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If you are in any doubt as to any aspect of this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional Adviser.

If you have sold or transferred all your shares in Nine Dragons Paper (Holdings) Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser
to the Independent Board Committee and Independent Shareholders**



**建泉融資有限公司
VBG Capital Limited**

A letter from the Board is set out on pages 4 to 13 of this circular and letters from the Independent Board Committees to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committees and the Independent Shareholders is set out on pages 16 to 29 of this circular.

A notice convening the Special General Meeting to be held at Studio 1&2, Level 7, W Hong Kong, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong on Monday, 27 July 2020 at 11:00 a.m. is set out on pages 35 to 36 of this circular. A form of proxy for the Special General Meeting for use by the Shareholders is enclosed with this circular.

Whether or not you are able to attend the Special General Meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time designated for holding the Special General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Special General Meeting or at any adjourned meeting should you so wish.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

To safeguard the health and safety of Shareholders, staffs and stakeholders and to prevent and control the spreading of the coronavirus disease 2019 (COVID-19), the Company will implement the following precautionary measures at the Special General Meeting:

1. Compulsory body temperature checks and health declarations
2. Wearing of surgical face mask
3. No provision of corporate gift, refreshment or drink

Attendees who do not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry to the Special General Meeting venue or be requested to leave the Special General Meeting venue, at the absolute discretion of the Company as permitted by law.

Shareholders are encouraged to exercise their rights to vote at the Special General Meeting by appointing the Chairman of the Special General Meeting as their proxy and to return their completed proxy forms by the time specified above, instead of attending the Special General Meeting in person.

* For identification purpose only

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PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the COVID-19 pandemic and recent requirements for prevention and control of its spread, to safeguard the health and safety of Shareholders who may attend the Special General Meeting in person, the Company will implement the following precautionary measures at the Special General Meeting:

- 1) Compulsory body temperature checks will be carried out on every attendee at the entrance of Studio 1&2, Level 7, W Hong Kong, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong (“**Special General Meeting venue**”). Any person with a body temperature above 37.3 degrees Celsius or who has any flu-like symptoms may be denied entry into the Special General Meeting venue or be requested to leave the Special General Meeting venue, at the absolute discretion of the Company as permitted by law.
- 2) Every attendee will be required to complete and submit a Health Declaration Form prior to entry into the Special General Meeting venue. Attendee who is subject to any Hong Kong Government prescribed quarantine may be denied entry into the Special General Meeting venue or be requested to leave the Special General Meeting venue, at the absolute discretion of the Company as permitted by law.
- 3) Every attendee will be required to wear a surgical face mask throughout the Special General Meeting and sit at a distance from other attendees. Please note that no masks will be provided at the Special General Meeting venue and attendees should wear their own masks.
- 4) No corporate gift, refreshment or drink will be provided to attendees at the Special General Meeting.

For the health and safety of all Shareholders, the Company would like to encourage Shareholders to exercise their rights to vote at the Special General Meeting by appointing the Chairman of the Special General Meeting as their proxy instead of attending the Special General Meeting in person. Completion of and return of the proxy form will not preclude Shareholders from attending and voting in person at the Special General Meeting or any adjournment thereof should they subsequently so wish.

The deadline to submit completed proxy forms is Saturday, 25 July 2020 at 11:00 a.m. Completed proxy forms must be returned to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

DEFINITIONS

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

“2017 Continuing Connected Transactions”	the continuing connected transactions of the Company entered into on 8 May 2017 between the Company and (a) ACN in relation to the purchase by the Group of imported recovered paper products; and (b) Tianjin ACN in relation to the purchase by the Group of domestic recovered paper products;
“ACN”	America Chung Nam, Inc., a corporation established with limited liability under the laws of the State of California in the United States, which is indirectly wholly-owned by Ms. Cheung Yan and Mr. Liu Ming Chung, Directors and substantial shareholders of the Company;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange;
“connected person”	has the same meaning ascribed to it under the Listing Rules;
“Directors”	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;
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors;
“Independent Financial Adviser”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committees and the Independent Shareholders on the terms of the Recovered Paper and Recycled Pulp Agreement;
“Independent Shareholders”	Shareholders who are not interested in the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement;
“Latest Practicable Date”	24 June 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

DEFINITIONS

“Recovered Paper and Recycled Pulp Agreement”	the agreement entered into amongst the Company, ACN and Tianjin ACN on 2 June 2020 in relation to the purchase of recovered paper and recycled pulp;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholders”	shareholders of the Company;
“Special General Meeting”	the special general meeting of the Company to be convened and held at Studio 1&2, Level 7, W Hong Kong, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong on Monday, 27 July 2020 at 11:00 a.m. for the Independent Shareholders to approve the Recovered Paper and Recycled Pulp Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tianjin ACN”	ACN (Tianjin) Resources Co., Ltd. (中南(天津)再生資源有限公司), a company established in the PRC and is indirectly owned as to 70% by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng and as to 30% by a subsidiary of the Company;
“U.S.”	the United States of America; and
“%”	per cent.



玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

Executive Directors:

Ms. Cheung Yan, JP (Chairlady)

Mr. Liu Ming Chung

(Deputy Chairman and Chief Executive Officer)

Mr. Zhang Cheng Fei

(Deputy Chairman and Deputy Chief Executive Officer)

Mr. Lau Chun Shun

Mr. Ken Liu (Deputy Chairman)

Mr. Zhang Lianpeng

Mr. Zhang Yuanfu (Chief Financial Officer)

Independent Non-executive Directors:

Ms. Tam Wai Chu, Maria GBM, JP

Mr. Ng Leung Sing SBS, JP

Mr. Lam Yiu Kin

Mr. Chen Kefu

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business

in Hong Kong:

Unit 1, 22/F

One Harbour Square

181 Hoi Bun Road

Kwun Tong, Kowloon

Hong Kong

8 July 2020

To the Shareholders,

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 2 June 2020 in relation to the renewal of the 2017 Continuing Connected Transactions.

The purpose of this circular is:

- (i) to provide the Shareholders with further details of the Recovered Paper and Recycled Pulp Agreement and its annual caps;
- (ii) to set out the opinion of the Independent Financial Adviser on the terms of the Recovered Paper and Recycled Pulp Agreement and its annual caps;

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- (iii) to set out the recommendation of the Independent Board Committee on the Recovered Paper and Recycled Pulp Agreement and its annual caps; and
- (iv) to give the Shareholders notice of the Special General Meeting to consider and, if thought fit, to approve the Recovered Paper and Recycled Pulp Agreement and its annual caps.

RECOVERED PAPER AND RECYCLED PULP AGREEMENT

On 2 June 2020, the Company, ACN and Tianjin ACN entered into the Recovered Paper and Recycled Pulp Agreement in relation to the purchase of recovered paper and recycled pulp by the Group from ACN and Tianjin ACN.

(a) Principal terms

The principal terms of the Recovered Paper and Recycled Pulp Agreement are set out below:

Subject: The Group will purchase recovered paper and recycled pulp from ACN and/or Tianjin ACN from time to time.

Term: A term of three financial years ending 30 June 2023.

Price: The purchase prices of the products under the Recovered Paper and Recycled Pulp Agreement will be determined with reference to the prevailing market prices in the PRC and overseas markets and in accordance with the pricing policies of continuing connected transactions of the Group, subject to the following principles of determining the pricing terms for individual orders of recovered paper and recycled pulp by reference to:

- (a) the prevailing market price of similar recovered paper and recycled pulp as publicly announced on the public website of www.umpaper.com (the “**Reference Site**”). The Reference Site is widely used by paper manufacturers in the world and provides reliable price assessments in the pulp and paper products markets. The Reference Site has been in operation since 1985 and is currently operated by Fastmarkets RISI. Fastmarkets RISI is the world’s leading reporting and market analysis provider for the forest products sector with offices located around the world (including London, Brussels, Shanghai, New York and other major cities). Based on the information available to the Board, Fastmarkets RISI’s clients comprise more than 97% of the world’s forest products sector, including industry end-users, suppliers, investors and financial-service providers. The Reference Site contains pricing information in relation to the current and historical market price of recovered paper and recycled pulp, and collects data from market participants and updates the pricing of recovered paper and recycled pulp. Given the well-established reliable track record, the global reach of the Reference Site, the scale of operations of the Reference Site and the scale of market data coverage used in price assessment, the Board considers that the reliance on the Reference Site as its only source of data is in-line with market practice of the pulp, paper and packaging industry, sufficient, fair and representative; or

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- (b) the pricing terms of recovered paper and recycled pulp of comparable quality, specifications, quantities and required time of delivery offered by independent suppliers (the “**Independent Raw Material Pricing Terms**”) to the Group based on the quotations obtained from at least three independent suppliers on the Group’s approved list of suppliers. The procurement department of the Group will compare the prices quoted and ensure that the pricing terms of the recovered paper and recycled pulp are no less favourable than the prevailing market price or the Independent Raw Material Pricing Terms available to the Group.

The terms of the Recovered Paper and Recycled Pulp Agreement were concluded after arm’s length negotiations and were based on normal commercial terms in the parties’ ordinary course of business.

Cap Amount:

The transaction amount under the Recovered Paper and Recycled Pulp Agreement for each of three financial years ending 30 June 2023 will not exceed the following annual cap:

	Financial year ending 30 June 2021 RMB’ million	Financial year ending 30 June 2022 RMB’ million	Financial year ending 30 June 2023 RMB’ million
Annual cap	63,000	74,000	78,000

The annual caps under the Recovered Paper and Recycled Pulp Agreement were determined by reference to the (1) historical transaction amount; and (2) the expected demand of recovered paper and recycled pulp by the Group.

(1) Historical transaction amount

The historical amount of purchases from ACN and Tianjin ACN for the two financial years ended 30 June 2019 and the six months ended 31 December 2019 are as follows:

	For the year ended 30 June 2018 RMB’ million	For the year ended 30 June 2019 RMB’ million	For the six months ended 31 December 2019 RMB’ million
Annual cap ^(Note 1)	31,000	51,000	68,000 ^(Note2)
Actual purchases	21,242	22,865	10,713 ^(Note3)

Notes:

1. The annual cap is the combined annual caps for purchases from ACN and Tianjin ACN, as amended.
2. The annual cap of RMB68,000 million is for the entire financial year ended 30 June 2020.

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3. The unaudited figures for the six months ended 31 December 2019 was amounted to RMB10,713 million.

The Company noted the actual purchases of recovered paper were lower than the annual caps set for the three years ended 30 June 2020. The Company attributes the low utilization rate of the purchase to the following reasons:

- (i) A series of unforeseeable restrictive policies promulgated by the PRC government

The annual caps for the three years ended 30 June 2020 were determined in 2017.

Since late 2017, a series of restrictive policies promulgated by the PRC government have substantially curbed the supply of imported recovered paper, the Group reduced its purchase of imported recovered paper from ACN.

On 14 December 2017, the Environmental Protection Management Regulation on Importing Recovered Paper was released by the Ministry of Ecology and Environment of the PRC to limit foreign import of recovered paper. Subsequently on 2 May 2018, the General Administration of Customs of the PRC issued an urgent notice pursuant to which full unpacking and inspection and quarantine of waste materials from the U.S. has been carried out with effect from 4 May 2018.

On 8 August 2018, the Ministry of Commerce of the PRC further announced the Notice of the Customs Tariff Commission of the State Council on Adding Tariffs to Imported Goods of About US\$16 Billion from the U.S. (Announcement of the Taxation Committee [2018] No. 7) to implement a 25% tariff on imported recovered paper from the U.S. starting from 23 August 2018.

The importation of wastepaper by each China's paper manufacturer is subject to quota pre-approved by the relevant government authority from time to time and the prevailing quality standards set by the government. From 2018 onwards, the import quota granted to the paper industry has been reduced, and quality standards have been significantly tightened. The aforesaid restrictive policies have substantially curbed the supply of recovered paper (especially the low quality recovered paper) from overseas.

According to the data released by the General Administration of Customs of the PRC, from January 2018 to December 2018, China's cumulative import volume of recovered paper was approximately 17.0 million tonnes, representing a year-on-year decrease of around 34% as compared to 2017. From January 2019 to December 2019, China's cumulative import volume of recovered paper continued to shrink by around 36% as compared to the prior year to approximately 10.8 million tonnes.

- (ii) A decreasing trend in the market price of imported recovered paper between 2018 and 2019

The market price of imported recovered paper fluctuated between RMB1,500 to RMB2,000 per tonne from June 2017 to 2018. It then fell sharply since the beginning of 2019 and levelled off at around RMB1,000 per tonne in late 2019. From 2017 to 2019, the average annual price movement of imported recovered paper was around 25%.

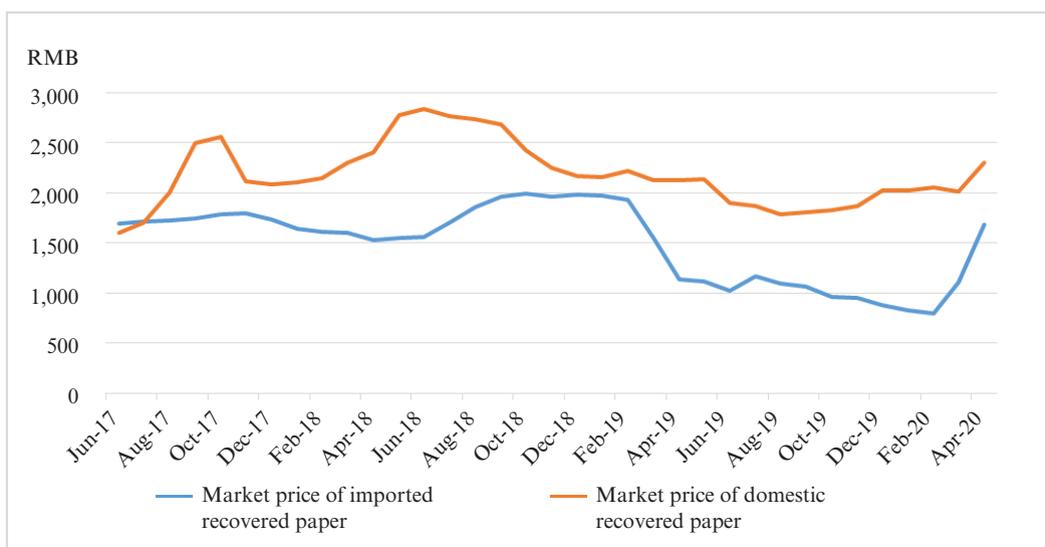
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(2) *The expected demand of recovered paper and recycled pulp by the Group*

(i) Abrupt and expected continued rebound in the market price of imported recovered paper

Despite the drop in market price of imported recovered paper as explained in (i) above, due to the global shutdown of factories and economies to contain COVID-19, the market price of imported recovered paper has rebounded abruptly to around RMB1,680 per tonne in 2020. The Company expects that the market price of imported recovered paper may further grow by around 30% to around RMB2,184 per tonne for the financial year ending 30 June 2021; and thereafter the year-on-year growth at a rate of around 10%.

The chart below shows the market price movement of imported recovered paper and domestic recovered paper in the PRC from June 2017 to April 2020.



Source: www.umpaper.com

(ii) Expected continued rising trend of the market price of domestic recovered paper

As a result of the uncertainty to the macro policies towards imported recovered paper, the Group, in line with other paper manufacturers, is expected to shift towards increased purchases of domestic recovered paper.

The market price of domestic recovered paper rose from around RMB1,600 to above RMB2,000 per tonne from August 2017 onwards. In June 2018, the market price of domestic recovered paper attained the historical peak of around RMB2,800 per tonne, representing a robust year-on-year growth of around 75% as compared to June 2017. It was then stable at around RMB2,000 per tonne until recently, when the price went up again to around RMB2,300 per tonne.

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(iii) Expected growth and development of the Group

As at 31 December 2019, the Group's total design production capacity for paper and pulp (recycled pulp and kraft pulp) was approximately 16.47 million tonnes per annum (tpa) and 0.85 million tpa, respectively.

The Company is carrying out the following paper production expansion projects in the PRC and Malaysia:

Production base	Paper products	Design production capacity	Expected commencement date of production
Hebei, the PRC	Linerboard	500,000 tpa	Third quarter of 2020
Dongguan, the PRC	Linerboard	600,000 tpa	Third quarter of 2020
Malaysia	Linerboard	550,000 tpa	End of 2021

The Group's total design production capacity for paper and pulp (recycled pulp and kraft pulp) achieved 16.47 million tpa and 0.85 million tpa, respectively, as at 31 December 2019. Upon completion of the above paper production expansion projects, it is expected that the total design capacity of the Group for paper production will reach 18.10 million tpa in 2021. The recovered paper required by weight is usually at least 1.2 times (or more for lower quality recovered paper) of the actual the product weight.

(iv) Other factors that may lead to increase in the price of recovered paper

The Directors are of the view that the trade war between the PRC and USA as well as the COVID-19 would add to the uncertainty of the paper market and the recovered paper and recycled pulp market in the short to medium term. Besides, the increasing global concern on environment protection may cause further increase in the future market price of recovered paper products together with other possible unforeseeable factors such as inflation.

(b) Reasons for the Recovered Paper and Recycled Pulp Agreement

ACN is a major supplier of overseas recovered paper and recycled pulp in China while Tianjin ACN is a major supplier of domestic recovered paper in the PRC. The Company has been trading with ACN since the listing of the Shares of the Company on the Stock Exchange in 2006, and with Tianjin ACN since its establishment in 2013. In the past, the Group mainly sourced the recovered paper from ACN and Tianjin ACN. The China-US trade war and the imported recovered paper quota policy have resulted in the reduction in supply of imported recovered paper, market demand for recovered paper in China has therefore shifted substantively to domestic source. Consequently, the market price of domestic recovered paper climbed. On the other hand, China's paper manufacturers have increased the usage of imported recycled pulp as raw material to make up for the shortage of imported recovered paper for their manufacturing operations. The Company is no exception to this change.

Due to a series of restrictive policies promulgated by the PRC government which have substantially curbed the supply of imported recovered paper, the Group has to reduce its future purchase of imported recovered paper from ACN but increase its future purchase of domestic recovered paper from Tianjin ACN. The Group has started the purchase of imported recycled

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pulp from ACN as raw material to make up for the shortage of imported recovered paper for its manufacturing operations. The Company considers such changes are required judging from the current circumstances of the PRC's recovered paper market.

As the existing purchase agreements with ACN and Tianjin ACN are due to expire on 30 June 2020, the Recovered Paper and Recycled Pulp Agreement is entered into to facilitate the continuous supply of recovered paper and recycled pulp to the Group to meet the Group's production requirements.

As the Recovered Paper and Recycled Pulp 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, except the Interested Directors (as defined below) who have abstained from voting for the resolution to approve the Recovered Paper and Recycled Pulp Agreement and the independent non-executive Directors, consider that the terms of the Recovered Paper and Recycled Pulp Agreement, including the annual caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors will be set out in the circular of the Company after taking advice from the independent financial adviser.

Purchases of recovered paper and recycled pulp from connected persons

The Company has been trading with ACN since the listing of the Shares of the Company on the Stock Exchange in 2006, and with Tianjin ACN since its establishment in 2013.

In recent years, the China-US trade war resulted in (i) a reduction of imported recovered paper; and (ii) a shift for all domestic paper manufacturers from directly acquiring imported recovered paper to acquiring and using imported recycled pulp as raw material for its manufacturing operations.

The Group is a significant player in the containerboard manufacturing sector. Since listing of its Shares in 2006, the sourcing strategy of the Group is to secure reliable high volume supply of consistent quality and reasonably priced recovered paper. The reliability of supply of recovered paper is essential for its production planning, inventory control, pricing and delivery schedules. The track record of ACN and Tianjin ACN of strict control on the quality of recovered paper has helped the Group to produce products of consistent quality.

Historically, the Group is ACN's largest customer. ACN gives priority to the Group's purchase orders over those from its other customers. As a result, the Group has been able to secure from ACN supplies at a lower average purchase cost as compared with ACN's sales of the same types of recovered paper and recycled pulp to its other customers.

For the year ended 30 June 2019, the Group sourced more than 70% of its recovered paper in terms of value from ACN and Tianjin ACN.

Given that the purchases from ACN and Tianjin ACN are carried out under the strict pricing policies as set out under the paragraph headed "Principal terms" under the section headed "Recovered Paper and Recycled Pulp Agreement" to ensure that the terms offered by ACN and Tianjin ACN are no less favourable than other suppliers, are on normal commercial terms and on an arm's length basis and that the supplies from ACN and Tianjin ACN are of consistent and high quality, the Directors consider that purchasing a substantial majority of the Group's

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recovered paper and recycled pulp requirements from ACN and/or Tianjin ACN is consistent with the Group's sourcing strategy and is fair and reasonable as far as the Company and its shareholders are concerned.

Depending on (i) macro import policies; and (ii) the growth of other domestic or international suppliers of recovered paper and hence the supply of recovered paper, the Group believes it would be able to source its recovered paper from other independent suppliers of comparable quality to that offered by ACN for similar and different product grades. To select additional suppliers, the Group's sourcing department compares the quality and price of recovered paper from major suppliers and considers each supplier's ability to satisfy its volume and delivery requirements. Given the Group's position as the leading containerboard manufacturer in China with considerable bargaining power, and that the Group has sufficient manpower, resources and expertise to develop suppliers, the Directors believe the Group would be able to source raw materials directly from alternative sources.

(c) Listing Rule Implications

ACN is indirectly wholly owned by Ms. Cheung Yan and Mr. Liu Ming Chung, and Tianjin ACN is 70% indirectly owned by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng and indirectly owned as to 30% by a subsidiary of Company. Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng are also considered as the associates of Ms. Cheung Yan and Mr. Liu Ming Chung.

Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng are Directors and substantial shareholders of the Company. ACN and Tianjin ACN are therefore connected persons of the Company and the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the annual transaction amount of the Recovered Paper and Recycled Pulp Agreement are over 5%, the Recovered Paper and Recycled Pulp Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PRICING PRINCIPLES FOR CONTINUING CONNECTED TRANSACTIONS

The basis of determining the prices of the products to be supplied or purchased by the Group under the continuing connected transactions of the Group will be in accordance with the prevailing market prices of similar products and on the following principles:

- (i) by reference to the prevailing market price of the same or substantially similar products, taking into account of the price of the same or substantially similar products with comparable order quantities and quality offered by other suppliers/purchasers;
- (ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms comparable to those offered to/received from independent third parties in respect of the same or substantially similar products with comparable quantities; and
- (iii) if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously supplied or purchased by a party, and on normal commercial terms comparable to those offered by the relevant party to independent third parties.

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When determining the prevailing market price described under paragraph (i) above:

- (a) in respect of procurement of recovered paper and recycled pulp under the Recovered Paper and Recycled Pulp Agreement, the Company will strictly apply the pricing policy set out under the paragraph headed “Principal terms” under the section headed “Recovered Paper and Recycled Pulp Agreement”;
- (b) in respect of procurement of other products from a connected person or his/her associates, invite quotations from independent suppliers to give a reference on the prevailing market prices for the relevant products to be procured. Such quotations will be reviewed and evaluated from both the technical and commercial perspectives by qualified personnel of the Company to ensure that the products to be procured from a connected person or his/her associates are comparable to the prices for such products being offered by independent third parties; and
- (c) in respect of provision of products to be sold to a connected person or his/her associates, evaluate and assess the scope of the relevant order and prepare a detailed cost calculation by reference to cost of materials, products and labors, quotes of the Group to other independent third party customers and the level of fees charged by competitors of the Group in the market (if available) to ensure that the prices of the products of the Group are competitive and comparable to those being offered to independent third party customers of the Group.

INTERNAL CONTROL POLICIES FOR CONTINUING CONNECTED TRANSACTIONS

To ensure that the actual prices for the continuing connected transactions of the Group are on normal commercial terms and on terms no less favourable to the Group than that available from independent third party suppliers/customers, the relevant personnel from the finance department of the Group and the management of the Group will conduct regular checks on a monthly basis to review and assess whether the transactions contemplated under the relevant continuing connected transaction are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy.

The independent non-executive Directors will review the transactions under the relevant continuing connected transaction and the Company will engage the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement and pricing policies of the Company.

SPECIAL GENERAL MEETING

A notice of the Special General Meeting is set out on pages 35 to 36 of this circular.

Pursuant to the Rule 13.39(4) of the Listing Rules, the vote of the shareholders at a general meeting would be taken by poll. Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Ken Liu and Mr. Zhang Lianpeng and their associates are considered to be interested in the Recovered Paper and Recycled Pulp Agreement. As at the Latest Practicable Date, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Ken Liu and Mr. Zhang Lianpeng, through Best Result Holdings Limited, held in aggregate 2,992,120,000 Shares, representing approximately 63.77% of the issued share capital of the Company. Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun

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and Mr. Ken Liu also personally hold 90,097,758 Shares, 31,594,184 Shares, 34,399,821 Shares, 14,149,000 Shares and 1,382,000 Shares, representing 1.92%, 0.67%, 0.73%, 0.30% and 0.03% of the issued share capital of the Company, respectively. Accordingly, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Ken Liu and Mr. Zhang Lianpeng and their associates will abstain from voting for the resolution proposed at the Special General Meeting to approve the Recovered Paper and Recycled Pulp Agreement and its annual caps.

A form of proxy for the Special General Meeting is enclosed herewith. Whether or not you intend to attend and vote at the Special General Meeting in person, you are requested to complete the form of proxy and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or at any adjournment thereof should you so wish.

GENERAL

Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Ken Liu and Mr. Zhang Lianpeng (the "**Interested Directors**") are considered to be interested in the Recovered Paper and Recycled Pulp Agreement, and have abstained from voting for the approval of such agreement at the Board meeting convened for such purposes.

The Interested Directors and their respective Associates will abstain from voting on the resolution to be proposed at the Special General Meeting to approve the Recovered Paper and Recycled Pulp Agreement and its annual caps.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Recovered Paper and Recycled Pulp Agreement and VBG Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Recovered Paper and Recycled Pulp Agreement.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 14 to 15 of this circular which contains its recommendations to the Independent Shareholders in respect of the terms of the Recovered Paper and Recycled Pulp Agreement and its annual caps. Your attention is also drawn to the letter of advice from the Independent Financial Adviser which contains, amongst other matters, its advices to the Independent Board Committee and the Independent Shareholders. The letter from the Independent Financial Adviser is set out on pages 16 to 29 of this circular.

Your attention is also drawn to the general information set out in the appendix of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the Recovered Paper and Recycled Pulp Agreement and the transactions contemplated thereunder.



玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

8 July 2020

To the Independent Shareholders,

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTION AND NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular of the Company to the Shareholders dated 8 July 2020 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Recovered Paper and Recycled Pulp Agreement and its annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from VBG Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Recovered Paper and Recycled Pulp Agreement and its annual caps as set out on pages 16 to 29 of the Circular and the letter from the Board as set out on pages 4 to 13 of the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Recovered Paper and Recycled Pulp Agreement and its annual caps are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Recovered Paper and Recycled Pulp Agreement and the transactions contemplated thereunder to be proposed at the Special General Meeting.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Nine Dragons Paper (Holdings) Limited
Tam Wai Chu, Maria
Ng Leung Sing
Lam Yiu Kin
Chen Kefu
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Recovered Paper and Recycled Pulp Agreement for the purpose of inclusion in this circular.



建泉融資有限公司
VBG Capital Limited

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

8 July 2020

*To: The independent board committee and the independent shareholders
of Nine Dragons Paper (Holdings) Limited*

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Recovered Paper and Recycled Pulp Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 8 July 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 2 June 2020, the Company entered into the Recovered Paper and Recycled Pulp Agreement to renew the 2017 Continuing Connected Transactions. Pursuant to the Recovered Paper and Recycled Pulp Agreement, the Group will purchase recovered paper and recycled pulp from ACN and/or Tianjin ACN for a term of three financial years ending on 30 June 2023. The proposed annual caps for the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement are RMB63,000 million, RMB74,000 million and RMB78,000 million for each of the three financial years ending 30 June 2023, respectively.

With reference to the Letter from the Board, the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee comprising Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing, Mr. Lam Yiu Kin and Mr. Chen Kefu (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Recovered Paper and Recycled Pulp Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

resolution to approve the Recovered Paper and Recycled Pulp Agreement at the Special General Meeting. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from having acted as the independent financial adviser of the Company relating to (i) the revision of annual caps for continuing connected transaction of which a circular dated 30 April 2019 was issued; and (ii) the existing engagement in relation to the renewal of continuing connected transaction, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Recovered Paper and Recycled Pulp Agreement.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Recovered Paper and Recycled Pulp Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Special General Meeting. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, ACN, Tianjin ACN or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Recovered Paper and Recycled Pulp Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest

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Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 30 June 2023, and they do not represent forecasts of revenues/costs or purchases/sales to be recorded/incurred from the Recovered Paper and Recycled Pulp Agreement. Consequently, we express no opinion as to how closely the actual revenues, costs, purchases or sales to be incurred under the Recovered Paper and Recycled Pulp Agreement will correspond with the proposed annual caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Recovered Paper and Recycled Pulp Agreement, we have taken into consideration the following principal factors and reasons:

(1) Background of and reasons for the Recovered Paper and Recycled Pulp Agreement

Overview of the Group's sales and production

The Group is principally engaged in the manufacture of linerboard, high performance corrugating medium and certain types of coated duplex board and printing and writing paper. For the financial year ended 30 June 2019, the Group achieved a revenue of approximately RMB54,647.4 million, representing a slight increase of approximately 3.5% as compared to the prior financial year. As referred to in the annual report of the Company for the financial year ended 30 June 2019, the major contributor of the Group's revenue was its packaging paper business, which accounted for approximately 85.9% of the revenue, with the remaining revenue of approximately 14.1% generated from its printing and writing paper and high value specialty paper and pulp products. During the six months ended 31 December 2019, the Group achieved a revenue of approximately RMB28,835.7 million, decreasing slightly by approximately 5.0% as compared to the corresponding period of the prior year. As referred to in the interim report of the Company for the six months ended 31 December 2019, the major contributor of the Group's revenue was likewise its packaging paper business, which accounted for approximately 86.3% of the revenue, with the remaining revenue of approximately 13.7% generated from its printing and writing paper and high value specialty paper and pulp products.

To cater for its business expansion and production requirement, the Group has been actively increasing its production capacity throughout the recent years. The Group's total annual design production capacity increased from approximately 13.73 million tonnes per annum (tpa) as at 30 June 2017 to approximately 14.08 million tpa as at 30 June 2018, and to approximately 15.52 million tpa as at 30 June 2019. As at 31 December 2019, the Group's total annual design production capacity for paper and

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pulp (recycled pulp and kraft pulp) was approximately 16.47 million tpa and 0.85 million tpa, respectively. The Group is also carrying out the following paper production expansion projects in the PRC and Malaysia:

Production base	Paper products	Annual design production capacity (approximately)	Expected commencement date of production
Hebei, the PRC	Linerboard	500,000 tpa	Third quarter of 2020
Dongguan, the PRC	Linerboard	600,000 tpa	Third quarter of 2020
Malaysia	Linerboard	550,000 tpa	End of 2021

Upon completion of the above paper production expansion projects, it is expected that the total annual design production capacity of the Group for paper production will reach 18.10 million tpa in 2021. As demonstrated and further advised by the Directors, the Company makes regular review on the Group's paper production capacity to cater for its business expansion and production requirement, and shall commence other new production expansion projects as and when appropriate.

Information on ACN

As extracted from the Letter from the Board, ACN is a company established in California, the United States and is the largest exporter of recovered paper and recycled pulp in the United States and a leading exporter of recovered paper in Europe and Asia.

Information on Tianjin ACN

As extracted from the Letter from the Board, Tianjin ACN is a company established in the PRC and is principally engaged in the business of the sourcing of recovered paper in the PRC.

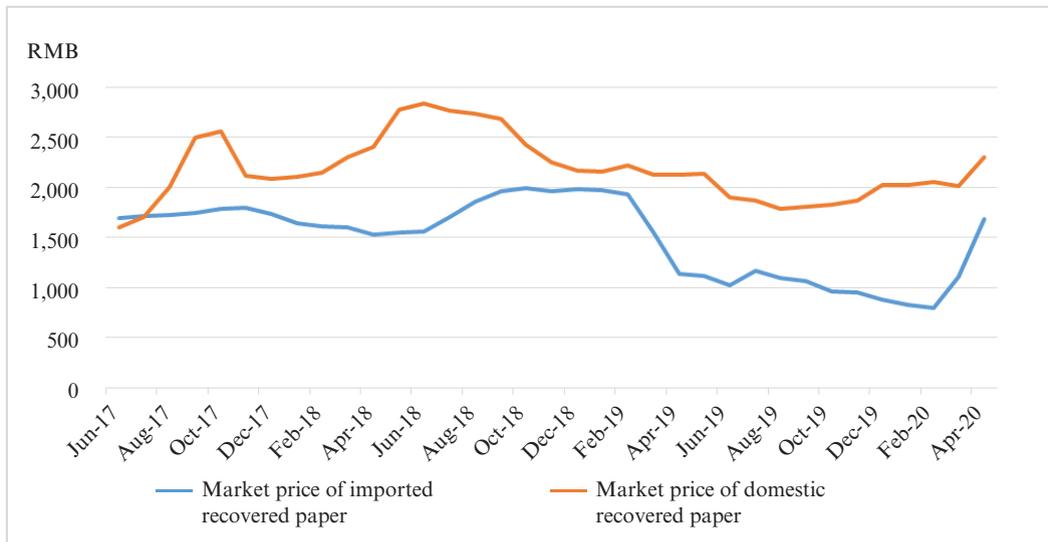
Overview of the recovered paper and recycled pulp market of the PRC

From our independent research, we noted that since late 2017, the PRC government has promulgated a series of restrictive policies in respect of the importation of recovered paper from overseas. On 14 December 2017, the Environmental Protection Management Regulation on Importing Recovered Paper was released by the Ministry of Ecology and Environment of the PRC to limit the foreign import of recovered paper. Subsequently on 2 May 2018, the General Administration of Customs of the PRC issued an urgent notice pursuant to which full unpacking and inspection and quarantine of waste materials from the U.S. has been carried out with effect from 4 May 2018. On 8 August 2018, the Ministry of Commerce of the PRC further announced the Notice of the Customs Tariff Commission of the State Council on Adding Tariffs to Imported Goods of About US\$16 Billion from the U.S. (Announcement of the Taxation Committee [2018] No. 7) to implement a 25% tariff on imported recovered paper from the U.S. starting from 23 August 2018. For instance, the importation of recovered paper by each China's paper manufacturer is subject to quota pre-approved by the relevant government authority from time to time and the prevailing quality standards set by the government. From 2018 onwards, the import quota granted to the paper industry has been reduced, and quality standards

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have been significantly tightened. The aforesaid restrictive policies have substantially curbed the supply of recovered paper (especially the low quality recovered paper) from overseas. According to the data released by the General Administration of Customs of the PRC, from January 2018 to December 2018, China's cumulative import volume of recovered paper was approximately 17.0 million tonnes, representing a substantial year-on-year decrease of around 34% as compared to 2017. From January 2019 to December 2019, China's cumulative import volume of recovered paper continued to shrink by around 36% as compared to the prior year to approximately 10.8 million tonnes. There is also market speculation that the PRC government may completely prohibit the importation of recovered paper from overseas by the end of 2020.

At the same time, the overall demand for paper products in the PRC remains strong and many China's paper manufacturers have been expanding their production capacity. Given the reduction in supply of imported recovered paper, market demand for recovered paper in China has shifted substantively to domestic source. Consequently, the market price of domestic recovered paper climbed. The chart below shows the market price movement of imported recovered paper and domestic recovered paper in the PRC from June 2017 to April 2020:



Source: www.umpaper.com

As shown in the above chart, the market price of imported recovered paper moved between RMB1,500 to RMB2,000 per tonne from June 2017 to December 2018. It then fell sharply since the beginning of 2019 and levelled off at around RMB1,000 per tonne in late 2019. Recently, due to the global shutdown of factories and economies to contain the coronavirus, the market price of imported recovered paper has rebounded abruptly to around RMB1,680 per tonne. From 2017 to 2019, the average annual price movement of imported recovered paper was around 25%.

As for the market price of domestic recovered paper, it rose from around RMB1,600 to above RMB2,000 per tonne from August 2017 onwards. In June 2018, the market price of domestic recovered paper attained the historical peak of around RMB2,800 per tonne, representing a robust year-on-year growth of around 75% as compared to June 2017. Although the market price of domestic recovered paper may

have stopped the strong rising trend after attaining its historical peak, it stayed at around RMB2,000 per tonne until the recent months when the price goes up again to around RMB2,300 per tonne. From 2017 to 2019, the average annual price movement of domestic recovered paper was around 40%.

On the other hand, the reduction in supply of imported recovered paper since 2018 has resulted in China's paper manufacturers having increased the usage of imported recycled pulp as raw material to make up the shortage of imported recovered paper for their manufacturing operations, owing to the fact that the importation of recycled pulp is not yet subject to strict government's restrictions. According to the data released by the General Administration of Customs of the PRC, from January 2019 to December 2019, China's cumulative import volume of recycled pulp was approximately 0.95 million tonnes, representing a substantial year-on-year increase of around 214% as compared to the prior year. The market price of imported recycled pulp has also risen from around RMB2,200 per tonne in 2019 to the recent elevated level of around RMB2,400 per tonne.

Reasons for the Recovered Paper and Recycled Pulp Agreement

As advised by the Directors, ACN is a major supplier of overseas recovered paper and recycled pulp in the PRC. As a market leader, ACN has long term relationship with overseas recycled pulp manufacturers and is also their main sales agent. Tianjin ACN is a major supplier of domestic recovered paper in the PRC. The Company has been trading with ACN since the listing of the Shares on the Stock Exchange in 2006, and with Tianjin ACN since the establishment of Tianjin ACN in 2013. In the past, the Group mainly sourced recovered paper from ACN and Tianjin ACN to ensure a stable supply of quality recovered paper. Given the reduction in supply of imported recovered paper as a result of the trade war between the PRC and U.S. and the imported recovered paper quota policy; while many China's paper manufacturers have been expanding their production capacity to cater for the strong demand for paper products, market demand for recovered paper in China has shifted substantively to domestic source. Consequently, the market price of domestic recovered paper climbed. On the other hand, China's paper manufacturers have also increased the usage of imported recycled pulp as raw material to make up the shortage of imported recovered paper for their manufacturing operations, with the Company as no exception.

Due to the series of restrictive policies promulgated by the PRC government which have substantially curbed the supply of imported recovered paper, the Group has to reduce its future purchase of imported recovered paper from ACN but increase its future purchase of domestic recovered paper from Tianjin ACN. The Group has also started the purchase of imported recycled pulp from ACN as raw material to make up the shortage of imported recovered paper for its manufacturing operations. The Company considers such changes to be required judging from the current circumstances of the PRC's recovered paper and recycled pulp market.

As the existing purchase agreements with ACN and Tianjin ACN are due to expire on 30 June 2020, the Recovered Paper and Recycled Pulp Agreement is entered into to facilitate the continuous supply of recovered paper and recycled pulp to the Group to meet the Group's production requirements.

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Having considered the above reasons for the Recovered Paper and Recycled Pulp Agreement, we are of the view that the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

(2) Principal terms of the Recovered Paper and Recycled Pulp Agreement

The table below summarises the major terms of the Recovered Paper and Recycled Pulp Agreement dated 2 June 2020 as extracted from the Letter from the Board:

Term:	Fixed term of three financial years ending on 30 June 2023.
Parties:	(i) The Company (as purchaser) (ii) ACN; and (iii) Tianjin ACN (both as suppliers).
Subject:	The Group will purchase recovered paper and recycled pulp from ACN and/or Tianjin ACN from time to time.
Price:	The purchase prices of the products under the Recovered Paper and Recycled Pulp Agreement will be determined with reference to the prevailing market prices in the PRC and overseas markets and in accordance with the pricing policies of continuing connected transactions of the Group (as detailed in the section headed “Pricing principles for continuing connected transactions” in the Letter from the Board), subject to the following principles of determining the pricing terms for individual orders of recovered paper and recycled pulp by reference to: (a) the prevailing market price of similar recovered paper and recycled pulp as publicly announced on the public website (www.umpaper.com) (the “ Reference Site ”), which contains pricing information in relation to the current and historical market price of recovered paper and recycled pulp, and collects data from market participants and updates the pricing of recovered paper and recycled pulp; or

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- (b) the pricing terms of recovered paper and recycled pulp of comparable quality, specifications, quantities and required time of delivery offered by the independent suppliers (the “**Independent Raw Material Pricing Terms**”) to the Group based on the quotations obtained from at least three independent suppliers on the Group’s approved list of suppliers. The procurement department of the Group will compare the prices quoted and ensure that the pricing terms of the recovered paper and recycled pulp are no less favourable than the prevailing market price or the Independent Raw Material Pricing Terms available to the Group.

As referred to in the Letter from the Board, the Reference Site is widely used by paper manufacturers in the world and provides reliable price assessments in the paper products and pulp markets. The Reference Site has been in operation since 1985 and is currently operated by Fastmarkets RISI. Fastmarkets RISI is the world’s leading reporting and market analysis provider for the forest products sector with offices located around the world (including London, Brussels, Shanghai, New York and other major cities). Based on the information available to the Board, Fastmarkets RISI’s clients comprise more than 97% of the world’s forest products sector, including industry end-users, suppliers, investors and financial-service providers. The Reference Site contains pricing information in relation to the current and historical market price of recovered paper and recycled pulp, and collects data from market participants and updates the pricing of recovered paper and recycled pulp. Given the well-established reliable track record, the global reach of the Reference Site, the scale of operations of the Reference Site and the scale of market data coverage used in price assessment, we concur with the Directors that the reliance on the Reference Site as its only source of data is in line with market practice of the pulp, paper and packaging industry, sufficient, fair and representative.

With regard to the Independent Raw Material Pricing Terms, for our due diligence purpose, we have reviewed (i) around 15 individual agreements (which were picked randomly) governing the historical transactions for the period from 2017 to 2019 between the Group (as purchaser of recovered paper) and ACN (as supplier of recovered paper); (ii) around 15 individual agreements (which were picked randomly) governing the historical transactions for the period from 2017 to 2019 between the Group (as purchaser of recovered paper) and Tianjin ACN (as supplier of recovered paper); and (iii) around ten agreements (which were picked randomly) governing the historical transactions from 2017 to 2019 between the Group (as purchaser of recovered paper) and independent suppliers of recovered paper. We noted that the major terms offered by the independent suppliers to the Group were similar to those offered to the Group by ACN and Tianjin ACN.

In light of that (i) the terms of the individual agreements governing the historical transactions between the Group and ACN or Tianjin ACN were similar to those offered by the independent suppliers to the Group; (ii) it is stipulated under the Recovered Paper and Recycled Pulp Agreement that the prices of the recovered paper and recycled pulp will be no less favourable than the prevailing market price based on the world’s leading reporting and market analysis provider for the forest products sector or the Independent Raw Material Pricing Terms (i.e. the pricing terms of recovered paper and recycled pulp of comparable quality, specifications, quantities and required time of delivery offered by the independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

suppliers) available to the Group; and (iii) the Company has adopted thorough internal control measures as detailed in the sections headed “Pricing principles for continuing connected transactions” and “Internal control policies for continuing connected transactions” in the Letter from the Board to monitor the future transactions under the Recovered Paper and Recycled Pulp Agreement, we concur with the Directors that the terms of the Recovered Paper and Recycled Pulp Agreement (including the pricing policy and payment terms) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(3) Annual caps under the Recovered Paper and Recycled Pulp Agreement

Set out below are the proposed annual caps under the Recovered Paper and Recycled Pulp Agreement for each of the three financial years ending 30 June 2023:

	For the financial year ending		
	30 June 2021	30 June 2022	30 June 2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed annual caps	63,000	74,000	78,000

To assess the fairness and reasonableness of the proposed annual caps under the Recovered Paper and Recycled Pulp Agreement, we have discussed with the Directors regarding the basis and assumptions underlying the projections of the proposed annual caps and requested for the relevant supporting documents.

As mentioned in the sub-section headed “Overview of the Group’s sales and production” of this letter of advice, to cater for its business expansion and production requirement, the Group has been actively increasing its production capacity throughout the recent years. The Group’s total annual design production capacity for paper and pulp (recycled pulp and kraft pulp) achieved approximately 16.47 million tpa and 0.85 million tpa, respectively, as at 31 December 2019. The Group is carrying out various paper production expansion projects in the PRC and Malaysia, and shall commence other new production expansion projects as and when appropriate. Upon completion of the paper production expansion projects in the short run, it is expected that the total annual design capacity of the Group for paper production will reach 18.10 million tpa in 2021. Given the historical ongoing expansion trend, it is likely that the Group may further increase its production capacity in the near future, leading to a corresponding increase in the Group’s demand for recovered paper as raw material to meet its production requirements.

The Group sourced recovered paper as raw material for production both from overseas and domestically. As demonstrated in the sub-section headed “Overview of the recovered paper and recycled pulp market of the PRC” of this letter of advice, a series of restrictive policies promulgated by the PRC government have substantially curbed the supply of imported recovered paper (especially the low quality recovered paper). Given the reduction in supply of imported recovered paper while many China’s paper manufacturers have been expanding their production capacity to cater for the strong demand for paper products, market demand for recovered paper in China has shifted substantively to domestic source. Consequently, the market price of domestic recovered paper climbed. On the other hand, China’s paper manufacturers have also increased the usage of imported recycled pulp as raw material to make up the shortage of imported recovered paper for their manufacturing operations, with the Company as no exception. Taking into account the above factors, the

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Company estimated that the future purchases of imported recovered paper, imported recycled pulp as well as domestic recovered paper by the Group from ACN and Tianjin ACN respectively will be as follows:

Future purchase of imported recovered paper and recycled pulp by the Group from ACN

	Financial year ending 30 June 2021	Financial year ending 30 June 2022	Financial year ending 30 June 2023
Expected annual production of the Group (tonnes) (A)	18,000,000	19,000,000	20,000,000
Expected demand for recovered paper by the Group from ACN (tonnes) (B)	2,070,000	2,185,000	2,300,000
Expected demand for recycled pulp by the Group from ACN (tonnes) (C)	1,000,000	1,500,000	2,000,000
Expected market price of imported recovered paper per tonne (RMB) (D)	2,184	2,402	2,643
Expected market price of imported recycled pulp per tonne (RMB) (E)	3,120	3,432	3,775
Expected total purchase from ACN (RMB million) (F) = (B)*(D) + (C)*(E)	7,641	10,397	13,628

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Future purchase of domestic recovered paper by the Group from Tianjin ACN

	Financial year ending 30 June 2021	Financial year ending 30 June 2022	Financial year ending 30 June 2023
Expected annual production of the Group (tonnes) (A)	18,000,000	19,000,000	20,000,000
Expected demand for recovered paper by the Group from Tianjin ACN (tonnes) (B)	14,490,000	15,295,000	16,100,000
Expected market price of domestic recovered paper per tonne (RMB) (C)	3,220	3,542	3,896
Expected total purchase from Tianjin ACN (RMB million) (D) = (B)*(C)	46,658	54,175	62,729

We noted that the Company's projections of the proposed annual caps under the Recovered Paper and Recycled Pulp Agreement are primarily based on the expected annual paper production of the Group, which is in turn dependent on its total annual design production capacity given that the Group has almost fully utilised its entire production capacity to satisfy the sales of its paper products. Due to the series of restrictive policies promulgated by the PRC government which have substantially curbed the supply of imported recovered paper, the Group has to reduce its future purchase of imported recovered paper from ACN but increase its future purchase of domestic recovered paper from Tianjin ACN. The Group has also started the purchase of imported recycled pulp from ACN as raw material to make up for the shortage of imported recovered paper for its manufacturing operations. We consider such changes to be required judging from the current circumstances of the PRC's recovered paper and recycled pulp market.

Furthermore, for the purpose of projecting the proposed annual caps under the Recovered Paper and Recycled Pulp Agreement, the Company has determined the respective future market prices of imported recovered paper, imported recycled pulp as well as domestic recovered paper. Taking into account the recent abrupt rebound of the market price of imported recovered paper to around RMB1,680 per tonne, the Company expected that the market price of imported recovered paper may further grow by around 30% to around RMB2,184 per tonne for the financial year ending 30 June 2021; and thereafter the year-on-year growth will be around 10%. In light of that (i) the market price of imported recovered paper had fluctuated by around 25% on average annually from 2017 to 2019; (ii) the quality standards of imported recovered paper have been significantly tightened; and (iii) the market price surge of imported recovered paper in the coming months may be even more acute due to the global shutdown of factories and economies to contain the coronavirus, we consider the said projected year-on-year growth rates to be acceptable.

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As for the future market price of imported recycled pulp, the Company expected that it would be around RMB3,120, RMB3,432 and RMB3,775 per tonne for each of the three financial years ending 30 June 2023, representing a year-on-year increase of around 30%, 10% and 10% respectively. In this relation, the Directors advised us that since the market demand for imported recycled pulp as substitute of recovered paper used in paper production in China would likely to be mounting significantly at least in the short run, it would be more prudent for the Company to project a relatively strong increase in the market price of imported recycled pulp for the financial year ending 30 June 2021 when estimating the Group's future purchase.

Lastly, the Company expected that the future market price of domestic recovered paper may jump to around RMB3,220 per tonne during the financial year ending 30 June 2021, representing an increase of around 40% as compared to its latest market price of around RMB2,300 per tonne, and the increase will remain relatively steady at around 10% for the two financial years ending 30 June 2023. In light of that the market price of domestic recovered paper (i) had increased robustly by around 75% year-on-year to around RMB2,800 per tonne in June 2018 as compared to June 2017; and (ii) had fluctuated by around 40% on average annually from 2017 to 2019, we consider the said projected year-on-year growth rates to be acceptable.

Future purchase of imported recovered paper and recycled pulp, and domestic recovered paper by the Group from ACN and/or Tianjin ACN

	Financial year ending 30 June 2021	Financial year ending 30 June 2022	Financial year ending 30 June 2023
Expected total purchase from ACN (RMB million)			
(A)	7,641	10,397	13,628
Expected total purchase from Tianjin ACN (RMB million)			
(B)	46,658	54,175	62,729
Expected total purchases from ACN and Tianjin ACN (RMB million)			
(C) = (A) + (B)	54,299	64,572	76,357
Additional buffer			
(D)	15%	14%	2%
Proposed annual caps (RMB million)			
(E) = (C)*(1 + D)	63,000	74,000	78,000

As demonstrated by the above table, in conclusion, the proposed annual caps under the Recovered Paper and Recycled Pulp Agreement were arrived at after summing up the Group's expected purchases of imported recovered paper and recycled pulp as well as domestic recovered paper from ACN and/or Tianjin ACN for each of the three financial years ending 30 June 2023. Moreover, we concur with the Directors that the increasing

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global concern on environmental protection may cause further increase in the future market price of recovered paper and there may also be other possible unforeseeable factors such as inflation, thus additional buffer has been incorporated in the calculations of the proposed annual caps. Given also the trade war between the PRC and U.S. as well as the coronavirus which would add to the uncertainty of the paper market and the recovered paper and recycled pulp market of the PRC in the short to medium term, a higher percentage of additional buffer (15% and 14% respectively) has to be incorporated in the calculations of the proposed annual caps for the two financial years ending 30 June 2022 so as to provide the Group with sufficient flexibility to cater for any unforeseeable market changes promptly.

In view of all the foregoing, we consider that the proposed annual caps under the Recovered Paper and Recycled Pulp Agreement for the three financial years ending 30 June 2023 are fair and reasonable so far as the Independent Shareholders are concerned.

(4) Listing Rules implication and internal control of the Group

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement must be restricted by the annual caps for the financial years concerned under the Recovered Paper and Recycled Pulp Agreement; (ii) the terms of the Recovered Paper and Recycled Pulp Agreement (together with the proposed annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Recovered Paper and Recycled Pulp Agreement (together with the proposed annual caps) must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement are carried out in accordance with the pricing policies of the Company, and the proposed annual caps are not being exceeded. In the event that the total amounts of the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement exceed the proposed annual caps, or that there is any material amendment to the terms of the Recovered Paper and Recycled Pulp Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

In relation to the above, we noted from the annual reports of the Company for each the three financial years ended 30 June 2019 that the Company has been complying with the aforesaid stipulated requirements under the Listing Rules in respect of the historical transactions with ACN and Tianjin ACN.

Shareholders may also refer to the sections headed "Pricing principles for continuing connected transactions" and "Internal control policies for continuing connected transactions" in the Letter from the Board with regard to the internal control procedures that the Company has adopted to supervise the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement. We have obtained the relevant internal control manuals from the Company and discussed with the Directors regarding how those internal control procedures have actually been carried out. We have also obtained and reviewed the recovered paper procurement reports of the Group which described (i) the recovered paper procurement process; (ii) the individual recovered paper agreement and relevant price comparison; and (iii) the proposed amount of recovered paper to be purchased

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from different suppliers of the Group, to substantiate that the aforesaid internal control procedures of the Group have been followed in practice to ensure that the terms of the continuing connected transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Furthermore, as mentioned under the section “Principal terms of the Recovered Paper and Recycled Pulp Agreement” of this letter of advice, we have reviewed (i) around 15 individual agreements governing the historical transactions for the period from 2017 to 2019 between the Group (as purchaser of recovered paper) and ACN (as supplier of recovered paper); (ii) around 15 individual agreements governing the historical transactions for the period from 2017 to 2019 between the Group (as purchaser of recovered paper) and Tianjin ACN (as supplier of recovered paper); and (iii) around ten agreements governing the historical transactions from 2017 to 2019 between the Group (as purchaser of recovered paper) and independent suppliers of recovered paper. We noted that the major terms (including the pricing and payment terms) offered by the independent suppliers to the Group were similar to those offered to the Group by ACN and Tianjin ACN. These historical contracts may also substantiate that the aforesaid internal control procedures of the Group have been followed in practice to ensure that the terms of the continuing connected transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules and the internal control measures adopted by the Company, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement (together with the proposed annual caps) and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Recovered Paper and Recycled Pulp Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the Special General Meeting to approve the Recovered Paper and Recycled Pulp Agreement and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Deputy Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 15 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange.

(i) Interests in the Company

Name of Director	Number of Shares			Total	Approximate percentage of shareholding
	Personal interest	Family interest	Corporate interest (Note 1)		
Cheung Yan	90,097,758	31,594,184	2,992,120,000	3,113,811,942	66.36%
Liu Ming Chung	31,594,184	90,097,758	2,992,120,000	3,113,811,942	66.36%
Zhang Cheng Fei	34,399,821	—	—	34,399,821	0.73%
Lau Chun Shun	14,149,000	—	2,992,120,000	3,006,269,000	64.07%
Ken Liu	1,382,000	—	2,992,120,000	2,993,502,000	63.08%
Zhang Yuanfu	1,051,000	865,000	—	1,916,000	0.04%
Tam Wai Chu, Maria	1,216,670	—	—	1,216,670	0.03%

(ii) Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	Approximate percentage of shareholding
Cheung Yan	Best Result Holdings Limited (“Best Result”)	Founder of The Cheung Family Trust	37,073	37.073%
Liu Ming Chung	Best Result	Interest of spouse Founder of The Liu Family Trust	37,053	37.053%
Zhang Cheng Fei	Best Result	Interest of spouse Founder and beneficiary of The Zhang Family Trust and The Golden Nest Trust	37,073 25,874	37.073% 25.874%
Lau Chun Shun	Best Result	Beneficiary of trusts (Note 4)	90,000	90.000%
Ken Liu	Best Result	Beneficiary of trusts (Note 4)	90,000	90.000%
Zhang Lianpeng	Best Result	Beneficiary of trusts (Note 5)	25,874	25.874%

Notes:

- Best Result directly held 2,992,120,000 Shares in the Company. The issued share capital of Best Result is held (i) as to approximately 37.073% by YC 2013 Company Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Cheung Family Trust; (ii) as to approximately 37.053% by Goldnew Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Liu Family Trust; (iii) as to approximately 10.000% by Acorn Crest Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Zhang Family Trust; and (iv) as to approximately 15.874% by Winsea Investments Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Golden Nest Trust.
- The Zhang Family Trust is an irrevocable trust. The Cheung Family Trust, The Liu Family Trust and The Golden Nest Trust are revocable discretionary trusts.
- Ms. Cheung Yan and Mr. Liu Ming Chung is the Settlor of The Cheung Family Trust and The Liu Family Trust respectively. Ms. Cheung Yan is the spouse of Mr. Liu Ming Chung. Each of Ms. Cheung Yan and Mr. Liu Ming Chung is therefore deemed to be interested in the Shares held by Best Result pursuant to Part XV of the SFO.
- Mr. Lau Chun Shun and Mr. Ken Liu are two of the beneficiaries of each of The Cheung Family Trust, The Liu Family Trust and The Golden Nest Trust. They are therefore deemed to be interested in the Shares held by Best Result pursuant to Part XV of the SFO.
- Mr. Zhang Lianpeng is a beneficiary of each of The Zhang Family Trust and The Golden Nest Trust.

As at the Latest Practicable Date, none of the Directors nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

(b) Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following companies had interests in the Shares and/or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity in which interests were held	Number of Shares	Interests as to % of the total number of Shares in issue as at the Latest Practicable Date
Best Result	Beneficial owner	2,992,120,000	63.77%
YC 2013 Company Limited	Interest of controlled corporation	2,992,120,000	63.77%
Goldnew Limited	Interest of controlled corporation	2,992,120,000	63.77%
BNP Paribas Jersey Trust Corporation Limited	Trustee	2,992,120,000	63.77%

Note: Best Result directly held 2,992,120,000 Shares in the Company. The issued share capital of Best Result is held (i) as to approximately 37.073% by YC 2013 Company Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Cheung Family Trust; (ii) as to approximately 37.053% by Goldnew Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Liu Family Trust; (iii) as to approximately 10.000% by Acorn Crest Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Zhang Family Trust; and (iv) as to approximately 15.874% by Winsea Investments Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Golden Nest Trust.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and/or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, each of Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei is a director of Best Result, which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business that competed or was likely to compete with the business of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 30 June 2019, being the date to which the latest audited financial statements of the Company were made up.

6. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

7. EXPERT'S QUALIFICATION AND CONSENT

As at the date of this circular, VBG Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears. The following expert's statements were issued on the date of this circular and were made for incorporation or reference (as the case may be) in this circular.

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
VBG Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, VBG Capital Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 30 June 2019, being the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 30 June 2019, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in the annual report of the Company under the paragraph headed “Directors’ Interests in Contracts”, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.
- (c) The company secretary of the Company is Ms. Cheng Wai Chu, Judy, an associate member of each of The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Hong Kong business office of the Company during normal business hours from the date of this circular up to and including the date of the Special General Meeting:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 14 to 15 of this circular;
- (c) the letter from VBG Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 29 of this circular;
- (d) the written consents referred to in the paragraph headed “Expert’s Qualification and Consent” in this Appendix;
- (e) the Recovered Paper and Recycled Pulp Agreement; and
- (f) this circular.

NOTICE OF SPECIAL GENERAL MEETING



玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

NOTICE IS HEREBY GIVEN that a special general meeting of Nine Dragons Paper (Holdings) Limited (the “**Company**”) will be held at Studio 1&2, Level 7, W Hong Kong, 1 Austin Road West, Kowloon Station, Kowloon, Hong Kong on Monday, 27 July 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the Recovered Paper and Recycled Pulp Agreement (the “**Recovered Paper and Recycled Pulp Agreement**”) dated 2 June 2020 entered into amongst the Company, America Chung Nam, Inc. and ACN (Tianjin) Resources Co., Ltd. (中南(天津)再生資源有限公司), a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, the terms thereof and the continuing connected transaction contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps as set out in the circular in relation to Recovered Paper and Pulp Agreement for the three financial years ending 30 June 2023 be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Recovered Paper and Recycled Pulp Agreement.”

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

Hong Kong, 8 July 2020

Registered office:
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

* *For identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

Principal place of business in Hong Kong:

Unit 1, 22/F
One Harbour Square
181 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. In order to be valid, the form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the meeting, or any adjourned meeting thereof (as the case may be).
4. The register of members of the Company will be closed from Wednesday, 22 July 2020 to Monday, 27 July 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending the above mentioned meeting, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 21 July 2020.
5. Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
7. The votes at the above mentioned meeting will be taken by poll.
8. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 3 hours before the time of the meeting, the meeting will be postponed. The Company will publish an announcement on the websites of the Company and the Stock Exchange to notify shareholders of the Company of the date, time and venue of the rescheduled meeting.
9. The meeting is being held at the W Hong Kong. The hotel may refuse entry to the hotel by persons who fail temperature checks. Persons so refused entry to the hotel will not be able to attend the meeting. Persons attending the meeting will be required to wear surgical face masks on entry to and throughout the meeting. Additional precautionary safety measures may also be adopted. Shareholders are in any event asked (i) to consider carefully the risk of attending the meeting, which will be held in an enclosed environment, (ii) to follow any guidelines or requirements of the Hong Kong government relating to COVID-19 in deciding whether or not to attend the meeting and (iii) not to attend the meeting if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19. No refreshments will be served at the meeting. As a precautionary safety measure, seating at the meeting will be arranged so as to reduce interaction between participants. As a result, there will be limited

NOTICE OF SPECIAL GENERAL MEETING

capacity for Shareholders to attend the meeting. Shareholders are reminded that attendance at the meeting in person is not necessary for the purpose of exercising voting rights. They may (as indicated in note 1 above) appoint proxies to vote on their behalf.

10. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, the Executive Directors of the Company are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Ken Liu, Mr. Zhang Lianpeng and Mr. Zhang Yuanfu and the Independent Non-Executive Directors are Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing, Mr. Lam Yiu Kin and Mr. Chen Kefu.