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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
AND
PROPOSED AMENDMENT TO BYE-LAWS**

Reference are made to announcements of the Company dated 26 June 2008, 30 June 2008 and 9 May 2011 with respect to the continuing connected transactions under the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement, the Forestry Wood Logs and Chips Supply Agreement, the Taicang Packaging Paperboard Purchase Agreement and the ACN Recovered Paper Supply Agreement. As the current term of each of these continuing connected transactions will expire on 30 June 2011, the Company entered into new agreements on 16 May 2011 to renew the terms of such continuing connected transactions. On 16 May 2011, the Company also entered into the Taicang Utilities Purchase Agreement and the Taicang Wastepaper Supply Agreement in relation to certain continuing connected transactions of the Group.

The applicable percentage ratios for each of the Forestry Wood Logs and Chips Supply Agreement, the Taicang Packaging Paperboard Purchase Agreement, the Taicang Utilities Purchase Agreement and the Taicang Wastepaper Supply Agreement are over 0.1% but less than 5%, the Forestry Wood Logs and Chips Supply Agreement, the Taicang Packaging Paperboard Purchase Agreement, the Taicang Utilities Purchase Agreement and the Taicang Wastepaper Supply 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 applicable percentage ratios and the respective annual cap amounts for the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement and the ACN Recovered Paper Supply Agreement are over 5% and HK\$10 million on an annual basis respectively, the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement and the ACN Recovered Paper Supply Agreement are subject to approval by the Independent Shareholders.

* *For identification purposes only*

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement and the ACN Recovered Paper Supply Agreement and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement and the ACN Recovered Paper Supply Agreement and their respective annual caps.

The Board also proposes to amend the Bye-laws.

A circular containing, among other things, details of the proposed amendments to the Bye-laws, a notice convening the Special General Meeting and further details relating to the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement and the ACN Recovered Paper Supply Agreement and a letter from an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of such agreements will be despatched to the Shareholders on or before 2 June 2011.

CONTINUING CONNECTED TRANSACTIONS

Reference are made to announcements of the Company dated 26 June 2008, 30 June 2008 and 9 May 2011 with respect to the continuing connected transactions under the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement, the Forestry Wood Logs and Chips Supply Agreement, the Taicang Packaging Paperboard Purchase Agreement and the ACN Recovered Paper Supply Agreement. As the current term of each of these continuing connected transactions will expire on 30 June 2011, the Company entered into new agreements on 16 May 2011 to renew the terms of such continuing connected transactions. On 16 May 2011, the Company also entered into the Taicang Utilities Purchase Agreement and the Taicang Wastepaper Supply Agreement in relation to certain continuing connected transactions of the Group.

(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(A) Longteng Packaging Paperboard Purchase Agreement

Date: 16 May 2011

Parties: the Company; and

Dongguan Longteng, a limited liability company established in the PRC and is principally engaged in the trading of packaging paperboard and production of packaging materials and chemicals. Dongguan Longteng is held as to 70% 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 transactions between the Group and Dongguan Longteng constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Subject: Pursuant to the terms of the Longteng Packaging Paperboard Purchase Agreement, Dongguan Longteng agreed to purchase packaging paperboard products manufactured by the Group from time to time.

Term: The Longteng Packaging Paperboard Purchase Agreement has a fixed term of three financial years ending on 30 June 2014.

Price: The selling prices of the products of the Group will be determined with reference to the prevailing market prices 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 Purchase Agreement were negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business.

Cap Amount:

The transaction amount under the Longteng Packaging Paperboard Purchase Agreement for each of three financial years ending 30 June 2014 will not exceed the following annual cap:

	Financial year ending 30 June 2012 RMB' million	Financial year ending 30 June 2013 RMB' million	Financial year ending 30 June 2014 RMB' million
Annual cap	600	900	1,100

The increases in the annual caps are based on (i) 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 (ii) the expected increases in the prices of raw materials and finished products during the period due to the increase in demand and inflation.

The historical transaction amount of purchases by Dongguan Longteng for the three financial years ended 30 June 2010 and the nine months ended 31 March 2011 are as follows:

	For the year ended 30 June 2008 RMB' million	For the year ended 30 June 2009 RMB' million	For the year ended 30 June 2010 RMB' million	For the nine months ended 31 March 2011 RMB' million
Annual cap	144	173	207	241 [#]
Actual sales	119.8	52.5	119	215*

[#] The annual cap was revised to RMB316 million on 9 May 2011.

* – un-audited figure

Reasons for the Longteng Packaging Paperboard Purchase Agreement

The Group and Dongguan Longteng entered into an agreement on 12 February 2006 to regulate the purchase of packaging paperboard products manufactured by the Group. Such agreement was renewed on 26 June 2008 and 9 May 2011 and its current term is due to expire on 30 June 2011. As Dongguan Longteng has been purchasing packaging paperboard products for trading purpose for a long period of time, the Longteng Packaging Paperboard Purchase Agreement is to facilitate the continuous sale of the packaging paperboard products to Dongguan Longteng.

The Directors (excluding the independent non-executive Directors who will provide their advice after having received the advice from the independent financial adviser) are of the opinion that the transaction is in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Longteng Packaging Paperboard Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rule Implications

As one of the applicable percentage ratios for the transactions under the Longteng Packaging Paperboard Purchase Agreement on an annual basis is over 5%, the Longteng Packaging Paperboard Purchase Agreement will be subject to approval of the Independent Shareholders in accordance with the requirements of Chapter 14A of the Listing Rules.

(B) Longteng Packaging Materials and Chemicals Supply Agreement

Date: 16 May 2011

Parties: the Company; and
Dongguan Longteng

Subject: Pursuant to the terms of the Longteng Packaging Materials and Chemicals Supply Agreement, Dongguan Longteng agreed to supply packaging materials and chemicals for the production of paperboard products to members of the Group as requested from time to time.

Term: The Longteng Packaging Materials and Chemicals Supply Agreement has a fixed term of three financial years ending on 30 June 2014.

Price: The purchase prices by the Group of the products supplied by Dongguan Longteng will be determined with reference to the prevailing market prices and will be no less favourable to the Group than those offered by independent suppliers of the Group's raw materials. The terms of the Longteng Packaging Materials and Chemicals Supply Agreement were negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business.

Cap Amount:

The transaction amount under the Longteng Packaging Materials and Chemicals Supply Agreement for each of three financial years ending 30 June 2014 will not exceed the following annual cap:

	Financial year ending 30 June 2012 <i>RMB' million</i>	Financial year ending 30 June 2013 <i>RMB' million</i>	Financial year ending 30 June 2014 <i>RMB' million</i>
Annual cap	500	1,500	2,200

The sharp increases in the annual caps are based on the expected increases in demand for packaging materials and chemicals as a result of the Group's two new major production bases in Quanzhou and Shenyang that will successively commence production in 2012 and 2013, and the increase in the annual design production capacity of the Group from 8.82 million tones at 30 June 2010 to 13.90 million tones at 30 June 2013.

The historical transaction amount of purchases from Dongguan Longteng for the three financial years ended 30 June 2010 and the nine months ended 31 March 2011 are as follows:

	For the year ended 30 June 2008 <i>RMB' million</i>	For the year ended 30 June 2009 <i>RMB' million</i>	For the year ended 30 June 2010 <i>RMB' million</i>	For the nine months ended 31 March 2011 <i>RMB' million</i>
Annual cap	105	126	151	181 [#]
Actual purchases	83.6	74.6	134	170 [*]

[#] The annual cap was revised to RMB271 million on 9 May 2011.

^{*} – un-audited figure

Reasons for the Longteng Packaging Materials and Chemicals Supply Agreement

The Group and Dongguan Longteng entered into an agreement on 12 February 2006 to regulate the supply of products to the Group. Such agreement was renewed on 26 June 2008 and 9 May 2011 and its current term is due to expire on 30 June 2011. As the Group has been purchasing packaging materials and chemicals from Dongguan Longteng for the production of paperboard products for a long period of time, the Longteng Packaging Materials and Chemicals Supply Agreement is to facilitate the continuous supply of such products to the Group.

The Directors (excluding the independent non-executive Directors who will provide their advice after having received the advice from the independent financial adviser) are of the opinion that the transaction is in the ordinary and usual course of business of the Group and on normal commercial terms, and the Longteng Packaging Materials and Chemicals Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rule Implications

As the applicable percentage ratios for the transactions under the Longteng Packaging Materials and Chemicals Supply Agreement on an annual basis are over 5%, the Longteng Packaging Materials and Chemicals Supply Agreement will be subject to approval of the Independent Shareholders in accordance with the requirements of Chapter 14A of the Listing Rules.

(C) ACN Recovered Paper Supply Agreement

Date: 16 May 2011

Parties: the Company; and

ACN is the largest exporter of recovered paper in U.S.A and Europe and is a leading exporter of recovered paper in Asia. ACN is indirectly wholly owned by Ms. Cheung Yan, a Director and a substantial shareholder of the Company. ACN is therefore an associate of a connected person of the Company and the transactions under the ACN Recovered Paper Supply 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 Supply Agreement, ACN agreed to supply recovered paper to members of the Group as requested from time to time.

Term: The ACN Recovered Paper Supply Agreement has a fixed term of three financial years ending on 30 June 2014.

Price: The purchase prices by the Group of the products supplied by ACN will be determined with reference to the prevailing market prices in the PRC and overseas markets and will be no less favourable to the Group than those offered to independent customers of ACN and those offered by independent suppliers of the Group. The terms of the ACN Recovered Paper Supply Agreement were negotiated on an arm's length basis and on normal commercial terms in the ordinary course of business.

Cap Amount:

The transaction amount under the ACN Supply Agreement for each of three financial years ending 30 June 2014 will not exceed the following annual cap:

	Financial year ending 30 June 2012 RMB' million	Financial year ending 30 June 2013 RMB' million	Financial year ending 30 June 2014 RMB' million
Annual cap	16,600	19,500	23,500

The sharp increases in the annual caps are based on the expected increases in demand for packaging materials and chemicals as a result of the Group's two new major production bases in Quanzhou and Shenyang that will successively commence production in 2012 and 2013, and the increase in the annual design production capacity of the Group from 8.82 million tones at 30 June 2010 to 13.90 million tones at 30 June 2013.

The historical transaction amount of supplies from ACN for the three financial years ended 30 June 2010 and the nine months ended 31 March 2011 are as follows:

	For the year ended 30 June 2008 RMB' million	For the year ended 30 June 2009 RMB' million	For the year ended 30 June 2010 RMB' million	For the nine months ended 31 March 2011 RMB' million
Annual cap	5,092	11,241	13,000	16,000
Actual purchases	4,916	3,574	6,693	6,200*

* – un-audited figure

Reasons for the ACN Recovered Paper Supply 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 and 30 June 2008 and its current term is due to expire on 30 June 2011. 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 Supply Agreement is to facilitate the continuous supply of such products to the Group.

The Directors (excluding the independent non-executive Directors who will provide their advice after having received the advice from the independent financial adviser) are of the opinion that the transaction is in the ordinary and usual course of business of the Group and on normal commercial terms and the terms of the ACN Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rule Implications

As the applicable percentage ratios for the transactions under the ACN Recovered Paper Supply Agreement on an annual basis are over 5%, the ACN Recovered Paper Supply Agreement will be subject to approval of the Independent Shareholders in accordance with the requirements of Chapter 14A of the Listing Rules.

(2) CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

(D) Forestry Wood Logs and Chips Supply Agreement

Date: 16 May 2011

Parties: ND Xing An, a non-wholly owned subsidiary of the Company; and

China Inner Mongolia Forestry, which is a state-owned enterprise which owns and manages extensive softwood forests in Inner Mongolia. China Inner Mongolia Forestry is a substantial shareholder of ND Xing An, a non-wholly owned subsidiary of the Group. China Inner Mongolia Forestry is therefore a connected person of the Company and the transactions contemplated under the Forestry Wood Logs and Chips Supply Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Subject: Pursuant to the terms of the Forestry Wood Logs and Chips Supply Agreement, China Inner Mongolia Forestry agreed to procure its wholly owned subsidiaries to supply wood logs and wood chips to the members of the Group as requested from time to time.

Term: The Forestry Wood Logs and Chips Supply Agreement has a fixed term of three financial years ending on 30 June 2014.

Price: The purchase prices by the Group of the products supplied by China Inner Mongolia Forestry will be determined with reference to the prevailing market prices and will be comparable to the prices of the products supplied by independent suppliers to the Group. The terms of the Forestry Wood Logs and Chips Supply Agreement were negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business.

Cap Amount:

The transaction amount under the Forestry Wood Logs and Chips Supply Agreement for each of three financial years ending 30 June 2014 will not exceed the following annual cap:

	Financial year ending 30 June 2012 <i>RMB' million</i>	Financial year ending 30 June 2013 <i>RMB' million</i>	Financial year ending 30 June 2014 <i>RMB' million</i>
Annual cap	35	40	45

The increase in the annual caps is based on the expected increases in the price of wood logs and chips due to inflation.

The historical transaction amount of supplies from China Inner Mongolia Forestry for the three financial years ended 30 June 2010 and the nine months ended 31 March 2011 are as follows:

	For the year ended 30 June 2008 <i>RMB' million</i>	For the year ended 30 June 2009 <i>RMB' million</i>	For the year ended 30 June 2010 <i>RMB' million</i>	For the nine months ended 31 March 2011 <i>RMB' million</i>
Annual cap	156	156	156	156
Actual purchases	70.9	66.5	54	40*

* – un-audited figure

Reasons for the Forestry Wood Logs and Chips Supply Agreement

The Group has been purchasing wood logs and wood chips from China Inner Mongolia Forestry as raw materials for its production of unbleached kraft pulp. The parties entered into an agreement on 12 February 2006 to regulate the supply of wood logs and wood chips to the Group. Such agreement was renewed on 26 June 2008 and its current term is due to expire on 30 June 2011. As the Group has been purchasing such products from China Inner Mongolia Forestry for a long period of time, the Forestry Wood Logs and Chips Supply Agreement is to facilitate the continuous supply of such products to the Group.

As the Forestry Wood Logs and Chips 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 (including the independent non-executive Directors) consider that the transactions between the Company and China Inner Mongolia Forestry and the proposed annual caps for the transactions under the Forestry Wood Logs and Chips Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rule Implications

As the applicable percentage ratios for the transactions under the Forestry Wood Logs and Chips Supply Agreement on an annual basis are over 0.1% but below 5%, the Forestry Wood Logs and Chips Supply Agreement will be subject to the reporting and announcement requirements but exempt from the requirement of Independent Shareholders' approval under Chapter 14A of the Listing Rules.

(E) *Taicang Packaging Paperboard Purchase Agreement*

Date: 16 May 2011

Parties: the Company; and

Taicang Packaging, which is a limited liability company established in the PRC and is principally engaged in the production of paper packaging containers and processed containerboard products. It is held as to 100% by Mr. Zhang Cheng Fei, a Director and a substantial shareholder of the Company. Taicang Packaging is therefore an associate of a connected person of the Company and the transactions contemplated under the Taicang Packaging Paperboard Purchase Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Subject: Pursuant to the terms of the Taicang Packaging Paperboard Purchase Agreement, Taicang Packaging agreed to purchase packaging paperboard products manufactured by the Group from time to time.

Term: The Taicang Packaging Paperboard Purchase Agreement has a fixed term of three financial years ending on 30 June 2014.

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 will be no more favourable than those offered to other purchasers of the Group's products. The terms of the Taicang Packaging Paperboard Purchase Agreement were negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business.

Cap Amount:

The transaction amount under the Taicang Packaging Paperboard Purchase Agreement for each of three financial years ending 30 June 2014 will not exceed the following annual cap:

	Financial year ending 30 June 2012 RMB' million	Financial year ending 30 June 2013 RMB' million	Financial year ending 30 June 2014 RMB' million
Annual cap	500	750	800

It is expected that the business of Taicang Packaging will continue to grow and the prices of raw materials and finished products will increase in the period from 2011 to 2014 due to the increase in demand for such products and the expected inflation.

The historical transaction amount of purchases made by Taicang Packaging for the three financial years ended 30 June 2010 and the nine months ended 31 March 2011 are as follows:

	For the year ended 30 June 2008 RMB' million	For the year ended 30 June 2009 RMB' million	For the year ended 30 June 2010 RMB' million	For the nine months ended 31 March 2011 RMB' million
Annual cap	220	241	340	390
Actual sales	202.5	74.9	330	86*

* – un-audited figure

Reasons for the Taicang Packaging Paperboard Purchase Agreement

The parties entered into an agreement on 12 February 2006 to regulate the sale of packaging products to Taicang Packaging. Such agreement was renewed on 26 June 2008 and its current term is due to expire on 30 June 2011. As the Group has been selling such products to Taicang Packaging for a long period of time, the Taicang Packaging Paperboard Purchase Agreement is to facilitate the continuous sale of such products to Taicang Packaging.

As the Taicang Packaging Paperboard 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 Paperboard Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rule Implications

As the applicable percentage ratios for the transactions under the Taicang Packaging Paperboard Purchase Agreement on an annual basis are over 0.1% but below 5%, the Taicang Packaging Paperboard Purchase Agreement will be subject to the reporting and announcement requirements but exempt from the requirement of Independent Shareholders' approval under Chapter 14A of the Listing Rules.

(F) Taicang Utilities Purchase Agreement

Date: 16 May 2011

Parties: the Company; and
Taicang Packaging

Subject: Pursuant to the terms of the Taicang Utilities Purchase Agreement, Taicang Packaging agreed to purchase utilities supply (water, electricity and gas) from members of the Group from time to time.

Term: The Taicang Utilities Purchase Agreement has a fixed term of three financial years ending on 30 June 2014.

Price: The selling prices of the utilities products to Taicang Packaging will be determined with reference to the prevailing market prices. The terms of the Taicang Utilities Purchase Agreement were negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business.

Cap Amount:

The transaction amount under the Taicang Utilities Purchase Agreement for each of three financial years ending 30 June 2014 will not exceed the following annual cap:

	Financial year ending 30 June 2012 RMB' million	Financial year ending 30 June 2013 RMB' million	Financial year ending 30 June 2014 RMB' million
Annual cap	55	76	85

The increases in the annual caps are based on the expected increases in production capacity of Taicang Packaging from 2012 to 2014.

The historical transaction amount of sales to Taicang Packaging for the three financial years ended 30 June 2010 and the nine months ended 31 March 2011 were within the de minimis threshold for continuing connected transactions under Chapter 14A of the Listing Rules and are set out below:

	For the year ended 30 June 2008	For the year ended 30 June 2009	For the year ended 30 June 2010	For the nine months ended 31 March 2011
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Actual sales	6.4	6.9	3.4	2.6*

* – un-audited figure

Reasons for the Taicang Utilities Purchase Agreement

The Group has been providing utilities services to Taicang Packaging for a long period of time, the Taicang Purchase Agreement is to facilitate the continuous provision of such services to Taicang Packaging. Taicang Packaging will add a production line in mid of 2011 and its total annual production capacity will then be increased to 240 million sq.m. As a result, the requirement of utilities services will increase substantially for the period ending 30 June 2014. As the Taicang Utilities 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 Utilities Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rule Implications

As the applicable percentage ratios for the transactions under the Taicang Utilities Purchase Agreement on an annual basis are over 0.1% but less than 5%, the Taicang Utilities Purchase Agreement will be subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements of the Listing Rules.

(G) Taicang Wastepaper Supply Agreement

Date: 16 May 2011

Parties: the Company; and
Taicang Packaging

Subject: Pursuant to the terms of the Taicang Wastepaper Supply Agreement, Taicang Packaging agreed to supply wastepaper to members of the Group from time to time.

Term: The Taicang Wastepaper Supply Agreement has a fixed term of three financial years ending on 30 June 2014.

Price: The purchase prices by the Group of the wastepaper products supplied by Taicang Packaging will be determined with reference to the prevailing market prices and will be no more favourable than those offered to other suppliers of the Group. The terms of the Taicang Wastepaper Supply Agreement were negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business.

Cap Amount:

The transaction amount under the Taicang Wastepaper Supply Agreement for each of three financial years ending 30 June 2014 will not exceed the following annual cap:

	Financial year ending 30 June 2012 <i>RMB' million</i>	Financial year ending 30 June 2013 <i>RMB' million</i>	Financial year ending 30 June 2014 <i>RMB' million</i>
Annual cap	30	45	50

The historical transaction amount of supplies from Taicang Packaging for the three financial years ended 30 June 2010 and the nine months ended 31 March 2011 were within the de minimis threshold for continuing connected transactions under Chapter 14A of the Listing Rules and are set out below:

	For the year ended 30 June 2008	For the year ended 30 June 2009	For the year ended 30 June 2010	For the nine months ended 31 March 2011
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million*</i>
Actual purchases	8.9	6.5	5.7	8.0*

* – un-audited figure

Reasons for the Taicang Wastepaper Supply Agreement

Taicang Packaging generates a significant amount of wastepaper during its manufacturing process of packaging materials, such wastepaper can be used by the Company for its manufacturing process. The Taicang Wastepaper Supply Agreement is to facilitate the continuous supply of such products to the Group.

The Group has been purchasing wastepaper from Taicang Packaging for a long period of time, the Taicang Wastewater Supply Agreement is to facilitate the continuous purchase of such products from Taicang Packaging. As the Taicang Wastepaper 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 (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 Wastepaper Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rule Implications

As the applicable percentage ratios for the transactions under the Taicang Wastepaper Supply Agreement are on an annual basis over 0.1% but less than 5%, the Taicang Wastepaper Supply Agreement will be subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements of the Listing Rules.

PROPOSED AMENDMENTS TO THE BYE-LAWS

Bye-law 87(1) currently provides that all Directors shall retire at each annual general meeting. It is proposed that the relevant provisions of the Bye-laws in relation to the rotation of Directors be amended in line with that of other listed companies and the requirements of the Listing Rules.

The proposed amendments to the Bye-laws will give effect that, at each annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement once every three years and any Director who has been appointed by the Board to fill a casual vacancy or as an addition to the Board and re-elected at an annual general meeting shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation at the same annual general meeting.

The proposed amendments to the Bye-laws will be put forward to the Shareholders for approval by way of a special resolution at the Special General Meeting.

GENERAL

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, and produces 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 annual caps in any of the above agreements are exceeded or that there is any material amendment to their terms.

The applicable percentage ratios for each of the Forestry Wood Log and Chips Supply Agreement, the Taicang Packaging Paperboard Purchase Agreement, the Taicang Utilities Purchase Agreement and the Taicang Wastepaper Supply Agreement are over 0.1% but less than 5%, the Forestry Wood Log and Chips Supply Agreement, the Taicang Packaging Paperboard Purchase Agreement, the Taicang Utilities Purchase Agreement and the Taicang Wastepaper Supply Agreement are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement of Chapter 14A of the Listing Rules. Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei and Mr. Lau Chun Shun are interested in the Taicang Packaging Paperboard Purchase Agreement, the Taicang Utilities Purchase Agreement and the Taicang Wastepaper Supply Agreement and have abstained from voting for the approval of such agreements at the Board meeting held to approve these agreements. No Director is interested in the Forestry Wood Log and Chips Supply Agreement and no Director is required to abstain from voting for the approval of the Forestry Wood Log and Chips Supply Agreement.

The applicable percentage ratios and the respective annual cap amounts for the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement and the ACN Recovered Paper Supply Agreement are over 5% and HK\$10 million on an annual basis respectively, the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement and the ACN Recovered Paper Supply Agreement are subject to approval by the Independent Shareholders. Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Lau Chun Shun, Mr. Zhang Cheng Ming, Mr. Zhang Cheng Fei and their respective Associates shall abstain from voting on the resolution(s) approving such agreements at the Special General Meeting.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the agreements and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement and the ACN Recovered Paper Supply Agreement and their respective annual caps.

A circular containing, among other things, details of the proposed amendments to the Bye-laws, a notice convening the Special General Meeting and further details relating to the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement and the ACN Recovered Paper Supply Agreement and a letter from an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of such agreements will be despatched to the Shareholders on or before 2 June 2011 in compliance with the Listing Rules.

DEFINITIONS

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

“ACN”	America Chung Nam, Inc., a corporation established with limited liability under the laws of the State of California in the United States. As at the date of this announcement, ACN is indirectly wholly owned by Ms. Cheung Yan
“ACN Recovered Paper Supply Agreement”	the agreement entered into between the Company and ACN on 16 May 2011 which sets out the terms for the supply of recovered paper from ACN to the Group for the three financial years ending 30 June 2014
“Associate(s)”	has the same meaning as given to it under the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“China Inner Mongolia Forestry”	China Inner Mongolia Forestry Industry Co., Ltd., a state-owned enterprise
“Company”	Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda on 17 August 2005 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 Paper Co., Ltd. (東莞市龍騰紙業有限公司) a limited liability company established in the PRC in May 2003
“Forestry Wood Logs and Chips Supply Agreement”	the agreement entered into between ND Xing An and China Inner Mongolia Forestry on 16 May 2011, pursuant to which China Inner Mongolia Forestry agreed to procure its wholly owned subsidiaries to supply wood logs and chips to members of the Group for the three financial years ending 30 June 2014
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Paperboard Purchase Agreement”	the agreement entered into between the Company and Dongguan Longteng on 16 May 2011, which sets out the terms of the purchase of packaging paperboard products by Dongguan Longteng from the Group for the three financial years ending 30 June 2014
“Longteng Packaging Materials and Chemicals Supply Agreement”	the agreement entered into between the Company and Dongguan Longteng on 16 May 2011, which sets out the terms of the supply of packaging materials and chemicals for the production of paperboard products from Dongguan Longteng to the Group for the three financial years ending 30 June 2014
“ND Xing An”	Nine Dragons Xing An Paper Industries (Inner Mongolia) Company Limited (玖龍興安漿紙(內蒙古)有限公司), an equity joint venture established in the PRC on 16 February 2004. As at the date of this announcement, ND Xing An is 55% indirectly owned by the Company and 45% owned by China Inner Mongolia Forestry
“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 approve the Longteng Packaging Paperboard Purchase Agreement, the Longteng Packaging Materials and Chemicals Supply Agreement and the ACN Recovered Paper Supply Agreement and the proposed amendments to the Bye-laws
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taicang Packaging”	Nine Dragons Packaging (Taicang) Company Limited, a wholly foreign-owned enterprise established in the PRC on 9 April 2002. As at the date of this announcement, Taicang Packaging is wholly owned by Mr. Zhang Cheng Fei, a Director and substantial shareholder of the Company
“Taicang Packaging Paperboard Purchase Agreement”	the agreement entered into between the Company and Taicang Packaging on 16 May 2011, which sets out the terms for the purchase of packaging paperboard products by Taicang Packaging from the Group for the three financial years ending 30 June 2014
“Taicang Utilities Purchase Agreement”	the agreement entered into between the Company and Taicang Packaging on 16 May 2011, which sets out the terms for the provision of utilities services to Taicang Packaging from the Group for the three financial years ending 30 June 2014
“Taicang Wastepaper Supply Agreement”	the agreement entered into between the Company and Taicang Packaging on 16 May 2011, which sets out the terms for the purchase of wastepaper by the Group from Taicang Packaging from the Group for the three financial years ending 30 June 2014
“%”	per cent

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

Hong Kong, 16 May 2011

As at the date of this announcement, the Executive Directors of the Company are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Zhang Yuanfu, Mr. Lau Chun Shun and Ms. Gao Jing and the Independent Non-Executive Directors of the Company Ms. Tam Wai Chu, Maria, Mr. Chung Shui Ming, Timpson, Dr. Cheng Chi Pang and Mr. Wang Hong Bo.