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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)

CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

On 24 May 2016, the Company and the Security Agent entered into the Guarantee pursuant to which the Company agreed to guarantee the obligations of the Borrower under the Facility Agreement.

Given that the Borrower is a non-wholly owned subsidiary of the Company, the provision of the Guarantee constitutes a financial assistance by the Company to the other shareholders of the Borrower. As Partner A holds 27% of the equity interest in the Borrower, it is a subsidiary level connected person of the Company. The provision of the Guarantee also constitutes a connected transaction for the Company.

As the applicable ratios under the Listing Rules is more than 1% and less than 5%, the Guarantee will be subject to the reporting and announcement requirements but exempted from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

INTRODUCTION

On 24 May 2016, the Company and the Security Agent entered into the Guarantee pursuant to which the Company agreed to guarantee the obligations of the Borrower under the Facility Agreement.

THE GUARANTEE

Date of the Guarantee

24 May 2016

Parties to the Guarantee

- (A) the Company; and
- (B) the Security Agent.

To the best knowledge of the Directors, having made all reasonable enquiries, the Security Agent and the lenders to the Facility Agreement and their ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

Principal terms of the Guarantee

Pursuant to the terms of the Guarantee, the Company has agreed to guarantee the repayment obligations of the Borrower under the Facility Agreement.

No fee is charged by the Company in providing the Guarantee.

Principle terms of the Facility Agreement

The Facility Agreement was entered on the same date as the Guarantee under which the lenders agreed to provide a loan in the amount of up to US\$168,000,000 to the Borrower for the Project for a term of seven years.

The indebtedness under the Facility Agreement will be repayable in ten equal installments every six months commencing from the thirtieth month of the signing of the Facility Agreement. The interest rate under the Facility Agreement was determined after arm's length negotiations with reference to the prevailing market interest rate.

INFORMATION ON THE BORROWER

The Borrower is a company established in Vietnam and is an indirect 67% owned subsidiary of the Company. The remaining equity interest of the Borrower is owned as to 27% by Partner A and as to 6% by Partner B. The Borrower is principally engaged in the manufacturing of paper in Vietnam.

REASONS FOR PROVIDING THE GUARANTEE

The paper market in Vietnam is expanding quickly and it is expected that the existing production capacity of the Borrower is not sufficient to meet market demands in the coming years. For this reason, the Company has initiated the Project to increase the capacity of the Borrower, which the Company has put in much effort and time in negotiating with banks in PRC to provide a loan facility for the Project. The majority of the lenders under the Facility Agreement is PRC banks and provides the loan to the Borrower due to the close and long working relationships with the Group.

As the Borrower is being operated and managed by the Group, with Partner A and Partner B being passive investors not involved in the day-to-day operations and management of the Borrower, the Company considers that it is necessary to provide 100% of the guarantee to enable the Borrower to obtain the funding required for its operation and development.

Given that the Borrower is a non-wholly owned subsidiary of the Company and the funds obtained will be utilized by the Borrower in the Project and will be beneficial to long term development of the Group, the Directors (including the independent non-executive Directors) consider that the entering into of the Guarantee is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

Partner A is interested in 27% of the equity interest in the Borrower. It is therefore a substantial shareholder of the Borrower and a subsidiary level connected person of the Company. The provision of the Guarantee constitutes a financial assistance by the Company to Partner A and the other shareholder in the Borrower, and is a connected transaction for the

Company for the purpose of the Listing Rules. Partner B owns less than 10% in the Borrower and is not considered as a connected person of the Company for the purpose of the Listing Rules.

As the applicable ratios under the Listing Rules is more than 1% and less than 5%, the Guarantee will be subject to the reporting and announcement requirements but exempted from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

GENERAL

The Company is principally engaged in the manufacture and sales of packaging paper, recycled printing and writing paper and high value specialty paper products in the PRC.

No Director is interested in the Facility Agreement or the Guarantee. At the Board meeting held to approve the Facility Agreement and the Guarantee, no Director was required to abstain from voting for the resolutions passed to approve the Facility Agreement and the Guarantee.

DEFINITIONS

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

“Board”	the board of Directors;
“Borrower”	Cheng Yang Paper Mill Co., Ltd., a company incorporated in Vietnam, an indirect 67% owned subsidiary of the Company;
“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 meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Facility Agreement”	the facility agreement dated 24 May 2016 entered into between the Borrower and the lenders in respect of the provision by the lenders of a facility of up to US\$168,000,000 to the Borrower under the terms of the Facility Agreement;
“Group”	the Company and its subsidiaries;
“Guarantee”	the guarantee dated 24 May 2016 entered into between the Company and the Security Agent;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Partner A”	Best Shine International Development (Cayman VII) Ltd., a company incorporated in the Cayman Islands, which owns 27% of the equity interest in the Borrower;

“Partner B”	Lee Yang Paper Co., Ltd., a company incorporated in Taiwan, which owns 6% of the equity interest in the Borrower;
“PRC”	the People’s Republic of China;
“Project”	a new production line with an annual design capacity of 350,000 tonnes to be installed in Vietnam to increase the production capacity of the Borrower;
“Security Agent”	Bank of China — Ho Chi Minh City Branch;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States Dollar, the lawful currency of the United States of America; and
“%”	per cent.

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

Hong Kong, 24 May 2016

As at the date of this announcement, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Yuanfu are executive Directors, and Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing and Mr. Lam Yiu Kin are independent non-executive Directors.

* *For identification purposes only*