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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 and the enclosed proxy form 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)

### SECOND SUPPLEMENTAL AGREEMENT TO CONTINUING CONNECTED TRANSACTIONS 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

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A letter from the Board is set out on pages 4 to 15 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 27 of this circular.

A notice convening the Special General Meeting to be held at Room 1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 21 October 2022 at 11:00 a.m. is set out on pages 34 to 35 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 48 hours before the time 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 subsequently 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
2. Health declarations
3. Wearing of surgical face mask
4. No provision of corporate gift, refreshment or drink

Attendees who do not comply with the precautionary measures may be denied entry to the Special General Meeting venue at the absolute discretion of the Company as permitted by law.

**Shareholders are encouraged to exercise their right 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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## CONTENTS

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	<i>Page</i>
<b>Precautionary Measures for the Special General Meeting</b> .....	1
<b>Definitions</b> .....	2
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	16
<b>Letter from the Independent Financial Adviser</b> .....	18
<b>Appendix — General Information</b> .....	28
<b>Notice of Special General Meeting</b> .....	34

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## PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

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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 Room 1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 21 October 2022 at 11:00 a.m. (“**Special General Meeting venue**”). Any person with a body temperature above the reference range quoted by the Department of Health or who has any flu-like symptoms may be denied entry to 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 to 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 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.

Completed proxy forms must be returned to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 48 hours before the time for holding the Special General Meeting or any adjournment thereof.

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## DEFINITIONS

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

“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 same meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Cheung Family”	Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Zhang Lianpeng and Ms. Zhang Lianru;
“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;
“Hainan ACN”	Hainan ACN Resources Co., Ltd. (海南中南再生資源有限公司), a company established in the PRC and is indirectly owned as to 27%, 43% and 30% by the Cheung Family, Mr. Liu Bocun (an independent third party) and the Company, respectively;
“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 Supplemental Agreement;
“Independent Shareholders”	Shareholders who are not interested in the transactions contemplated under the Supplemental Agreement;

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## DEFINITIONS

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“Latest Practicable Date”	23 September 2022, 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;
“Recovered Paper and Recycled Pulp Agreement”	the agreement dated 2 June 2020 among the Company, ACN and Tianjin ACN in relation to the supply of recovered paper and recycled pulp to the Group;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Supplemental Agreement”	the second supplemental agreement to the Recovered Paper and Recycled Pulp Agreement dated 29 August 2022 entered into between the Company, ACN, Tianjin ACN and Hainan ACN;
“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 Room 1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 21 October 2022 at 11:00 a.m. for the Independent Shareholders to approve the Second Supplemental Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement to the Recovered Paper and Recycled Pulp Agreement dated 26 March 2021 entered into among the Company, ACN, Tianjin ACN and Hainan ACN;
“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 27%, 43% and 30% by the Cheung Family, Mr. Liu Bocun (an independent third party) and the Company, respectively;
“tpa”	tonnes per annum;
“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. Ken Liu *(Deputy Chairman and Vice President)*

Mr. Lau Chun Shun *(Vice President)*

Mr. Zhang Lianpeng *(Vice President)*

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

30 September 2022

*To the Shareholders*

Dear Sir or Madam,

**SECOND SUPPLEMENTAL AGREEMENT TO  
CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 29 August 2022 in relation to the Second Supplemental Agreement entered into among the Company, ACN, Tianjin ACN and Hainan ACN.

The purpose of this circular is:

- (i) to provide the Shareholders with further details on the Second Supplemental Agreement;

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## LETTER FROM THE BOARD

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- (ii) to set out the opinion of the Independent Financial Adviser on the Second Supplemental Agreement;
- (iii) to set out the recommendation of the Independent Board Committee on the Second Supplemental Agreement; and
- (iv) to give the Shareholders notice of the Special General Meeting to consider and, if thought fit, to approve the Second Supplemental Agreement.

### BACKGROUND

Reference is made to the announcements of the Company dated 2 June 2020 and 26 March 2021, respectively and the circulars of the Company dated 8 July 2020 and 4 May 2021, respectively in relation to (among others) the continuing connected transactions under the Recovered Paper and Recycled Pulp Agreement and the Supplemental Agreement.

On 2 June 2020, the Company, ACN and Tianjin ACN entered into the Recovered Paper and Recycled Pulp Agreement under which the Group agreed to purchase recovered paper and recycled pulp from ACN and/or Tianjin ACN for a term of three financial years ending 30 June 2023.

On 26 March 2021, the Company, ACN, Tianjin ACN and Hainan ACN entered into the Supplemental Agreement pursuant to which Hainan ACN was added as a party to the Recovered Paper and Recycled Pulp Agreement.

### THE SECOND SUPPLEMENTAL AGREEMENT

On 29 August 2022, the Company, ACN, Tianjin ACN and Hainan ACN entered into the Second Supplemental Agreement pursuant to which the Group agreed to, in addition to recovered paper and recycled pulp, also purchase woodchips from ACN and/or Tianjin ACN and/or Hainan ACN or their respective subsidiaries.

Save for the addition of woodchips as a subject matter to the Recovered Paper and Recycled Pulp Agreement, all other terms of the Recovered Paper and Recycled Pulp Agreement remain unchanged.

The salient terms of the Recovered Paper and Recycled Pulp Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) are summarized below:

- Subject:** the Group agreed to purchase recovered paper, recycled pulp and woodchips from ACN and/or Tianjin ACN and/or Hainan ACN or their respective subsidiaries;
- Term:** a period of three financial years ending 30 June 2023;

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## LETTER FROM THE BOARD

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**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 additional principles of determining the pricing terms for individual orders of recovered paper and recycled pulp or woodchips (as the case may be) 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](http://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;
- (b) the prevailing market price of woodchips as published on the Forisk Wood Fiber Review (the “**Wood Fiber Review**”). The Wood Fiber Review is a quarterly market report on the forest industry. It includes pulplog, biomass, and wood chip prices, in addition to market information by region for Canada and the U.S.. Timely knowledge of wood fiber costs and trends remains a cornerstone for strategic planning in the forest product industry. The Wood Fiber Review also offered subscribers the option to receive historic price data; or

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## LETTER FROM THE BOARD

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- (c) the pricing terms of recovered paper and recycled pulp or woodchips (as the case may be) 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 or woodchips (as the case may be) 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 cap amount under the Recovered Paper and Recycled Pulp Agreement will not be changed as a result of the Second Supplemental Agreement. The transaction amount under the Recovered Paper and Recycled Pulp Agreement for the three financial years ending 30 June 2023 will not exceed the following annual caps:

	<b>Financial year ended 30 June 2021 <i>RMB’ million</i></b>	<b>Financial year ended 30 June 2022 <i>RMB’ million</i></b>	<b>Financial year ending 30 June 2023 <i>RMB’ million</i></b>
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 of recovered paper and recycled pulp; (2) the expected demand of recovered paper and recycled pulp by the Group; and (3) the expected demand of woodchips by the Group.

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**LETTER FROM THE BOARD**

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***Historical transaction amount of recovered paper and recycled pulp***

The historical amount of purchases of recovered paper and recycled pulp from ACN and Tianjin ACN for the three financial years ended 30 June 2020 were as follows:

	<b>For the year ended 30 June 2018 RMB' million</b>	<b>For the year ended 30 June 2019 RMB' million</b>	<b>For the year ended 30 June 2020 RMB' million</b>
Annual cap <sup>(Note1)</sup>	31,000	51,000	68,000
Actual purchases	21,242	22,865	21,334

*Note:*

1. The annual cap is the combined annual caps for purchases from ACN and Tianjin ACN, as amended.

The actual amount of purchases of recovered paper and recycled pulp under the Recovered Paper and Recycled Pulp Agreement for the two financial years ended 30 June 2022 and the two months ended 31 August 2022 were as follows:

	<b>For the year ended 30 June 2021 RMB' million</b>	<b>For the year ended 30 June 2022 RMB' million</b>	<b>For the period from 1 July 2022 to 31 August 2022 RMB' million</b>
Annual cap <sup>(Note1)</sup>	63,000	74,000	78,000 <sup>(Note2)</sup>
Actual purchases	30,862	32,818	3,722 <sup>(Note3)</sup>

*Notes:*

1. The annual cap is the combined annual caps for purchases from ACN, Tianjin ACN and Hainan ACN, as amended.
2. The annual cap of RMB78,000 million is for the entire financial year ending 30 June 2023.
3. The unaudited figures for the period from 1 July 2022 to 31 August 2022 is RMB3,722 million.

Up to the Latest Practicable Date, there are no previous transactions in respect of the purchase of woodchips by the Group from ACN and/or Tianjin ACN and/or Hainan ACN or their respective subsidiaries.

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## LETTER FROM THE BOARD

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### *Expected demand of recovered paper, recycled pulp and woodchips by the Group*

The expected demand by the Group of recovered paper, recycled pulp and woodchips were determined by the expected annual production requirement of the Group and the expected increase in prices of such materials as a result of restriction on imports and the increase in market price of domestic products. The market price of domestic recovered paper was around RMB2,300 per tonne in mid-2021. As at 30 June 2022, the market price of domestic recovered paper has risen to around RMB2,620 per tonne. Due to the ban on import of wastepaper by the PRC government from 1 January 2021, the market price of recycled pulp has risen from around RMB2,400 per tonne in the second half of 2020 to approximately RMB3,020 per tonne as of June 2022.

### **REASON FOR THE SECOND SUPPLEMENTAL AGREEMENT**

In order to seize the opportunities arising from the national plastic ban in the PRC and changes in raw materials of packaging paper, expanding the production of high-end products is the future development direction of the Group. To this end, the Group has implemented several pulp and paper integration projects in the PRC which would lead to the addition of 3.12 million tpa of production capacity for the production lines of wood pulp in the next two years to ensure the supply of raw materials for high-end products.

In addition, the PRC government has banned the import of wastepaper since 2021, tightening the overall supply of high-quality fiber raw materials. In order to improve the product quality and production efficiency of packaging paper, the Group actively adjusted its raw material mix and looked for alternative raw materials, such as wood chips (the main raw material for pulp to produce high-quality fiber), to solve the bottleneck of the supply of high-quality fiber raw materials.

Therefore, the Group needs to purchase woodchips in the PRC and from overseas.

The Board believes that by entering into the Second Supplemental Agreement, the Group could make use of the advantageous procurement platforms and supply chain of woodchips of ACN, Tianjin ACN and Hainan ACN. It is expected that the cooperation with ACN, Tianjin ACN and Hainan ACN can lower the procurement costs of woodchips of the Group.

In light of the above, it is the Board's view that the signing of the Second Supplemental Agreement would be beneficial to the Group and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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The Company considers that there is no undue reliance on ACN, Tianjin ACN and/or Hainan ACN by the Group as a result of its business relationships under the Recovered Paper and Recycled Pulp Agreement (as supplemented) for the following reasons:

1. The Group has been sourcing recovered paper and recycled pulp from ACN, Tianjin ACN and/or Hainan ACN due to their reliable supply, consistent quality and reasonable price, which are beneficial to the operations of the Group and provide the Group with a competitive edge. ACN, Tianjin ACN and/or Hainan ACN procure their supplies from major sources globally and have long-term supply agreements with major supply sources. The Group believes that reliability of supply of recovered paper, recycled pulp and woodchips is essential for its production planning, inventory control, pricing and delivery schedules. As the Group is ACN, Tianjin ACN and Hainan ACN's largest customer, ACN, Tianjin ACN and Hainan ACN also give priority to the Group's purchase orders over those from its other customers. In addition, ACN, Tianjin ACN and Hainan ACN's strict control on the quality of recovered paper, recycled pulp and woodchips that it supplies helps ensure that the materials the Group purchases from ACN, Tianjin ACN and/or Hainan ACN's and hence its products are of consistent quality;

Given the Group has various independent suppliers of varying sizes in Europe, China, Japan and Malaysia which are capable of offering recovered paper, recycled pulp and/or woodchips of comparable quality to that offered by ACN, Tianjin ACN and/or Hainan ACN for similar and different product grades, and taking into account of the Group's position as the leading container board manufacturer in China with considerable bargaining power, and that the Group has sufficient manpower, resources and expertise to develop suppliers, the Group believes that it would be able to source from other existing and potential suppliers of recovered paper, recycled pulp and/or woodchips at competitive rates should the circumstances justify so doing;

2. the daily operation of the Group rests primarily with its Board and the senior management, which is separate and independent from the board of directors and management team of ACN, Tianjin ACN and/or Hainan ACN. For the purpose of the listing of the Shares on the Stock Exchange, Ms. Cheung Yan and Mr. Liu Ming Chung resigned from their office as directors of ACN in January 2006. The Company, in managing its business with ACN, Tianjin ACN and/or Hainan ACN, has delegated such management to certain members of the Group's senior management other than Ms. Cheung Yan and Mr. Liu Ming Chung. In addition, Ms. Cheung Yan and Mr. Liu Ming Chung will, together with their associates who are the Directors, abstain from voting at the board meetings of the Company in respect of the supply arrangement between ACN, Tianjin ACN and/or Hainan ACN and the Group. The Group has also maintained its own financial team and has capability for independently expanding, operating and sourcing raw materials from independent third parties. There is no management, financial or operational reliance on ACN, Tianjin ACN and/or Hainan ACN; and

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## LETTER FROM THE BOARD

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3. the mutually beneficial relationship between the Group and ACN, Tianjin ACN and/or Hainan ACN has grown from the application of commercial considerations by the parties as independent business entities. The Group is a significant player in the containerboard manufacturing sector in its own right commanding considerable bargaining power vis-a-vis its customers and suppliers. Given that the purchases from ACN, Tianjin ACN and/or Hainan ACN are being carried out under normal commercial terms and on an arm's length basis and that the supplies from ACN, Tianjin ACN and/or Hainan ACN are of consistent and high quality, the Directors consider that purchasing a substantial majority of the Group's recovered paper, recycled pulp and/or woodchips requirements from ACN, Tianjin ACN and/or Hainan ACN is consistent with the Group's sourcing strategy and is fair and reasonable as far as the Company and its Shareholders are concerned. The Directors also do not see any material red flags indicating any material adverse changes to such established relationship which brings mutual benefits.

As the Second Supplemental Agreement was 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 (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser, but except the Interested Directors (as defined below) who have abstained from voting for the resolution to approve the Second Supplemental Agreement) consider that the terms of the Second Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

ACN is indirectly wholly-owned by Ms. Cheung Yan and Mr. Liu Ming Chung, and both Tianjin ACN and Hainan ACN are indirectly owned as to 27%, 43% and 30% by the Cheung Family, Mr. Liu Bocun and the Company, respectively. To the best knowledge, information and belief of the Directors, and having made all reasonable enquiry, Mr. Liu Bocun is a third party independent of the Company and its subsidiaries, and their respective connected persons.

As the addition of woodchips as a subject matter to the Recovered Paper and Recycled Pulp Agreement constitutes a material change to the terms of the Recovered Paper and Recycled Pulp Agreement, the Company would need to re-comply with the announcement and shareholders' approval requirements under Rule 14A.54 of the Listing Rules.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PARTIES

#### The Company

The Group is engaged in the production and sale of a broad variety of quality packaging paperboard products, including linerboard (kraftlinerboard, testlinerboard, white top linerboard and coated duplex board), high performance corrugating medium, recycled printing & writing paper, specialty paper, high performance corrugated sheet, high performance corrugated box and pulp, providing one-stop packaging services for customers.

#### ACN

ACN is a company established in California, the United States, and is a leading exporter of recovered paper, recycled pulp and woodchips in the United States, Europe and Asia. ACN has a strong and long term relationship and connection with OCC pulp major exporter worldwide.

#### Tianjin ACN

Tianjin ACN is a company established in the PRC and is principally engaged in the business of sourcing of recovered paper, recycled pulp and woodchips in the PRC.

#### Hainan ACN

Hainan ACN is a company established in the PRC and is principally engaged in the business of sourcing of recovered paper, recycled pulp and woodchips in the PRC.

### PRICING PRINCIPLES FOR CONTINUING CONNECTED TRANSACTIONS

The basis of determining the prices of the products to be 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 the Group to or from at least two independent third parties to ensure the prices offered by the Group under its continuing connected transactions are on normal commercial terms comparable to those offered by the Group to independent third parties.

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## LETTER FROM THE BOARD

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In this connection, the purchasing department of the relevant member of the Group would obtain the relevant historical prices as described above and based on which, it would determine the basis of the prices for the relevant products and report to the senior management team (comprising the director, general manager and senior manager of the purchasing department) for approval in accordance with the Group's internal pricing policies for continuing connected transactions.

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

- (a) in respect of procurement of recovered paper and recycled pulp or woodchips (as the case may be) under the Recovered Paper and Recycled Pulp Agreement, the Company will strictly apply the pricing policy set out above; and
- (b) in respect of procurement of other products from a connected person or his/her associates, the Company will invite quotations from at least 3 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 namely, the director, general manager and senior manager of the purchasing department, 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.

### 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 monitor the utilization rate of the annual caps, and 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. They 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.

In addition, a designated finance officer (the "**Officer**") will submit a prescribed monthly report containing the following information to the company secretarial division of the Group within 15 business days after each month ends: (i) the total purchase quantity during the month; (ii) the price comparison of the relevant products during the month; (iii) the supply of products during the month; and (iv) the transaction amount of the continuing connected transactions during the month and the cumulative figures as at the end of the month. The Officer will also prepare a quarterly consolidated report on the continuing connected transactions which will be reviewed by the company secretarial division. The company secretarial division will consolidate all information received from the Officer and report to the Board so that the Board could keep abreast of the continuing connected transactions conducted by the Group (including the utilization rate of the annual caps).

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## LETTER FROM THE BOARD

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The independent non-executive Directors will review the transactions under the relevant continuing connected transaction at least twice a year 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 34 to 35 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. Ken Liu, Mr. Lau Chun Shun, and Mr. Zhang Lianpeng and their associates are considered to be interested in the Second Supplemental Agreement. As at the Latest Practicable Date, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Ken Liu, Mr. Lau Chun Shun 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. Ken Liu and Mr. Lau Chun Shun also personally hold 90,097,758 Shares, 31,594,184 Shares, 34,399,821 Shares, 1,382,000 Shares and 14,149,000 Shares, representing 1.92%, 0.67%, 0.73%, 0.03% and 0.30% of the issued share capital of the Company, respectively. Accordingly, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Ken Liu, Mr. Lau Chun Shun and Mr. Zhang Lianpeng and their associates will abstain from voting for the resolution proposed at the Special General Meeting to approve the Second Supplemental Agreement.

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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 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 subsequently so wish.

### GENERAL

Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Ken Liu, Mr. Lau Chun Shun and Mr. Zhang Lianpeng (the "**Interested Directors**") are considered to be interested in the Second Supplemental Agreement and have abstained from voting for the approval of the Second Supplemental 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 Second Supplemental Agreement.

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## LETTER FROM THE BOARD

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An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Second Supplemental 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 Second Supplemental Agreement.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 16 to 17 of this circular which contains its recommendations to the Independent Shareholders in respect of the terms of the Second Supplemental Agreement. 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 18 to 27 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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 Second Supplemental 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)**

30 September 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**SECOND SUPPLEMENTAL AGREEMENT TO  
CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular of the Company to the Shareholders dated 30 September 2022 (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 Second Supplemental Agreement 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 Second Supplemental Agreement as set out on pages 18 to 27 of the Circular and the letter from the Board as set out on pages 4 to 15 of the Circular.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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 Second Supplemental Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, 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 Second Supplemental 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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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 Second Supplemental Agreement for the purpose of inclusion in this circular.*



建泉融資有限公司  
VBG Capital Limited

21/F., Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

30 September 2022

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

Dear Sirs,

### **SUPPLEMENTAL AGREEMENT TO 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 Second Supplemental Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 30 September 2022 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.

The Company entered into the Recovered Paper and Recycled Pulp Agreement on 2 June 2020, pursuant to which the Group agreed to purchase recovered paper and recycled pulp from ACN and/or Tianjin ACN for a term of three financial years ending on 30 June 2023. On 26 March 2021, the Company, ACN, Tianjin ACN and Hainan ACN entered into the Supplemental Agreement, pursuant to which Hainan ACN was added as a party (supplier) to the Recovered Paper and Recycled Pulp Agreement. The entering into of the Recovered Paper and Recycled Pulp Agreement and the Supplemental Agreement had been approved by the then independent Shareholders.

On 29 August 2022, the parties thereto, namely the Company, ACN, Tianjin ACN and Hainan ACN, entered into the Second Supplemental Agreement pursuant to which the Group agreed to purchase, in addition to recovered paper and recycled pulp, woodchips from ACN and/or Tianjin ACN and/or Hainan ACN or their respective subsidiaries.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With reference to the Letter from the Board, given that the addition of woodchips as a subject matter to the Recovered Paper and Recycled Pulp Agreement constitutes a material change to the terms of the Recovered Paper and Recycled Pulp Agreement, the Company would need to re-comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of 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 Second Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Second Supplemental Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Second Supplemental 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 Supplemental Agreement of which a circular dated 4 May 2021 was issued; and (ii) the existing engagement for the Second Supplemental Agreement, 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 Second Supplemental Agreement.

### **BASIS OF OUR OPINION**

In formulating our opinion with regard to the Second Supplemental Agreement, we have reviewed the 2020/21 annual report of the Company, the 2021/22 interim report of the Company, the I3P Contracts (as being defined in the latter section of this letter of advice), the Connected Contracts (as being defined in the latter section of this letter of advice), the Recovered Paper and Recycled Pulp Agreement, the Supplemental Agreement, the Second Supplemental Agreement, and the relevant information as contained in the Circular. 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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, Hainan 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 (as supplemented by the Supplemental Agreement and the Second Supplemental 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 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 (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement). Consequently, we express no opinion as to how closely the actual revenues, costs, purchases or sales to be recorded under the Recovered Paper and Recycled Pulp Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) will correspond with the proposed annual caps.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Second Supplemental Agreement, we have taken into consideration the following principal factors and reasons:

### **(1) Background of and reasons for the Second Supplemental Agreement**

#### *Overview of the Group's business and operation*

The Group is engaged in the production and sale of a broad variety of quality packaging paperboard products, including linerboard, high performance corrugating medium, recycled printing & writing paper, specialty paper, high performance corrugated sheet, high performance corrugated box and pulp, providing one-stop packaging services for customers. According to the Directors, with the stringent pandemic control and the widespread mass vaccination in the PRC, the Chinese economy has noticeably restored stability after the COVID-19 pandemic broke out in 2020. Leveraging on the recovery of the Chinese economy, the Group achieved a revenue of approximately RMB61,574.1 million for the financial year ended 30 June 2021, representing a jump of approximately 19.9% as compared to the prior financial year. The major contributor of the Group's revenue was its packaging paper business, including linerboard, high performance corrugating medium and coated duplex board, which accounted for approximately 91.5% of the revenue, with the remaining revenue of approximately 8.5% generated from its printing and writing paper, high value specialty paper and pulp products. During the six months ended 31 December 2021, the Group achieved a revenue of approximately RMB34,471.3 million, representing an increase of approximately 11.6% as compared to the corresponding period of the prior financial year. The major contributor of the Group's revenue was again its packaging paper business, including linerboard, high performance corrugating medium and coated duplex board, which accounted for approximately 93.3% of the revenue, with the remaining revenue of approximately 6.7% generated from its printing and writing paper, high value specialty paper and pulp products.

As at 31 December 2021, the Group's total design production capacity for paper amounted to approximately 17.57 million tpa. The Group has been actively enlarging its production capacity to cater for the surging demand for paper products. On the other hand, as being explained in details in the latter sections of this letter of advice, given the prohibition on recovered paper imports in the PRC since 1 January 2021, recovered paper is in tight supply and the Group has started sourcing alternative raw materials for its manufacturing operations. In order to ensure a stable long-term supply of quality raw materials in the future as well as to control the production quality and cost effectiveness, the Group has implemented a number of fully-integrated pulp and paper mill projects in the PRC. As at 31 December 2021, the Group's total design production capacity for pulp amounted to approximately 0.85 million tpa. Upon completion of the new expansion projects for paper, pulp, wood fibre and downstream packaging plants, it is

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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expected that an additional production capacity of approximately 6.25 million tpa, 3.72 million tpa, 1.10 million tpa and 880 million sq.m. for paper, pulp, wood fibre and downstream packaging plants, respectively, will be attained in the coming few years.

### *Information on ACN, Tianjin ACN and Hainan ACN*

As extracted from the Letter from the Board, ACN is a company established in California, the U.S. and is a leading exporter of recovered paper, recycled pulp and woodchips in the U.S., Europe and Asia. ACN has a strong and long term relationship and connection with old corrugated container pulp major exporter worldwide.

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

### *Background of and reasons for the Second Supplemental Agreement*

References are made to the circulars of the Company dated 8 July 2020 and 4 May 2021 in relation to the Recovered Paper and Recycled Pulp Agreement and the Supplemental Agreement respectively. The Group has been purchasing recovered paper from ACN (overseas wastepaper) and Tianjin ACN (domestic wastepaper) to ensure a stable supply of quality recovered paper for its manufacturing operations. Since late 2017, a series of restrictive policies in respect of the importation of overseas waste products (including but not limited to recovered paper) have been promulgated by the PRC government. Such restrictive policies had substantially curbed the supply of imported recovered paper, leading the Group to gradually shifting its demand for overseas recovered paper to domestic recovered paper, and started the purchase of recycled pulp as alternative raw material for its manufacturing operations. At the special general meeting of the Company held on 27 July 2020, the Recovered Paper and Recycled Pulp Agreement governing the purchase of recovered paper and recycled pulp by the Group from ACN and/or Tianjin ACN for the three financial years ending 30 June 2023 (including the proposed annual caps) was duly approved by the then independent Shareholders.

As further advised by the Directors, in order to seize the opportunities arising from the national plastic ban in the PRC and changes in raw materials of packaging paper, expanding the production of high-end products is the future development direction of the Group. To this end, as mentioned under the sub-section headed “Overview of the Group’s business and operation” of this letter of advice, the Group has implemented a number of fully-integrated pulp and paper mill projects in the PRC which would lead to additional production capacity for the production lines of wood pulp in the next two years to ensure the supply of raw materials for high-end products. In addition, the PRC government has banned the import of wastepaper since 2021, tightening the overall supply of

high-quality fibre raw materials. In order to improve product quality and production efficiency of packaging paper, the Group actively adjusted its raw material mix and looked for alternative raw materials, such as woodchips (the main raw material for pulp to produce high-quality fibre), to solve the bottleneck of the supply of high-quality fibre raw materials. Therefore, the Group needs to purchase woodchips in the PRC and from overseas.

The Directors believe that by entering into the Second Supplemental Agreement, the Group could make use of the advantageous procurement platforms and supply chain of woodchips of ACN, Tianjin ACN and Hainan ACN. It is expected that the cooperation with ACN, Tianjin ACN and Hainan ACN can lower the procurement costs of woodchips of the Group.

As referred to in the Letter from the Board, the Group has been sourcing recovered paper and recycled pulp and will start sourcing woodchips from ACN, Tianjin ACN and/or Hainan ACN due to their reliable supply, consistent quality and reasonable price. Being their largest customer, ACN, Tianjin ACN and Hainan ACN would always give priority to the Group's purchase orders. The Group makes its purchase decision based solely on commercial considerations as an independent business entity, and as a key player in the paper industry, the Group enjoys considerable bargaining power vis-a-vis its customers and suppliers. As a matter of fact, apart from ACN, Tianjin ACN and/or Hainan ACN, the Group has sourced from various independent suppliers in Europe, the PRC, Japan and Malaysia which are capable of offering recovered paper, recycled pulp and/or woodchips of comparable quality to the Group. The Directors consider that there is no undue reliance on ACN, Tianjin ACN and/or Hainan ACN by the Group.

Having considered the above background of the Recovered Paper and Recycled Pulp Agreement and the reasons for the Second Supplemental Agreement, we are of the view that the entering into of the Second Supplemental Agreement is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

## **(2) Principal terms of the Second Supplemental Agreement**

On 29 August 2022, the Company, ACN, Tianjin ACN and Hainan ACN entered into the Second Supplemental Agreement pursuant to which the Group agreed to purchase, in addition to recovered paper and recycled pulp, woodchips from ACN and/or Tianjin ACN and/or Hainan ACN or their respective subsidiaries. The term of the Recovered Paper and Recycled Pulp Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) is for three financial years ending on 30 June 2023, and the proposed annual caps for the transactions contemplated thereunder were RMB63,000 million for the financial year ended 30 June 2021, RMB74,000 million for the financial year ended 30 June 2022 and RMB78,000 million for the financial year ending 30 June 2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Shareholders may refer to the section headed “The Second Supplemental Agreement” of the Letter from the Board for details of the salient terms of the Recovered Paper and Recycled Pulp Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement). Based on our review and comparison of (i) around 25 individual contracts governing the historical transactions under the Recovered Paper and Recycled Pulp Agreement between the Group (as purchaser) and ACN and/or Tianjin ACN and/or Hainan ACN (as suppliers) (the “**Connected Contracts**”); and (ii) around 35 contracts governing the historical transactions from 2020 to 2022 between the Group (as purchaser) and other independent suppliers of recovered paper, recycled pulp and woodchips (the “**I3P Contracts**”), we noted that the major terms offered by the independent suppliers to the Group were similar to those offered to the Group by ACN, Tianjin ACN and Hainan ACN.

In view of that (i) the only amendment to the Recovered Paper and Recycled Pulp Agreement under the Second Supplemental Agreement is the addition of woodchips; and (ii) based on our review and comparison, the major terms offered by the independent suppliers to the Group were similar to those offered to the Group by ACN, Tianjin ACN and Hainan ACN, we are of the view that the terms of the Second Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **(3) Proposed annual caps under the Recovered Paper and Recycled Pulp Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement)**

As aforementioned, the Company has already obtained the independent Shareholders’ approval for the Recovered Paper and Recycled Pulp Agreement (including the proposed annual caps) and the Supplemental Agreement. In this relation, we understand that the proposed annual caps were determined against the backdrop of the restrictive policies promulgated by the PRC government since late 2017 in respect of the importation of overseas waste products (including but not limited to recovered paper). Such restrictive policies had substantially curbed the supply of imported recovered paper, leading the Group to gradually shifting its demand for overseas recovered paper to domestic recovered paper, and started the purchase of recycled pulp, and successively woodchips as raw materials for its manufacturing operations.

Based on our independent research regarding the latest development of the paper industry of the PRC, we noted that the regulatory restriction on importation of recovered paper from overseas had continued throughout 2020. Commencing from 1 January 2021, overseas recovered paper has been completely prohibited from importation into the PRC, resulting in tight supply of recovered paper. Under such circumstances, and in order to seize the opportunities arising from the national plastic ban in the PRC and changes in raw materials of packaging paper, the Group targets to expand the production of high-end products by implementing a number of fully-integrated pulp and paper mill projects in the PRC which would lead to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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additional production capacity for wood pulp in the next two years to ensure the supply of raw materials for high-end products. In order to improve product quality and production efficiency of packaging paper, the Group actively adjusted its raw material mix and looked for alternative raw materials, such as woodchips (the main raw material for pulp to produce high-quality fibre), to solve the bottleneck of the supply of high-quality fibre raw materials. Woodchips are therefore additionally required.

We notice from the data as disclosed in the Letter from the Board that the proposed annual caps for the financial years ended 30 June 2021 and 30 June 2022 were utilised as to less than 50%. Going forward, as woodchips will be included under the Second Supplement Agreement, the proposed annual cap for the financial year ending 30 June 2023 will be used as a cap for the purchase of recovered paper, recycled pulp and woodchips. In light of:

- (i) the improving revenue of the Group in recent year amid the recovery of the Chinese economy;
- (ii) the scheduled enlargement of the Group's production capacity for paper products in the coming years which is likely to trigger a surge in its demand for recovered paper, recycled pulp and woodchips as raw materials;
- (iii) the proposed annual caps were determined against the backdrop of the restrictive policies promulgated by the PRC government in respect of the importation of overseas recovered paper and the paper industry of the PRC remains vulnerable to those policies change;
- (iv) the market price of domestic recovered paper and recycled pulp fluctuated between RMB2,300 per tonne and RMB2,600 per tonne and between RMB2,400 per tonne and RMB3,000 per tonne, respectively, in recent years. Such substantial price fluctuations indicate the volatility of the paper industry; as such, a higher annual cap is justified in case the market stays vigorous;
- (v) other than price fluctuations, the quantity of recovered paper, recycled pulp and woodchips required by the Group for its manufacturing operations may be adjusted significantly when the Group is altering its raw materials mix, for example the consumption rate of recovered paper during the production process is normally 1:1.15 while that of recycled pulp and woodchips varies depending on the actual situation;
- (vi) as the proposed annual cap for the financial year ending 30 June 2023 has to serve to provide flexibility to the Group for the purchase of domestic recovered paper, recycled pulp and woodchips so as to respond promptly to possible market changes and optimise its raw materials mix, a reasonable level of buffer is required; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(vii) the proposed annual cap for the financial year ending 30 June 2023 is expected to be sufficient for the Group's manufacturing operations based on the Company's latest estimation,

we are of the view that the proposed annual caps under the Recovered Paper and Recycled Pulp Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) are fair and reasonable.

#### **(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 total amounts of the transactions contemplated under the Recovered Paper and Recycled Pulp Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) must be restricted by the annual caps for the financial years concerned under the Recovered Paper and Recycled Pulp Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement); (ii) the terms of the Recovered Paper and Recycled Pulp Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) 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 (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) 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 (as supplemented by the Supplemental Agreement and the Second Supplemental 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 (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) exceed the proposed annual caps, or that there is any material amendment to the terms of the Recovered Paper and Recycled Pulp Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement), the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

In addition, Shareholders may refer to the section headed "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 (as supplemented by the Supplemental Agreement and the Second Supplemental 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. As mentioned under the section

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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headed “Principal terms of the Second Supplemental Agreement” of this letter of advice, we have also reviewed and compared around 25 Connected Contracts and around 35 I3P Contracts, and noted that the major terms offered by the independent suppliers to the Group were similar to those offered to the Group by ACN, Tianjin ACN and Hainan ACN. Such comparison results may indicate that the Group has observed its internal control procedures in practice such that the terms of the continuing connected transactions were on normal commercial terms.

Taking into account 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 (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) 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 Second Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Second Supplemental Agreement is in the interests of the Company and the Shareholders as a whole and is 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 Second Supplemental 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**  
*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 17 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, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

#### (i) Interests in the Company

##### *Long position in the Shares*

Name of Directors	Number of Shares held			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%
Ken Liu	1,382,000	—	2,992,120,000	2,993,502,000	63.80%
Lau Chun Shun	14,149,000	—	2,992,120,000	3,006,269,000	64.07%
Tam Wai Chu, Maria	1,216,670	—	—	1,216,670	0.03%

*(ii) Interests in associated corporation of the Company**Long position in the Shares*

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

- (1) 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.
- (2) 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.

- (3) Ms. Cheung Yan and Mr. Liu Ming Chung are the settlors 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.
- (4) 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.
- (5) Mr. Zhang Lianpeng is a beneficiary of each of The Zhang Family Trust and The Golden Nest Trust.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Interests of 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 Shareholders	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 of The Cheung Family Trust and The Liu Family Trust	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 2021, 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 2021, 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 2021, 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 below, 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:
  - (i) On 2 June 2020, Dongguan Longteng Industrial Co., Ltd. (東莞市龍騰實業有限公司) (“**Dongguan Longteng**”) and the Company entered into a supply agreement, pursuant to which the Company agreed to supply packaging paper to Dongguan Longteng for the Group's production requirements from 1 July 2020 to 30 June 2023. Dongguan Longteng is a company wholly-owned by Mr. Zhang Cheng Ming and his family members. Mr. Zhang Cheng Ming is a brother of Mr. Zhang Cheng Fei and Ms. Cheung Yan, the uncle of Mr. Lau Chun Shun, Mr. Ken Liu and Mr. Zhang Liangpeng;

- (ii) on 2 June 2020, Cheng Ming Group (H.K.) Limited (“**Cheng Ming Group**”) and the Company entered into a purchase agreement, pursuant to which the Group agreed to purchase chemicals from Cheng Ming Group for the Group’s production requirements from 1 July 2020 to 30 June 2023. Cheng Ming Group is a company wholly-owned by Mr. Zhang Cheng Ming and his family members; and
- (iii) on 2 June 2020, the Company, ACN and Tianjin ACN entered into the Recovered Paper and Recycled Pulp Agreement. On 26 March 2021, the Company, ACN, Tianjin ACN and Hainan ACN entered into the Supplemental Agreement. On 29 August 2022, the Company, ACN, Tianjin ACN and Hainan ACN entered into the Second Supplemental Agreement.
- (c) The company secretary of the Company is Ms. Cheng Wai Chu, Judy, a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (d) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

## 9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company’s website ([www.ndpaper.com](http://www.ndpaper.com)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) from the date of this circular up to and including the date of the Special General Meeting:

- (a) the letter from the Independent Board Committee to the Independent Shareholders as set out in this circular;
- (b) the letter from VBG Capital Limited as set out in this circular;
- (c) the written consent referred to in the paragraph headed “Expert’s Qualification and Consent” in this Appendix;
- (d) the Recovered Paper and Recycled Pulp Agreement;
- (e) the Supplemental Agreement;
- (f) the Second Supplemental Agreement; and
- (g) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Nine Dragons Paper (Holdings) Limited (the “**Company**”) will be held at Room 1, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 21 October 2022 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 Second Supplemental Agreement to the Recovered Paper and Recycled Pulp Agreement dated 29 August 2022 (the “**Second Supplemental Agreement**”) entered into among the Company, America Chung Nam, Inc., ACN (Tianjin) Resources Co., Ltd. (中南(天津)再生資源有限公司) and Hainan ACN Resources Co. Ltd. (海南中南再生資源有限公司), 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; and
- (b) 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 Second Supplemental Agreement.”

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

Hong Kong, 30 September 2022

*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

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

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## NOTICE OF SPECIAL GENERAL MEETING

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*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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time 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 Tuesday, 18 October 2022 to Friday, 21 October 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 17 October 2022.
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 subsequently 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 ([www.ndpaper.com](http://www.ndpaper.com)) and the Stock Exchange to notify shareholders of the Company of the date, time and venue of the rescheduled meeting.
9. Compulsory body temperature checks will be carried out on every attendee at the entrance of Special General Meeting venue. Any person with a body temperature above the reference range quoted by the Department of Health or who has any flu-like symptoms may be denied entry to the Special General Meeting venue at the absolute discretion of the Company as permitted by law. 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 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.

\* *For identification purpose only.*