

Date: 8 May 2014

Parties: the Company; and

Taicang Packaging.

Subject: The Group will from time to time supply packaging paperboard products manufactured by the Group to Taicang Packaging.

Term: The Taicang Packaging Paperboard Supply Agreement has a fixed term of three financial years ending on 30 June 2017.

Price: The selling prices of the packaging paperboard products sold by the Group to Taicang Packaging will be determined with reference to the prevailing market prices and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the paragraph headed "Pricing Principles for Continuing Connected Transactions" below, and will be no less favourable to the Group than those offered to independent purchasers of the Group. The terms of the Taicang Packaging Paperboard Supply Agreement were concluded after arm's length negotiations and were based on normal commercial terms in the parties' ordinary course of business.

Cap Amount: The transaction amount under the Taicang Packaging Paperboard Supply Agreement for each of three financial years ending 30 June 2017 will not exceed the following annual cap:

	Financial year ending 30 June 2015 RMB' million	Financial year ending 30 June 2016 RMB' million	Financial year ending 30 June 2017 RMB' million
Annual cap	330	350	380

The annual caps under the Taicang Packaging Paperboard Supply Agreement were determined by reference to the historical transaction amount and the expected business growth of Taicang Packaging and the increases in the price of the products as a result of inflation. During the second half of 2013, Taicang Packaging has reduced the scale of the operation of one production line for technical improvements, which resulted in the lower volume of purchase from the Group for the nine months ended 31 March 2014. With the technical improvements to the production line completed in early 2014 and the increased capacity as a result of such technical improvements, the volume of purchase from the Group is expected to significantly increase during the financial year ending 30 June 2015. The historical amount of sales to Taicang Packaging for the three financial years ended 30 June 2013 and the nine months ended 31 March 2014 are as follows:

	For the year ended 30 June 2011 RMB' million	For the year ended 30 June 2012 RMB' million	For the year ended 30 June 2013 RMB' million	For the nine months ended 31 March 2014 RMB' million
Annual cap	390	300	600	700 <i>(Note 1)</i>
Actual sales	92	131	162	59 <i>(Note 2)</i>

Notes:

1. Annual cap is for the entire financial year ended 30 June 2014
2. un-audited figures

As the paperboard prices have not risen to the level expected and one production line of Taicang Packaging has reduced its scale of operation for technical improvements during the second half of 2013, the actual amount of purchases by Taicang Packaging from the Group for paperboard products for the two years ended 30 June 2013 and the nine months ended 31 March 2014 were significant lower than the annual caps set for the relevant periods.

Reasons for the Taicang Packaging Paperboard Supply Agreement

The Group and Taicang Packaging entered into an agreement on 12 February 2006 to regulate the supply of packaging products manufactured by the Group to Taicang Packaging. Such agreement was renewed on 26 June 2008 and 16 May 2011 respectively, and the current term of the agreement is due to expire on 30 June 2014. As the Group has been selling such products to Taicang Packaging in the ordinary course of business of the Group for a long period of time, the Taicang Packaging Paperboard Supply Agreement is entered into to facilitate the continuous sale of such products to Taicang Packaging.

As the Taicang Packaging Paperboard Supply Agreement is entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, the Directors consider that the transactions between the Company and Taicang Packaging and the proposed annual caps for the transactions under the Taicang Packaging Paperboard Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors will be set out in the circular of the Company after taking advice from the independent financial adviser.

(E) *Honglong Packaging Paperboard Supply Agreement*

Date: 8 May 2014

Parties: the Company; and
Honglong Packaging.

Honglong Packaging is a limited liability company established in the PRC which is principally engaged in the production of paper packaging containers. Honglong Packaging is beneficially held as to 60% by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei, who are Directors and substantial shareholders of the Company. Honglong Packaging is therefore a connected person of the Company and the transactions between the Group and Honglong Packaging constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Subject: The Group will from time to time supply packaging paperboard products manufactured by the Group to Honglong Packaging.

Term: Honglong Packaging Paperboard Supply Agreement has a fixed term of three financial years ending on 30 June 2017.

Price: The selling prices of the packaging paperboard products sold by the Group to Honglong Packaging will be determined with reference to the prevailing market prices and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the paragraph headed “Pricing Principles for Continuing Connected Transactions” below, and will be no less favourable to the Group than those offered to independent purchasers of the Group. The terms of the Honglong Packaging Paperboard Supply Agreement were concluded after arm’s length negotiations and were based on normal commercial terms in the parties’ ordinary course of business.

Cap Amount: The transaction amount under the Honglong Packaging Paperboard Supply Agreement for each of three financial years ending 30 June 2017 will not exceed the following annual cap:

	Financial year ending 30 June 2015 RMB’ million	Financial year ending 30 June 2016 RMB’ million	Financial year ending 30 June 2017 RMB’ million
Annual cap	110	150	210

The annual caps under the Honglong Packaging Paperboard Supply Agreement were determined by reference to the expected business volume of Honglong Packaging. Honglong Packaging was established in June 2013 and there were no previous transactions between Honglong Packaging and the Group.

Reasons for the Honglong Packaging Paperboard Supply Agreement

The Honglong Packaging Paperboard Supply Agreement is entered into to facilitate the sale of paperboard products by the Group to Honglong Packaging in the ordinary course of business of the Group.

The Honglong Packaging Paperboard Supply Agreement is entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm’s length basis and on normal commercial terms. The Directors thus consider that the

transactions between the Company and Honglong Packaging and the proposed annual caps for the transactions under the Honglong Packaging Paperboard Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors will be set out in the circular of the Company after taking advice from the independent financial adviser.

Listing Rule Implications

Longteng Packaging Paperboard Supply Agreement, the Taicang Packaging Paperboard Supply Agreement and the Honglong Packaging Paperboard Supply Agreement are of similar nature and related to the supply of the Group's paperboard products to companies controlled by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei, as the case may be, all being Directors and substantial shareholders of the Company, and their associates. Accordingly, the Longteng Packaging Paperboard Supply Agreement, the Taicang Packaging Paperboard Supply Agreement and the Honglong Packaging Paperboard Supply Agreement would need to be aggregated for the calculation of the classification of the transactions. As the applicable ratios for the aggregate annual transaction amount of the Longteng Packaging Paperboard Supply Agreement, the Taicang Packaging Paperboard Supply Agreement and the Honglong Packaging Paperboard Supply Agreement are over 5%, the Longteng Packaging Paperboard Supply Agreement, the Taicang Packaging Paperboard Supply Agreement and the Honglong Packaging Paperboard Supply Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Purchase of wastepaper products

(F) ACN Recovered Paper Purchase Agreement

Date: 8 May 2014

Parties: the Company; and

ACN, which is the largest exporter of recovered paper in the United States and a leading exporter of recovered paper in Europe and Asia, is indirectly wholly owned by Ms. Cheung Yan and Mr. Liu Ming Chung, both being Directors and substantial shareholders of the Company. ACN is therefore a connected person of the Company and the transactions under the ACN Recovered Paper Purchase Agreement will constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Subject: Pursuant to the terms of the ACN Recovered Paper Purchase Agreement, the Group will purchase recovered paper from ACN from time to time.

Term: The ACN Recovered Paper Purchase Agreement has a fixed term of three financial years ending on 30 June 2017.

Price: The purchase prices of the products under the ACN Recovered Paper Purchase Agreement will be determined with reference to the prevailing market prices in the PRC and overseas markets and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the paragraph headed “Pricing Principles for Continuing Connected Transactions” below, and will be no less favourable to the Group than those offered by independent suppliers of similar products to the Group. The terms of the ACN Recovered Paper Supply Agreement were concluded after arm’s length negotiations and were based on normal commercial terms in the parties’ ordinary course of business.

Cap Amount: The transaction amount under the ACN Supply Agreement for each of three financial years ending 30 June 2017 will not exceed the following annual cap:

	Financial year ending 30 June 2015 RMB’ million	Financial year ending 30 June 2016 RMB’ million	Financial year ending 30 June 2017 RMB’ million
Annual cap	15,000	17,000	19,000

The annual caps under the ACN Supply Agreement were determined by reference to the historical transaction amount and the expected demand of recovered paper by the Group. The historical amount of purchases from ACN for the three financial years ended 30 June 2013 and the nine months ended 31 March 2014 are as follows:

	For the year ended 30 June 2011 RMB’ million	For the year ended 30 June 2012 RMB’ million	For the year ended 30 June 2013 RMB’ million	For the nine months ended 31 March 2014 RMB’ million
Annual cap	16,000	16,600	19,500	23,500 ^(Note 1)
Actual sales	8,278	10,816	10,305	9,734 ^(Note 2)

Notes:

1. The annual cap is for the entire financial year ended 30 June 2014
2. un-audited figures

Reasons for the ACN Recovered Paper Purchase Agreement

ACN is a major supplier of recovered paper in China. ACN and the Company entered into an agreement on 12 February 2006 to regulate the supply of recovered paper to the Group. Such agreement was renewed on 26 June 2008, 30 June 2008 and 16 May 2011 respectively, and the current term of the agreement is due to expire on 30 June 2014. As the Group has been purchasing recovered paper from ACN for the production of paperboard products for a long period of time, the ACN Recovered Paper Purchase Agreement is entered into to facilitate the continuous supply of such products to the Group.

As the ACN Recovered Paper Purchase Agreement is entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, the Directors consider that the transactions between the Company and ACN and the proposed annual caps for the transactions under the ACN Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors will be set out in the circular of the Company after taking advice from the independent financial adviser.

(G) Tianjin ACN Wastepaper Purchase Agreement

Date: 8 May 2014

Parties: the Company; and

Tianjin ACN, which is a company established in the PRC and is principally engaged in the business of the export of wastepaper in PRC. Tianjin ACN is indirectly owned as to 30% by the Company and as to 70% beneficially owned by Ms. Cheung Yan and Mr. Liu Ming Chung, both are Directors and substantial shareholders of the Company. Accordingly, Tianjin ACN is a connected person of the Company and the transactions under the Tianjin ACN Wastepaper Purchase Agreement will constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Subject: Pursuant to the terms of the Tianjin ACN Wastepaper Purchase Agreement, the Group will purchase recovered paper from Tianjin ACN from time to time.

Term: The Tianjin ACN Wastepaper Purchase Agreement has a fixed term of three financial years ending on 30 June 2017.

Price: The purchase prices of the products under the Tianjin ACN Wastepaper Purchase Agreement will be determined with reference to the prevailing market prices in the PRC of wastepaper and in accordance with the pricing policies of continuing connected transactions of the Group as detailed in the paragraph headed “Pricing Principles for Continuing Connected Transactions” below, and will be no less favourable to the Group than those offered by independent suppliers of similar products to the Group. The terms of the Tianjin ACN Wastepaper Purchase Agreement were concluded after arm’s length negotiations and were based on normal commercial terms in the parties’ ordinary course of business.

Cap Amount: The transaction amount under the Tianjin ACN Wastepaper Purchase Agreement for each of three financial years ending 30 June 2017 will not exceed the following annual cap:

	Financial year ending 30 June 2015 RMB' million	Financial year ending 30 June 2016 RMB' million	Financial year ending 30 June 2017 RMB' million
Annual cap	7,600	8,900	10,000

The annual caps under the Tianjin ACN Wastepaper Purchase Agreement were determined by reference to the historical transaction amount and the expected demand of recovered paper by the Group. Tianjin ACN was only established in 2013 and there were no direct transaction previously between Tianjin ACN and the Group.

Reasons for the Tianjin ACN Wastepaper Purchase Agreement

The Tianjin ACN Wastepaper Purchase Agreement is entered into to facilitate the purchase by the Group of wastepaper in the PRC.

As the Tianjin ACN Wastepaper Purchase Agreement is entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, the Directors consider that the transactions between the Company and Tianjin ACN and the proposed annual caps for the transactions under the Tianjin ACN Wastepaper Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors will be set out in the circular of the Company after taking advice from the independent financial adviser.

Listing Rule Implications

The ACN Recovered Paper Purchase Agreement and the Tianjin ACN Wastepaper Purchase Agreement are of similar nature and related to the purchase of wastepaper for the Group's production requirements from companies controlled by Ms. Cheung Yan and Mr. Liu Ming Chung, both being Directors and substantial shareholders of the Company. Accordingly, the ACN Recovered Paper Purchase Agreement and the Tianjin ACN Wastepaper Purchase Agreement would need to be aggregated for the calculation of the classification of the transactions. As the applicable ratios for the aggregated annual transaction amount of the ACN Recovered Paper Purchase Agreement and the Tianjin ACN Wastepaper Purchase Agreement are over 5%, the ACN Recovered Paper Purchase Agreement and the Tianjin ACN Wastepaper Purchase Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PRICING PRINCIPLES FOR CONTINUING CONNECTED TRANSACTIONS

The basis of determining the prices of the products to be supplied or purchased by the Group under the respective agreement of the continuing connected transactions of the Group will be in accordance with the prevailing market prices of similar products and on the following principles:

- (i) by reference to the prevailing market price of the same or substantially similar products, taking into account of the price of the same or substantially similar products with comparable order quantities and quality offered by other suppliers/purchasers;
- (ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms comparable to those offered to/received from independent third parties in respect of the same or substantially similar products with comparable quantities; and
- (iii) if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously supplied or purchased by a party, and on normal commercial terms comparable to those offered by the relevant party to independent third parties.

In determining the prevailing market price for the Products for a particular contract, the Group will:

- (a) in respect of procurement of products from a connected person or his/her associates, invite quotations from independent suppliers to give a reference on the prevailing market prices for the relevant products to be procured. Such quotations will be reviewed and evaluated from both the technical and commercial perspectives by qualified personnel of the Group to ensure that the products to be procured from a connected person or his/her associates are comparable to the prices for such products being offered by independent third parties; and
- (b) in respect of provision of products to be sold to a connected person or his/her associates, evaluate and assess the scope of the relevant order and prepare a detailed cost calculation by reference to cost of materials, products and labors, quotes of the Group to other independent third party customers and the level of fees charged by competitors of the Group in the market (if available) to ensure that the prices of the products of the Group are competitive and comparable to those being offered to independent third party customers of the Group.

To ensure that the actual prices for the continuing connected transactions of the Group are on normal commercial terms and on terms no less favourable to the Group than that available from independent third party suppliers/customers, the Group will conduct regular checks to review and assess whether the products have been supplied/purchased in accordance with the terms of the relevant agreement. In addition, the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Group.

GENERAL

The Group is engaged in the manufacture linerboard, high performance corrugating medium and certain types of coated duplex board and printing and writing paper. The Company will comply with the relevant provisions under Chapter 14A of the Listing Rules governing connected transactions in the event that the annual caps in any of the above agreements are exceeded or that there is any material amendment to their terms.

Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei and Mr. Lau Chun Shun are considered to be interested in the Longteng Packaging Paperboard Supply Agreement, the Longteng Packaging Materials and Chemicals Purchase Agreement, the ACN Recovered Paper Purchase Agreement, the Taicang Packaging Paperboard Supply Agreement, the Taicang Packaging Scrap Materials Purchase Agreement, the Nantong Tenglong Chemicals Purchase Agreement, the Honglong Packaging Paperboard Supply Agreement, the Honglong Packaging Scrap Materials Purchase Agreement and the Tianjin ACN Wastepaper Purchase Agreement, and have abstained from voting for the approval of such agreements at the Board meeting held to approve these agreements.

Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Lau Chun Shun, Mr. Zhang Cheng Fei and their respective associates will abstain from voting on the resolutions proposed to approve at the Special General Meeting to approve the Non-exempt Continuing Connected Transactions.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions.

A circular containing, among other things, details of the Non-exempt Continuing Connected Transactions, a letter from the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions, and a notice of the special general meeting to be convened to approve the Non-exempt Continuing Connected Transactions will be despatched to the Shareholders on or before 29 May 2014.

DEFINITIONS

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

“2011 Continuing Connected Transactions”	the continuing connected transactions of the Company entered into on 16 May 2011 between the Company and (a) Dongguan Longteng in relation to (i) the purchase of packaging materials and chemicals by the Group, and (ii) the supply of paperboard products by the Group to Dongguan Longteng; (b) ACN in relation to the purchase by the Group of recovered paper; and (c) Taicang Packaging in relation to (i) the supply of paperboard products by the Group to Taicang Packaging, and (ii) the purchase by the Group of scrap materials products from Taicang Packaging, the details of which were set out in the announcement of the Company dated 16 May 2011 and the circular of the Company dated 1 June 2011;
“ACN”	America Chung Nam, Inc., a corporation established with limited liability under the laws of the State of California in the United States, which is indirectly wholly-owned by Ms. Cheung Yan and Mr. Liu Ming Chung, Directors and substantial shareholders of the Company;
“ACN Recovered Paper Purchase Agreement”	the agreement entered into between the Company and ACN on 8 May 2014 in relation to the purchase by the Group of recovered paper from ACN;
“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;
“Dongguan Longteng”	Dongguan Longteng Industrial Co., Ltd. (東莞市龍騰實業有限公司) (former name known as Dongguan Longteng Paper Co., Ltd. (東莞市龍騰紙業有限公司)), a limited liability company established in the PRC which is 80% held by Mr. Zhang Cheng Ming, a brother of Ms. Cheung Yan and Mr. Zhang Cheng Fei, both being Directors and substantial shareholders of the Company;

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Honglong Packaging”	Dongguan Honglong Packaging Co., Ltd. (東莞弘龍包裝有限公司), a company established in the PRC which is beneficially owned as to 60% by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei, all being Directors and substantial shareholders;
“Honglong Packaging Paperboard Supply Agreement”	the agreement entered into between the Company and Honglong Packaging on 8 May 2014 in relation to the sale of paperboard products by the Group to Honglong Packaging;
“Honglong Packaging Scrap Materials Purchase Agreement”	the agreement entered into between the Company and Honglong Packaging on 8 May 2014 in relation to purchase of scrap materials by the Group from Honglong Packaging;
“Independent Board Committee”	the independent board committee of the Company;
“Independent Shareholders”	Shareholders who are not interested in the transactions described in this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Longteng Packaging Materials and Chemicals Purchase Agreement”	the agreement entered into between the Company and Dongguan Longteng on 8 May 2014 in relation to the purchase of packaging materials and chemicals by the Group for its production of paperboard products;
“Longteng Packaging Paperboard Supply Agreement”	the agreement entered into between the Company and Dongguan Longteng on 8 May 2014 in relation to the sale of paperboard products by the Group to Dongguan Longteng;
“Nantong Tenglong”	Nantong Tenglong Chemical Technology Co., Ltd. (南通騰龍化工科技有限公司), a company established in the PRC which is wholly-owned by Mr. Zhang Cheng Guo, a brother of Ms. Cheung Yan and Mr. Zhang Cheng Fei, both being Directors and substantial shareholders of the Company;
“Nantong Tenglong Chemicals Purchase Agreement”	the agreement entered into between the Company and Nantong Tenglong on 8 May 2014 in relation to the purchase of chemicals by the Group for its production of paperboard products;

“Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Longteng Packaging Materials and Chemicals Purchase Agreement, the Nantong Tenglong Chemicals Purchase Agreement, the Longteng Packaging Paperboard Supply Agreement, the Taicang Packaging Paperboard Supply Agreement, the Honglong Packaging Paperboard Supply Agreement, the ACN Recovered Paper Purchase Agreement, and the Tianjin ACN Wastepaper Purchase Agreement;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the Company’s share(s);
“Special General Meeting”	the special general meeting to be convened to approved the Non-exempt Continuing Connected Transactions;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Taicang Packaging”	Nine Dragons Packaging (Taicang) Company Limited (玖龍包裝(太倉)有限公司), a wholly foreign-owned enterprise established in the PRC, which is wholly-owned by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei, all being Directors and substantial shareholders of the Company;
“Taicang Packaging Paperboard Supply Agreement”	the agreement entered into between the Company and Taicang Packaging on 8 May 2014 in relation to the sale of packaging paperboard products by the Group to Taicang Packaging;
“Taicang Packaging Scrap Material Purchase Agreement”	the agreement entered into between the Company and Taicang Packaging on 8 May 2014 in relation to the purchase of scrap materials by the Group from Taicang Packaging;
“Tianjin ACN”	ACN (Tianjin) Resources Co., Ltd.(中南(天津)再生資源有限公司), a company established in the PRC and is beneficially owned as to 70% by Ms. Cheung Yan and Mr. Liu Ming Chung;
“Tianjin ACN Wastepaper Purchase Agreement”	the agreement entered into between the Company and Tianjin ACN on 8 May 2014 in relation to the purchase of wastepaper by the Group from Tianjin ACN; and

“%”

per cent

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

8 May 2014, Hong Kong

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 and Mr. Zhang Yuanfu; the independent non-executive directors are Ms. Tam Wai Chu, Maria, Dr. Cheng Chi Pang, Mr. Fok Kwong Man, Mr. Ng Leung Sing and Mr. Wang Hong Bo.

* *For identification purposes only*