



# 玖龍紙業(控股)有限公司\*

## NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)  
(Stock Code: 2689)

### PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

#### Sole Bookrunner



#### Placing Agents



On 16 April 2007, the Vendor and the Placing Agents entered into the Placing Agreement pursuant to which the Placing Agents have agreed to place, on a fully underwritten basis, 125,000,000 existing Shares at a price of HK\$16.28 per Share on behalf of the Vendor. The Placing Shares represent approximately 3.0% of the existing issued share capital of the Company and approximately 2.91% of the issued share capital of the Company as enlarged by the Subscription.

The Placing Shares will be placed by the Placing Agents to more than six independent professional, institutional and/or individual investors who are or will be third parties independent of and not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules). The Placing is conditional on certain termination events upon the occurrence of which the Placing will not proceed to completion unless waived by the Placing Agents.

Pursuant to the Placing, the Vendor and the Company have also entered into the Subscription Agreement under which the Vendor has conditionally agreed to subscribe for 125,000,000 new Shares at the Placing Price.

Completion of the Subscription is conditional upon:

- (1) completion of the Placing;
- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; and
- (3) (if necessary) the Bermuda Monetary Authority consenting to the issue of the Subscription Shares.

The shareholding of the Vendor and its associates in the issued share capital of the Company will be reduced from approximately 71.84% to approximately 68.84% upon completion of the Placing but before completion of the Subscription and will be increased from approximately 68.84% to approximately 69.75% upon completion of the Placing and the Subscription.

The Placing and the Subscription are effected to enable the Company to raise funds. The Company intends to use the estimated net proceeds of the Subscription of approximately HK\$2,001 million for the expansion of the paper manufacturing facilities of the Company in China.

**As the Placing and Subscription are subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares of the Company.**

#### PLACING AGREEMENT

**Date:** 16 April 2007  
**Vendor:** Best Result Holdings Limited. As at the date of this announcement, the Vendor is interested in 2,986,800,000 Shares, representing approximately 71.70% of the existing issued share capital of the Company.  
**Placing agents:** UBS AG, which is independent of and not connected with or acting in concert with the Vendor, the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates;  
J.P. Morgan Securities (Asia Pacific) Limited, which is independent of and not connected with or acting in concert with the Vendor, the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates; and  
BNP Paribas Capital (Asia Pacific) Limited, which is independent of and not connected with or acting in concert with the Vendor, the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.  
**Company:** The Company is also party to the Placing Agreement.

#### Number of Shares to be placed

125,000,000 existing Shares, representing approximately 3.0% of the existing issued share capital of the Company and about 2.91% of the issued share capital of the Company as enlarged by the Subscription.

#### Placing Price

The Placing Price of HK\$16.28 per Share represents (i) a discount of 2.98% to the closing price of HK\$16.78 per Share as quoted on the Stock Exchange on 16 April 2007, the last full trading day prior to the release of this announcement; and (ii) a discount of approximately 2.28% to the average closing price of HK\$16.66 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 16 April 2007. The Placing Agents will receive a placing commission of 1.5% on the gross proceeds of the Placing Shares.

The Placing Price and the commission for the Placing were determined after arm's length negotiation between the Vendor and the Placing Agents and the Directors (including the independent non-executive Directors) consider that the Placing Price and the commission to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The costs of the Placing and the Subscription shall be borne by the Company.

#### Rights

The Placing Shares will be sold free of all liens, charges and encumbrances, and together with all rights attaching thereto as at the date of the Placing Agreement, including the right to receive all dividends or other distributions declared, made or paid on or after the date of the Placing Agreement.

#### Independence of the Placing Agents and the Placers

The Placing Shares will be placed by the Placing Agents to not less than six independent professional, institutional and/or individual investors. It is not expected that any placee will become a substantial shareholder of the Company as a result of the Placing.

#### SUBSCRIPTION AGREEMENT

**Date:** 16 April 2007  
**Subscriber:** The Vendor  
**Issuer:** The Company

#### Number of new Shares to be subscribed

125,000,000 new Shares to be subscribed by the Vendor, representing approximately 3.0% of the existing issued share capital of the Company and approximately 2.91% of the issued share capital of the Company as enlarged by the Subscription.

#### Subscription Price

The subscription price per new Share is equivalent to the Placing Price of HK\$16.28 per Share. The Subscription Shares have a market value of HK\$2,097,500,000, based on the closing price of HK\$16.78 on 16 April 2007, the last full trading day in the Shares prior to this announcement. The net price of the Subscription is approximately HK\$16.01 per Share.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription are fair and reasonable under the current market condition and in the interest of the Company and the Shareholders as a whole.

#### General mandate to issue the Subscription Shares

The Subscription Shares will be issued under the general mandate granted by the Shareholders to the Directors pursuant to the resolution of the Shareholders passed in the general meeting held on 17 November 2006. The Company has not issued any Shares pursuant to such general mandate.

#### Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the Shares in issue on the completion date of the Subscription including the right to any dividends or distributions after the date of completion of the Subscription.

#### Conditions of the Subscription

The Subscription is conditional upon:

- (1) completion of the Placing;
- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares; and
- (3) (if necessary), the Bermuda Monetary Authority consenting to the issue of the Subscription Shares.

In the event that the conditions are not fulfilled or on or before 30 April 2007 (or such later date as may be agreed between the parties) the Subscription Agreement and all rights and obligations hereunder will cease and terminate.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

#### Completion of the Subscription

The Placing Agents and the places to be procured by the Placing Agents are or will be as the case may be third parties independent of and not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules).

#### Termination Events

The obligation of the Placing Agents to proceed to completion of the Placing is conditional upon, amongst other conditions, the requirement that none of the following shall have occurred prior to completion:

- (a) the Subscription Agreement having been entered into by the parties thereto and not subsequently having been revoked, terminated or modified;
- (b) there not having occurred at any time prior to completion to the Placing (i) any material breach of, or any event rendering untrue, incorrect or breached in any material respect, any of the representations, warranties or undertakings referred to in the Placing Agreement or (ii) any material breach of, or material failure to perform, any of the other obligations of the Company or the Vendor which are required to be performed at or before completion of the Placing;
- (c) there not having occurred:
  - (i) any event, or series of events, beyond the reasonable control of the Placing Agents (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, terrorism, outbreak or escalation of hostilities (whether local, national or international), acts of war and acts of God);
  - (ii) any change, or development (whether or not permanent) involving a prospective change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company or the Group as a whole, whether or not arising in the ordinary course of business;
  - (iii) any change or any development (whether or not permanent) involving a prospective change or any crisis in local, national or international monetary, financial, economic, legal, taxation or political conditions (including, without limitation, conditions in the stock market, in the foreign exchange market, inter-bank market, money market and conditions with respect to interest rates in Hong Kong or otherwise) or foreign exchange controls in Hong Kong and overseas or any occurrence of a combination of any such changes or developments or crises or any deterioration of any such conditions;
  - (iv) the commencement by any regulatory or political body or organisation of any action against any director of the Company or an announcement by any regulatory or political body or organisation that it intends to take any such action; or
  - (v) the introduction of any new law or regulation or any change or development (whether or not permanent) involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority),

which individually or together, in the sole opinion of UBSAG (for itself and the other Placing Agents), prejudices or could reasonably be expected to prejudice materially the success of the Placing or dealings in the Placing Shares in the secondary market or makes it or would make it impracticable or inadvisable to proceed with the offer, sale, distribution or delivery of the Placing Shares on the terms and in the manner contemplated herein; and

- (d) there not having occurred at any time prior to completion of the Placing (i) the imposition of any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, or in any securities of the Company on any stock exchange or over the counter market or (ii) any material disruption in securities settlement, payment or clearance services in Hong Kong or the People's Republic of China or (iii) the imposition of any moratorium on commercial banking activities by the authorities in Hong Kong or the People's Republic of China or the United States Federal or New York State authorities.

If any of the termination events as set out in the Placing Agreement shall have occurred prior to completion, the Placing Agreement and the obligations of the Placing Agents thereunder will terminate and the Placing and the Subscription will not proceed. **Shareholders and investors are therefore advised to exercise caution when dealing in Shares.**

#### Completion of the Placing

The parties expect that the Placing will be completed on 19 April 2007 (or such other date as the Vendor and the Placing Agents may agree in writing).

#### Lock Up Undertakings

The Vendor has undertaken to the Placing Agents that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and on or prior to the date being three months after the date of the Placing Agreement, the Vendor will not and will procure that none of the Vendor's nominees, companies controlled by the Vendor or trusts associated with the Vendor (whether individually or together and whether directly or indirectly) will (without the prior written consent of UBS AG (for itself and on behalf of the other Placing Agents)) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares to be issued under the Subscription Agreement but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

The Company has undertaken to the Placing Agents that (except for (i) the Subscription Shares to be allotted and issued to the Vendor pursuant to the Subscription Agreement (ii) any new Shares to be issued pursuant to the existing employee share options of the Company in issue as at the date hereof and (iii) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws or on the exercise of rights existing at the date of the Placing Agreement) from the date of the Placing Agreement and on and prior to the date being three months after the date of the Placing Agreement the Company will not (without the prior written consent of UBS AG (for itself and on behalf of the other Placing Agents)) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

The Directors (including the independent non-executive Directors) consider that the above lock-up undertaking provided by the Company was in line with general market practice and is fair and reasonable so far as the Company and the Shareholders are concerned.

#### Completion of the Subscription

Completion of the Subscription will take place upon the fulfillment of all conditions listed above and within 14 days from the date of the Placing Agreement (or such later date as may be agreed between the parties, subject to the approval of the Stock Exchange).

#### EFFECT OF THE PLACING AND THE SUBSCRIPTION ON SHAREHOLDING

The shareholding structure of the Company before and after the Placing and the Subscription will be as follows:

Shareholders	Current		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Vendor and its associates	2,992,547,627	71.84%	2,867,547,627	68.84%	2,992,547,627	69.75%
Placees	–	–	125,000,000	3.00%	125,000,000	2.91%
Other Shareholders	1,172,984,402	28.16%	1,172,984,402	28.16%	1,172,984,402	27.34%
<b>Total</b>	<b>4,165,532,029</b>	<b>100%</b>	<b>4,165,532,029</b>	<b>100%</b>	<b>4,290,532,029</b>	<b>100%</b>

#### REASON FOR THE PLACING AND THE SUBSCRIPTION

The Placing and Subscription is being undertaken to supplement the Group's funding of its expansion and growth plan. The directors of the Company consider the Placing and Subscription will provide an opportunity to raise further capital for the Company whilst broadening the shareholder base and the capital base of the Company.

#### USE OF PROCEEDS OF THE SUBSCRIPTION

The Company intends to use the estimated net proceeds of the Subscription of approximately HK\$2,001 million for the expansion of the paper manufacturing facilities of the Company in China.

#### CAPITAL-RAISING ACTIVITIES DURING PAST 12 MONTHS

The Company has not raised funds by way of issue of shares in the 12 months immediately preceding the date of this announcement.

#### PRINCIPAL ACTIVITIES

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

#### DEFINITIONS

“Company”	Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Closing Date”	19 April 2007 or such other date as the Vendor and the Placing Agents may agree
“Directors”	the directors 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
“Placing”	the placement of 125,000,000 existing Shares to independent investors at the Placing Price
“Placing Agents”	UBS AG, BNP Paribas Capital (Asia Pacific) Limited and J.P. Morgan Securities (Asia Pacific) Limited, each of which is a third party independent of and not connected with the Vendor, the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as such term is defined in the Listing Rules)
“Placing Agreement”	the placing agreement dated 16 April 2007 between the Vendor, the Company and the Placing Agents in respect of the Placing
“Placing Price”	the placing price of HK\$16.28 per Share
“Placing Shares”	125,000,000 existing Shares
“PRC”	the People's Republic of China
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor
“Subscription Agreement”	the subscription agreement dated 16 April 2007 between the Company and the Vendor in respect of the Subscription
“Subscription Price”	the subscription price of HK\$16.28 per Share
“Subscription Shares”	125,000,000 new Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Best Result Holdings Limited, a company incorporated in the British Virgin Islands whose issued share capital is held as to approximately 37.1% by Ms. Cheung Yan as the trustee and HSBC Bank USA, National Association as the administrative trustee of YC 2006 QuickGRAT, as to approximately 37.1% by Ms. Cheung Yan and Mr. Liu Ming Chung as the trustees and the special trustees and Bank of the West as the trustee of MCL Living Trust, as to approximately 10% by BNP Paribas Jersey Trust Corporation Limited as the Trustee of The Zhang Family Trust and as to approximately 15.8% by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Golden Nest Trust

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

Hong Kong, 16 April 2007

*As at the date of this announcement, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei and Ms. Gao Jing are executive Directors, Mr. Lau Chun Shun is an non-executive Director 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 propose only*