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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**

On 29 July 2010, the Company entered into the Master Agreement with the Purchaser, pursuant to which the Company has agreed to supply raw paper materials to the Purchaser and its subsidiaries, including the Joint Venture, for a period commencing from the Effective Date until 31 March 2013.

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

As the annual transaction amount under the Master Agreement is expected to exceed 0.1% but below 5%, the transactions under the Master Agreement will constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and will be exempt from the independent shareholders' approval requirement but will be subject to the annual review requirements set out in Rules 14A.37 to 14A.40 and the reporting and announcement requirements set out in and Rules 14A.45 to 14A.47 of the Listing Rules.

**THE MASTER AGREEMENT**

**Date:** 29 July 2010

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

The Purchaser is principally engaged in the manufacturing and sale of corrugated paperboards and paper-based packaging products to customers which are manufacturers with production bases in the PRC. Mr. Zhang, an executive Director and a controlling shareholder of the Company, is in the process of establishing the Joint Venture with the Purchaser.

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

**Price:** The basis of determining the prices for the products to be supplied by the Company under the Master Agreement will be in accordance with the cost and the

prevailing market prices of similar products, provided that the prices and terms of sale offered by the Group to the Purchaser and its subsidiaries are no more favourable to the Purchaser and its subsidiaries than those offered to independent third party purchasers.

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

|                             | <b>For the period from<br/>the Effective Date to<br/>31 March 2011</b> | <b>From 1 April 2011 to<br/>31 March 2012</b> | <b>From 1 April 2012 to<br/>31 March 2013</b> |
|-----------------------------|--|---|---|
|                             | <i>RMB'000</i>   | <i>RMB'000</i>                                | <i>RMB'000</i>                                |
| Sale of raw paper materials | 200,000  | 400,000                                       | 500,000                                       |

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

The historical transactional amounts between the Group and the Purchaser are as follows:

|                             | <b>For the year ended<br/>31 March 2008</b> | <b>For the year ended<br/>31 March 2009</b> | <b>For the year ended<br/>31 March 2010</b> |
|-----------------------------|---|---|---|
|                             | <i>RMB'000</i>                              | <i>RMB'000</i>                              | <i>RMB'000</i>                              |
| Sale of raw paper materials | 215,485                                     | 164,270                                     | 160,531                                     |

### **Payment terms**

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

### **Conditions Precedent**

The Master Agreement is conditional upon the fulfilment of the conditions below:

- (i) the establishment of the Joint Venture;
- (ii) the approval of the Master Agreement and transactions contemplated thereunder by the independent shareholders of the Purchaser pursuant to the requirements of the Listing Rules; and
- (iii) the compliance of the requirements of the Listing Rules in relation to continuing connected transactions by the Company.

### **LISTING RULES IMPLICATIONS**

On 29 July 2010, Mass Winner Holdings Limited, a company wholly owned by the Purchaser and Crown Gold Limited, a company wholly owned by Mr. Zhang, an executive Director and a

controlling shareholder of the Company, have entered into a joint venture agreement to establish the Joint Venture to engage in the manufacturing and sale of corrugated paperboard and paper-based packaging products. The Joint Venture will be owned as to 60% by Mass Winner Holdings Limited and as to 40% by Crown Gold Limited and will become an associate of Mr. Zhang. As it is expected that the supply of raw paper materials to the Purchaser and its subsidiaries will include supplies to the Joint Venture, the transactions under the Master Agreement will constitute continuing connected transactions for the Company.

As the annual transaction amount under the Master Agreement is expected to exceed 0.1% but is below 5%, the transactions under the Master Agreement will constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and will be exempt from the independent shareholders' approval requirement but will be subject to the annual review requirements set out in Rules 14A.37 to 14A.40 and the reporting and announcement requirements set out in and Rules 14A.45 to 14A.47 of the Listing Rules.

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

## **GENERAL**

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

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

## **DEFINITIONS**

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

|                    |   |
|--------------------|---|
| “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 |
| “connected person” | has the same meaning as given to it under the Listing Rules   |
| “Director(s)”      | the director(s) of the Company  |
| “Effective Date”   | the date the conditions precedent set forth in the Master Agreement being satisfied   |

|                           |   |
|---------------------------|---|
| “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 People’s Republic of China   |
| “Joint Venture”           | the joint venture company to be established by a subsidiary of the Purchaser, namely Mass Winner Holdings Limited and Crown Gold Limited, a company wholly owned by Mr. Zhang, pursuant to the terms of an agreement between Mass Winner Holdings Limited and Crown Gold Limited dated 29 July 2010 |
| “Listing Rules”           | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Master Agreement”        | the master materials purchase agreement dated 29 July 2010 entered into between the Company and the Purchaser in relation to the sale by the Group of raw paper materials to the Purchaser and its subsidiaries   |
| “Mr. Zhang”               | Mr. Zhang Cheng Fei, an executive Director and a controlling shareholder of the Company   |
| “Purchaser”               | Come Sure Group (Holdings) Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange  |
| “PRC”                     | the People’s Republic of China  |
| “RMB”                     | Renminbi, the lawful currency of the People’s Republic of China   |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited   |
| “controlling shareholder” | has the same meaning ascribed to it under the Listing Rules   |
| “%”                       | per cent.   |

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

29 July 2010

*As at the date of this announcement, the executive directors are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Zhang Yuanfu, Mr. Lau Chun Shun and Ms. Gao Jing; the independent non-executive directors are Ms. Tam Wai Chu, Maria, Mr. Chung Shui Ming, Timpson, Dr. Cheng Chi Pang and Mr. Wang Hong Bo.*

*\*For identification purposes only*