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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)

DISCLOSEABLE TRANSACTION

The Board wishes to announce that on 18 September 2007, ND Worldwide, a wholly-owned subsidiary of the Company, entered into the Master Agreement with the Ninghe Government for the establishment of the Production Base at the Ninghe Economic Development Zone.

The establishment of the Production Base constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing further details about the Master Agreement and the Production Base will be despatched to the Shareholders as soon as practicable.

1. THE MASTER AGREEMENT

(a) Date

18 September 2007

(b) Parties

- (i) ND Worldwide; and
- (ii) The People's Government of Ninghe County.

The Ninghe Government is the county government authority of Ninghe County, Tianjin, the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Ninghe Government is an independent third party and is not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive and substantial shareholders or any associates of any of them.

(c) Terms of the Agreement

Pursuant to the Master Agreement, the Group has agreed to establish the Production Base at the Ninghe Economic Development Zone. It is envisaged that the Group will establish up to 4 wholly-owned subsidiaries in the zone to engage in the production of

paper and the provision of related services. The initial production capacity is expected to be around 800,000 tpa of paper products and to commence operations by June 2009. The exact scope of business and capital commitments of each of the companies to be established are still subject to finalisation. The Group has also preliminary agreed with the Ninghe Government to establish a joint venture to engage in water treatment works in the Ninghe Economic Development Zone (“**Joint Venture**”). The Group’s manufacturing operation requires a significant amount of water, which in the Group’s other production bases, the Group would pre-treat as an auxiliary production process. In the case of the Joint Venture, the Ninghe Government would use the Joint Venture to process the water to be supplied to the zone. The exact shareholding of the Joint Venture and capital commitments are still subject to finalisation and as at the date of this announcement, no detailed terms in relation to the Joint Venture have been discussed.

(d) Capital commitment

It is estimated the funding commitment of the Group for the establishment of the Production Base with annual production capacity of 800,000 tpa (including land cost) is approximately RMB2,300.0 million, (approximately HK\$2,392.6 million). The funding commitment was determined by reference to the projected land and equipment costs, construction cost and general working capital required for the establishment of the Production Base and will be satisfied by the internal resources of the Group and external bank borrowings.

The Group may further invest into the Production Base in stages in accordance with the production requirements of the Group. As at the date of this announcement, no concrete plan has been formulated in respect of further investments in the Production Base has been made.

(e) Land

The Ninghe Government has agreed to provide land at the Ninghe Economic Development Zone of approximately 2.4 million square meters for the Production Base of the Company. The land will be located at the Ninghe Economic Development Zone. No land use contract has been entered into and the Company has not acquired the land use right to the land as at the date of this announcement. The purchase price for the land will be subject to finalisation between the Company and the Ninghe Government. The land use rights of the land will be for a term of 50 years.

3. REASONS FOR THE ESTABLISHMENT OF THE PRODUCTION BASE

As disclosed in the Company’s 2006 annual report, in addition to the Group’s existing production bases in Dongguan, Taicang and Chongqing, the Group will continue its efforts in expanding geographical reach for a more comprehensive market coverage in northern China. This will enable the Group to fully cover the major economic regions and provide services to customers throughout the PRC.

The Production Base is situated next to the Binhai New Area and enjoys investment incentives that are the same as those available from the Binhai New Area. The Ninghe Economic Development Zone is located only 30 km from the Tianjin port, one of the major ports in China that serve ocean bound vessels directly, thus allowing direct access to ocean transportation at lower transportation costs as trans-shipment is not required. The base is also served by a rail spur for direct movement of coal, raw materials and finished products, and is conveniently accessible by the state-wide highway network linking the north-eastern and southern provinces in China. There is an abundant supply of good quality water for paper production in the zone.

The Production Base centres around the Tianjin and Beijing areas and services the northern and north-eastern regions, where the supply chains are well formed with escalating containerboard demand from key sectors such as food, medicine, high-tech and IT products, electronics, light textile and various light industries. Current containerboard supply in these regions is still limited, with the largest producer having annual production capacity of less than 400,000 tpa. The other suppliers in this region only have annual production capacity of less than 50,000 tpa each. With the presence of a large number of these smaller producers, it is expected that this segment will go through fast market consolidation in the foreseeable future. Currently, customers in these regions have to rely on supplies from other provinces such as Henan, Shandong and Jiangsu.

The Company expects that the first phase of development of the Production Base will consist of one linerboard paper machine of 450,000 tpa and one high performance corrugating medium paper machine of 350,000 tpa. Production is expected to commence by June 2009. As at the date of this announcement, the Company has not commenced detailed design for the Production Base and no definite agreement has been entered into for the construction of Production Base or for the supply of equipment.

The Group expects that the annual production capacity will gradually be increased to approximately 4 million tpa of paper products by stages depending on market demand and availability of financial resources of the Group.

4. GENERAL

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

The estimated funding commitment of the Group in the Production Base will be approximately RMB2,300.0 million (equivalent to HK\$2,392.6 million) and constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing further details about the Master Agreement and the Production Base will be despatched to the Shareholders as soon as practicable.

5. DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“Directors”	the 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the agreement between ND Worldwide and the Ninghe Government in respect of the establishment of the Production Base
“ND Worldwide”	Nine Dragons Worldwide Investment Limited, an indirect wholly-owned subsidiary of the Company
“Ninghe Economic Development Zone”	the Ninghe Economic Development Zone located at Ninghe County, Tianjin, the PRC
“Ninghe Government”	the People’s Government of Ninghe County, Tianjin, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	the People’s Republic of China
“Production Base”	means the new production base to be established at the Ninghe Economic Development Zone
“Shareholders”	shareholders of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“tpa”

tonnes per annum

By Order of the Board
NINE DRAGONS PAPERS (HOLDINGS) LIMITED
Cheung Yan
Chairman

Hong Kong, 19 September 2007

As at the date of this announcement, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei and Ms. Gao Jing are executive Directors, Mr. Lau Chun Shun is a non-executive Director 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 purposes only*