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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)

CLARIFICATION ANNOUNCEMENT

This announcement intends to clarify certain matters following the recent meetings of the Directors with investors and analysts of international research institutions regarding the Company's progress in new products development and upstream expansion plan.

In the recent meetings of the directors of the Company (the "**Directors**") with investors and analysts of international research institutions, the Directors noted keen interests from the investors and analysts on the Company's progress in new products development and upstream expansion plan. In this connection, the Directors wish to clarify the progress made by the Company in its development of new products and upstream expansion.

Sichuan Factories

In December 2007, the Company entered into agreements with three independent third parties (the "**Vendors**") in Sichuan Province pursuant to which the Company agreed to acquire (the "**Acquisition**") from the Vendors (i) Sichuan Qian Wei Baiya Paper Co. Ltd. ("**Qian Wei**") and (ii) Sichuan Rui Song Paper Co. Ltd. ("**Rui Song**").

Qian Wei

Pursuant to the sale and purchase agreements (the "**Qian Wei Agreements**") for the acquisition of Qian Wei, the Vendors transferred their entire equity interests in Qian Wei to the Group free of consideration. Except for those items which the Group has expressly agreed to be responsible, the Vendors will be responsible for all debts and liabilities of Qian Wei prior to completion of the acquisition. Pursuant to the Qian Wei Agreements, the Group will only be responsible for the payment of the balance of the land premium and construction costs for site formation, and the compensation for relocating the residents on the land up to an amount of RMB2 million. Payment in excess of RMB2 million would be borne by the Vendors.

Qian Wei was established in December 2005 and will principally be engaged in the production of high value specialty board products, mainly insulating paper and capacitor tissue paper, bleached wood

pulp and bleached bamboo pulp. The site formation work for the setting up of the manufacturing facility is currently underway and as at the date of this announcement, Qian Wei has not yet commenced production.

Rui Song

The terms on the transfer of the Rui Song are still being negotiated and no definite share transfer agreement has been entered into as at the date of this announcement. The Group plans to acquire the entire equity interests in Rui Song at a consideration of approximately RMB18,000,000.00 in the second quarter of 2008.

Rui Song was established in June 2003 and is principally engaged in the production of high value specialty board products, mainly insulating paper and capacitor tissue paper, bleached wood pulp and bleached bamboo pulp. The existing annual designed production capacity of Rui Song for the production of high value specialty board products and bleached wood pulp and bleached bamboo pulp is 15,000 tonnes and 26,000 tonnes respectively. The Directors estimate that the market share of Rui Song's existing specialty board products in the China market is approximately 50%.

The terms of the Acquisition will include the relocation of Rui Song's existing operation to another premises and combine Rui Song's operation with the future expansion of Qian Wei.

As the concrete plan for the development of Qian Wei and Rui Song and the exact terms for the acquisition of Rui Song are still being finalized, the Company cannot ascertain at this stage the exact scale of investment that may be involved with the development of Qian Wei and Rui Song. Depending on market conditions and the requirements of the Group, the Directors expect that the Group may invest up to RMB1,600 million over 2.5 years to relocate and combine the existing operations of Rui Song with Qian Wei and develop Qian Wei for the production of high value specialty paper, mainly insulating paper and capacitor tissue paper products of annual designed production capacity of 50,000 tonnes and bleached wood pulp and bleached bamboo pulp of annual design production capacity up to 150,000 tonnes with expected production commencement date before June 2010. The Directors estimate that after the completion of the expansion plan, the market share of Rui Song's specialty board products in the China market would be increased to 70%. The bleached wood pulp and bleached bamboo pulp will be mainly utilized within the Group for the production of packaging paper products and to reduce the cost of the Group's production.

The acquisition of Qian Wei is not a notifiable transaction for the Company in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Liquid Paper Board Facility

The Company also has plan to invest (the "**LPB Investment**") in a non-aseptic and aseptic liquid packaging board in the Group's Taicang base in China. The paper machines can produce varies kinds of different products, for example, coated board grades. The facility will have an initial annual production capacity of 520,000 tonnes with a proposed commencement date before December 2010. It will also be capable of producing other coated folding box board, food packaging board, cup stock and other high end packaging. The main raw materials for the production of the

liquid packaging board is pulp. It is estimated the initial funding commitment of the Group for the establishment of LPB Investment is approximately RMB1,400 million (approximately US\$200 million). The funding commitment will be satisfied by the internal resources of the Group and external bank borrowings.

China currently has few non-aseptic liquid packaging board manufacturing capabilities and relies mostly on imports for its requirements of aseptic products. With economic development, demand for liquid packaging board products has increased significantly in the past few years. In view of the premium that liquid packaging products command and with higher selling prices than the normal packaging paper products (on average 100% higher), the Directors are of the view that the LPB Investment has significant development potentials.

Developments of the Group

The Company adopts a prudent product development and expansion plan and is continuously looking into the development of new products or investment into upstream related business which would provide synergies to the Company's paper manufacturing business.

The Company is the largest producer in Asia and one of the largest producers in the world of containerboard products. The Company has developed a sophisticated distribution network in China and made substantial pre-investment in infrastructure including the pier and land for future development.

The Directors believe that the investment in Qian Wei and Rui Song could expand the production capacity of the Group and also enhance its products range. The Directors thus consider that the investment is fair and reasonable and in the interest of the Company and the shareholders as a whole.

The Directors also believe that the LPB Investment would create a platform for the Company to further develop and expand its packaging paper manufacturing business to non-aseptic and aseptic liquid packaging board, consolidate further its market position, increase its overall competitiveness and explore new markets in the paper manufacturing business in the long run.

Save as disclosed above, the Company is not aware of any negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, nor is the board of directors of the Company aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

This announcement is made by the order of the Board, of which the directors individually and jointly accept responsibility for the accuracy of the information contained in this announcement.

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

Hong Kong, 18 January 2008

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 only*