

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

This announcement does not constitute or form a part of any offer of securities for sale in the United States. The securities referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "Securities Act") and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. Any public offering of securities to be made in the United States will be made by means of an offering circular that may be obtained from the Company and will contain detailed information about the Company and management, as well as financial information.



玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

**PROPOSED PLACING OF EXISTING SHARES
AND
TOP-UP SUBSCRIPTION FOR NEW SHARES
AND
RESUMPTION OF TRADING**

Placing Agent

Citigroup Global Markets Asia Limited



On 28 October 2009, Best Result, the Company and the Placing Agent entered into the Placing and Subscription Agreement pursuant to which the Placing Agent has agreed to, as placing agent of Best Result, use its best endeavours to procure purchasers to acquire, and Best Result has agreed to sell 264,285,000 existing Shares at the Placing Price of HK\$10.85 per Share. In consideration, a placing commission of 1.5% of the amount equal to the Placing Price multiplied by the total number of the Placing Shares is payable to the Placing Agent.

The Placing Shares represent approximately 6.1% of the existing issued share capital of the Company as at the date of this announcement and approximately 5.7% of the issued share capital of the Company as enlarged by the Subscription. The Placing Price represents (i) a discount of approximately 10.9% to the closing price of HK\$12.18 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 9.5% to the average closing price of approximately HK\$11.99 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

Pursuant to the Placing and Subscription Agreement, Best Result has conditionally agreed to subscribe for the Subscription Shares at the Subscription Price, which is the same as the Placing Price. The Subscription Shares represent approximately 6.1% of the existing issued share capital of the Company as at the date of this announcement and approximately 5.7% of the issued share capital of the Company as enlarged by the Subscription.

As at the date of this announcement, Best Result holds 2,992,120,000 Shares, representing 68.9% of the existing issued share capital of the Company. The aggregate shareholding of Best Result in the issued share capital of the Company will be reduced from approximately 68.9% to approximately 62.8% upon completion of the Placing but before completion of the Subscription and will be increased from approximately 62.8% to approximately 64.9% upon completion of the Placing and the Subscription.

The Placing is unconditional while the Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and (ii) completion of the Placing pursuant to the terms of the Placing and Subscription Agreement.

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

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 28 October 2009 pending the release of this announcement concerning the Placing and the Subscription. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 29 October 2009.

A. PLACING AND SUBSCRIPTION AGREEMENT

Date: 28 October 2009

Parties

- (a) Best Result;
- (b) the Company; and
- (c) the Placing Agent.

As at the date of this announcement, Best Result is interested in 2,992,120,000 Shares, representing approximately 68.9% of the existing issued share capital of the Company as at the date of this announcement.

The Placing Agent is independent of and not connected with or acting in concert with Best Result, the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

Placing Shares

On 28 October 2009, Best Result, the Company and the Placing Agent entered into the Placing and Subscription Agreement pursuant to which the Placing Agent has agreed to, as placing agent of Best Result, use its best endeavours to procure purchasers to acquire, and Best Result has agreed to sell 264,285,000 existing Shares, at the Placing Price of HK\$10.85 per Share. In consideration, a placing commission of 1.5% of the amount equal to the Placing Price multiplied by the total number of the Placing Shares is payable to the Placing Agent.

The Placing Shares represent approximately 6.1% of the existing issued share capital of the Company as at the date of this announcement and approximately 5.7% of the issued share capital of the Company as enlarged by the Subscription.

Placing Price

The Placing Price of HK\$10.85 per Share was arrived at after arm's length negotiations with reference to the prevailing market price between the Company, Best Result and the Placing Agent. It represents (i) a discount of approximately 10.9% to the closing price of HK\$12.18 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 9.5% to the average closing price of approximately HK\$11.99 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

The Directors (including the independent non-executive Directors) are of the opinion that the Placing Price is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Rights

The Placing Shares will be sold free of all liens, charges, option, warrant, pre-emptive right, security interest or third-party right, and together with all rights attaching thereto, being rights which rank pari passu to other Shares in issue as at the date of completion of the Placing, including the right to receive all dividends or other distributions declared, made or paid on or after completion of the Placing.

Independence of the Placing Agent and the Placees

The Placing Shares will be placed by the Placing Agent to not less than six independent professional, institutional and/or individual investors. It is expected that none of the placees will become a substantial shareholder of the Company as a result of the Placing.

The Placing Agent and the placees to be procured by the Placing Agent 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 each of Best Result or the Company or its subsidiaries or any of their respective associates who are or will not be acting in concert (as defined under the Takeovers Code) with Best Result or its associates.

Termination Events

The Placing Agent may terminate the Placing and Subscription Agreement without liability to Best Result and the Company if any time prior to completion of the Placing, there develops, occurs or comes into force, among others, any of the following:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations which in the opinion of the Placing Agent make it impracticable or inadvisable or inexpedient to proceed with the Placing or has or is likely to have a material adverse effect on the financial position, business, results of operation or prospects of the Group as a whole;
- (b) the occurrence of any significant event, development or change (whether or not permanent or forming part of a series of event, developments or changes occurring or continuing before on and/or after the date hereof) in local, national or international economic, financial, fiscal, industrial, regulatory, political or military conditions, securities market conditions or currency exchange rates or exchange controls, including without limitation, any outbreak or escalation of hostilities, declaration by the United States, the United Kingdom, PRC or Hong Kong of a national emergency or other calamity or crisis, the effect of which in the opinion of the Placing Agent is or would be adverse to the success of the Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith;
- (c) the declaration of a banking moratorium by United States, the United Kingdom, PRC or Hong Kong authorities, or any moratorium, suspension or material restriction on trading in shares or securities generally, or the establishment of minimum prices, on the Stock Exchange;
- (d) any suspension of dealings in the Shares for any period (save and except the suspension for the purpose of the transactions contemplated under the Placing and Subscription Agreement);
- (e) the commencement by any regulatory or political body or organisation of any action against Best Result or the Company, any executive director of the Company or an announcement by any regulatory or political body or organisation that it intends to take any such action;

- (f) any breach of any of the representations, warranties and undertakings by Best Result and/or the Company as set out in the Placing and Subscription Agreement which comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing and Subscription Agreement and prior to the relevant date of the completion date of the Placing which if it had occurred or arisen before the date of the Placing and Subscription Agreement would have rendered any of such representations, warranties and undertakings untrue or incorrect or there has been a breach of, or failure to perform, any other provision on the part of Best Result and/or the Company under the Placing and Subscription Agreement; or
- (g) any change or development involving a prospective adverse change in the general affairs, prospects, earnings, business, properties, stockholders' equity or in the financial or trading position of the Group as a whole which in the opinion of the Placing Agent makes it impractical or inadvisable to proceed with the Placing.

Completion of the Placing

Completion of the Placing will take place on 2 November 2009 (or such other date as Best Result and the Placing Agent may agree).

Lock Up Undertakings

Best Result has undertaken to the Placing Agent that, except for the sale of the Placing Shares pursuant to the Placing and the Subscription Agreement, from the date of the Placing and Subscription Agreement and on or prior to the date being 180 days after the date of completion of the Placing, Best Result will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will (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 to Best Result by the Company pursuant to the Placing and Subscription Agreement) or any interests therein beneficially owned or held by Best Result or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interest; (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 unless with the prior written consent of the Placing Agent.

The Company has undertaken to the Placing Agent and Best Result has also undertaken to the Placing Agent to procure, that for a period commencing on the date of the Placing and Subscription Agreement and ending on 180 days after the date of completion of the Placing, the Company will not except for the Subscription Shares and save pursuant to (a) the terms of any employee share option scheme of the Company (if any); (b) any outstanding subscription warrants (if any); (c) bonus or scrip dividend or similar arrangements which provide for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company, or (d) conversion of outstanding convertible bonds (if any), (i) allot, issue, offer to allot or issue, grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or any interests therein, (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above, or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agent.

Number of new Shares to be subscribed

264,285,000 new Shares are to be subscribed by Best Result. The Subscription Shares represent approximately 6.1% of the existing issued share capital of the Company as at the date of this announcement and approximately 5.7% 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\$10.85 per Share. The Subscription Shares have a market value of HK\$3,219.0 million, based on the closing price of HK\$12.18 on the Last Trading Day. The net price of the Subscription Shares is approximately HK\$10.63 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 conditions and in the interest of the Company and its 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 of the Company to the Directors pursuant to the resolution of the shareholders of the Company passed at the annual general meeting held on 27 November 2008.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the other Shares in issue on the completion date of the Subscription including the rights to receive all dividends or other distributions declared, made or paid at any time after the date of completion of the Subscription. In particular, the Subscription Shares will be entitled to the final dividend of RMB3.50 cents (equivalent to approximately HK3.97 cents) per Share declared on 14 September 2009, subject to the approval of the shareholders of the Company at the Company's annual general meeting scheduled to be held on 3 December 2009.

Conditions of the Subscription

The Subscription is conditional upon:

- (1) completion of the Placing pursuant to the terms of the Placing and Subscription Agreement; and
- (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares).

As the Placing is subject to termination rights and the Subscription is subject to the fulfilment 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 securities of the Company.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription

Subject to the conditions disclosed above, completion of the Subscription will take place on the second Business Day after the date upon which the last condition precedent is satisfied provided that it shall take place on a date no later than 14 days after the date of the Placing and Subscription Agreement.

B. CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholdings of the Company before and after the Placing and the Subscription are summarized as follows:

Shareholder	As at the date of this announcement		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	%
Best Result (<i>Note 1</i>)	2,992,120,000	68.9	2,727,835,000	62.8	2,992,120,000	64.9
Placees	-	-	264,285,000	6.1	264,285,000	5.7
Other Shareholders	1,353,548,633	31.1	1,353,548,633	31.1	1,353,548,633	29.4
Total	4,345,668,633	100.0	4,345,668,633	100.0	4,609,953,633	100.0

Note 1: The issued share capital of Best Result is held as to approximately 29.706% by The Northern Trust Company of Delaware, as the trustee, and Zhang Xuijie, as the special trustee, of YC 2006 Family Irrevocable Trust, as to approximately 7.367% by Ms. Cheung Yan and as to approximately 37.053% by Ms. Cheung Yan and her spouse, Mr. Liu Ming Chung, as the trustees and the special trustees and Bank of The West as a trustee of MCL Living Trust as at the date of this announcement.

C. REASON FOR THE PLACING AND THE SUBSCRIPTION

The Placing and the Subscription are effected to supplement the Group's funding of its expansion and growth plan. The Directors consider that the Placing and the Subscription will provide the Company with an opportunity to raise further capital for the Company while broadening the shareholder's base and the capital base of the Company. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Placing and Subscription Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

D. USE OF PROCEEDS OF THE SUBSCRIPTION

The net proceeds from the Subscription are estimated to be approximately HK\$2,809 million for repayment of bank borrowings and general working capital purposes.

E. CAPITAL RAISING ACTIVITIES OF THE COMPANY DURING THE 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.

F. GENERAL

The Group is the largest producer in Asia, and one of the largest producers in the world, of packaging paperboard products in terms of design production capacity. The Group primarily manufactures linerboard, high-performance corrugating medium and certain types of coated duplex board. The Group also manufactures specialty paper, wood and bamboo pulp through a subsidiary, and produces unbleached kraft pulp through its joint venture subsidiary, which the Group uses as raw material for its own production as well as sells to third parties.

G. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 28 October 2009 pending the release of this announcement concerning the Placing and the Subscription. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 29 October 2009.

H. DEFINITIONS

“associates”	has the meaning ascribed to it under the Listing Rules
“Best Result”	Best Result Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and whose issued share capital is held as to approximately 29.706% by The Northern Trust Company of Delaware, as the trustee, and Zhang Xuijie, as the special trustee, of YC 2006 Family Irrevocable Trust, as to approximately 7.367% by Ms. Cheung Yan and as to approximately 37.053% by Ms. Cheung Yan and her spouse, Mr. Liu Ming Chung, as the trustees and the special trustees and Bank of The West as a trustee of MCL Living Trust as at the date of this announcement
“Business Day”	a day (excluding a Saturday and a Sunday) on which banks are generally open for business in Hong Kong
“Company”	Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange

“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	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
“Last Trading Day”	27 October 2009, being the last trading day prior to the date of the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and any amendments thereto
“Placing”	the placing of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing Agent”	Citigroup Global Markets Asia Limited
“Placing and Subscription Agreement”	the placing and subscription agreement dated 28 October 2009 between Best Result, the Company and the Placing Agent
“Placing Price”	HK\$10.85 per Share
“Placing Shares”	264,285,000 existing Shares
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macao Special administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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 conditional subscription by Best Result of the Subscription Shares pursuant to the Placing and Subscription Agreement
“Subscription Price”	HK\$10.85 per Share, equivalent to the Placing Price
“Subscription Shares”	264,285,000 new Shares to be subscribed by Best Result pursuant to the Placing and Subscription Agreement
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases

By order of the Board

Nine Dragons Paper (Holdings) Limited

Cheung Yan

Chairlady

Hong Kong, 29 October 2009

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 purpose only*