

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.



玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

CONNECTED TRANSACTION FORMATION OF JOINT VENTURE

On 4 April 2014, Master Pace, a wholly-owned subsidiary of the Company, and Newton Properties entered into the Agreement pursuant to which the parties agreed to subscribe for shares in the Joint Venture for the purpose of holding the Purchaser, which will acquire the Property.

The purchase price of the Property is HK\$253,636,000. The Property is an entire floor at the high zone of the development located at 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, together with 7 car parks, which will be used by the Company as offices and investment purposes.

The Joint Venture will be held as to 50:50% by Master Pace and Newton Properties. The aggregate capital commitment and shareholders' loan to be provided by Master Pace and Newton Properties to the Joint Venture to finance the Purchaser for the purchase of the Property will be HK\$175,200,000. The balance of the consideration for the purchase of the Property will be satisfied by way of a mortgage loan to be taken out by the Purchaser.

Newton Properties is wholly-owned by the Controlling Shareholders and is hence a connected person of the Company. Accordingly, the entering into of the Agreement constitutes a connected transaction for the Company. As the applicable percentage ratios in respect of the capital commitment and shareholders' loan to be provided by Master Pace pursuant to the Agreement is more than 0.1% but less than 5%, the Agreement will be subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

THE AGREEMENT

Date

4 April 2014

* *For identification purposes only*

Parties

- (A) Master Pace, an investment holding company wholly-owned by the Company; and
- (B) Newton Properties, an investment holding company wholly-owned by the Controlling Shareholders and hence is a connected person of the Company.

Subject matter and capital commitment

Pursuant to the Agreement, each of Master Pace and Newton Properties agreed to subscribe for 1 share in the Joint Venture for a consideration of HK\$50,000,000 and extend a shareholders' loan in the amount of HK\$37,600,000 to the Joint Venture.

The shareholders' loan will be interest-free, without security and repayable in installments upon resolution of the board of the Joint Venture.

The Group's capital contributions and the shareholders' loan to the Joint Venture will be financed by the Group's internal resources and bank borrowings. The funding requirements were agreed by the parties after arm's length negotiations with reference to the consideration to be paid for the acquisition of the Property and will be used to finance the Purchaser for part of the consideration for the purchase of the Property. The balance of the consideration for the purchase of the Property will be satisfied by way of a mortgage loan to be taken out by the Purchaser.

Condition

The Agreement is conditional upon the Company's compliance with the Listing Rules with respect to connected transaction.

Board composition of the Joint Venture

The board of the Joint Venture will comprise 4 directors, of which 2 will be appointed by Master Pace and 2 will be appointed by Newton Properties. Upon completion of the Agreement, the Joint Venture will be 50:50% held by Master Pace and Newton Properties and will be accounted as a jointly-controlled entity of the Group.

Reasons for the establishment of the Joint Venture and the acquisition of the Property

The Company's current office located in Wanchai is insufficient to meet the Group's operational requirements. The Company has been searching for alternative space for the proposed expansion with the criteria that the office should be located in a quality building. The Property is a newly developed Grade A office building located in Kowloon East. "Energizing Kowloon East" is an initiative of the Hong Kong Government to transform Kowloon East into another premier Central Business District of Hong Kong. With the Property, not only will it provide the additional space to meet the Group's

current operational requirements and expected growth in the coming few years, its location in the fast developing Kowloon East will also provide potential appreciation in the value of the Property in the future.

The Property's saleable area of approximately 11,683 square feet is in excess of the Group's current operational requirements. As the Vendor would only sell the development on an entire floor basis and taking into consideration that an entire floor would better preserve property value and easier to manage, the Company considers that it would be best to acquire the Property.

Notwithstanding that the price of property in Hong Kong has stabilized, property price in Hong Kong is still one of the highest in the world. In order to support the Company and to share the risk of the investment, the Controlling Shareholders have agreed to enter into the Joint Venture to co-invest in the Property and reduce the burden of the Company.

Given that the Joint Venture will be jointly held by the Company and the Controlling Shareholders as to 50% each, and that it is solely for the purpose of holding the Property, the Directors, including the independent non-executive Directors, are of the view that the establishment of the Joint Venture and the acquisition of the Property are in the interests of the Company and its shareholders as a whole.

The Property

The Property is the entire floor at the high zone of the development located at 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, a newly developed Grade A office located in East Kowloon, comprising a total saleable floor area of approximately 11,683 square feet, together with 7 car parks.

The Property is intended to be held by the Group and the Controlling Shareholders as long-term investment. The Property will be used by the Group as offices and any surplus space will be leased out by the Purchaser, a wholly-owned subsidiary of the Joint Venture.

Purchase Price:

The purchase price of the Property is HK\$253,636,000, which was determined after arm's length negotiations with the Vendor by reference to the market price of neighbouring properties of a similar standard. There was no independent valuation conducted on the Property. All stamp duty and registration fees relating to the Property will be borne by the Purchaser. It is estimated that the purchase price together with such stamp duty and registration fees and other expenses will put the total costs of the Property at approximately HK\$275,200,000, of which approximately HK\$175,200,000 will be financed by the Master Pace and Newton Properties through their equity and shareholders' loan to the Joint Venture, and the balance of approximately HK\$100,000,000 will be financed by way of a mortgage loan to be taken out by the Purchaser.

Terms of payment of the consideration for the Property:

- (a) An initial deposit of HK\$10,000,000 will be payable to the Vendor upon the signing of the Memorandum for Sale,
- (b) A further deposit and stamp duty of HK\$15,363,600 and HK\$21,559,060 respectively will be payable to the Vendor on or before 17 April 2014; and
- (c) The balance payment of the purchase price in the sum of HK\$228,272,400 will be payable to the Vendor on or before 28 November 2014.

Listing Rules implications

Newton Properties is wholly-owned by the Controlling Shareholders and is hence a connected person of the Company. Accordingly, the entering into of the Agreement constitutes a connected transaction for the Company.

As the applicable percentage ratios in respect of the capital commitment and shareholders' loan to be provided by Master Pace pursuant to the Agreement is more than 0.1% but less than 5%, the Agreement will be subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

At the Board meeting held to approve the Agreement, Ms. Cheung Yan and Mr. Liu Ming Chung, who are interested in the transactions contemplated under the Agreement, and Mr. Zhang Cheng Fei and Mr. Lau Chun Shun, who are associates of Ms. Cheung Yan and Mr. Liu Ming Chung, have abstained from voting for the resolution proposed to approve the Agreement. Save as disclosed above, none of the Directors has any material interest in the Agreement. The independent non-executive directors of the Company consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

DEFINITIONS

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

- “Agreement” the agreement dated 4 April 2014 between Master Pace and Newton Properties;
- “Board” the board of directors of the Company;
- “Company” Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange;

“connected person”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholders”	Ms. Cheung Yan and Mr. Liu Ming Chung, both being executive Directors and the controlling shareholders of the Company within the meanings of the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Joint Venture”	Global Fame Developments Limited, a company incorporated in the British Virgin Islands;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Pace”	Master Pace Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Memorandum for Sale”	the memorandum for sale to be entered into between the Purchaser and the Vendor in respect of the Property;
“Newton Properties ”	Newton Properties Limited, a company incorporated in Hong Kong and is wholly-owned by the Controlling Shareholders;
“percentage ratio”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Property”	the property comprising an entire floor at the high zone of the development located at 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, together with 7 car parks;
“Purchaser”	Longen International Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Joint Venture;
“Shareholder(s)”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Vendor” Easywise Limited, the developer of the property located at 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong;

“%” per cent.

By Order of the Board
Nine Dragons Paper (Holdings) Limited
Cheung Yan
Chairlady

Hong Kong, 4 April 2014

As at the date of this announcement, the executive directors are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Yuanfu; the independent non-executive directors are Ms. Tam Wai Chu, Maria, Dr. Cheng Chi Pang, Mr. Fok Kwong Man, Mr. Ng Leung Sing and Mr. Wang Hong Bo.

* *For identification purposes only*