

For Immediate Release

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## Nine Dragons Acquire 78.13% Controlling Interest in Hebei Yongxin Paper

(Hong Kong, 12 January 2011) Nine Dragons Paper (Holdings) Limited (“NDP” or “Nine Dragons”, Stock code: 2689) (together with its subsidiaries, the “Group”) is pleased to announce that two subsidiaries (the “Purchasers”) of NDP and two subsidiaries (the “Vendors”) of Shanghai Industrial Holdings Limited (Stock code: 363) have entered into an agreement today, pursuant to which the Purchasers have conditionally agreed to purchase from the Vendors 78.13% equity interest in Hebei Yongxin Paper Co., Ltd. (河北永新紙業有限公司) (the “Target Company”) at a total consideration of RMB564,000,000 (approximately HK\$665,251,000). The consideration will be payable in 4 installments. The transaction is subject to conditions as stated in NDP’s official announcement today. Completion is targeted at 31 March 2011.

Based on the Target Company’s unaudited consolidated accounts (prepared in accordance with PRC GAAP), its consolidated net profit after taxation for the year ended 31 December 2010 was approximately RMB75 million. Its consolidated net asset value as at 31 December 2010 was approximately RMB620,000,000 (approximately HK\$731,300,000).

The Target Company is principally engaged in the manufacture and sale of containerboard products, with a total annual production capacity of approximately 500,000 tonnes currently in operation. The main product is linerboard. With a well established coverage of the Northern China market, the Target Company is expected to increase the Group’s market share in this region and create synergy with the Group’s existing production base in Tianjin as well as a new base being planned near Shenyang through the sharing of resources in procurement and sales. These 3 bases will complement each other in all business aspects including production skills, product diversity, customer service, sourcing, inventory management, cost optimization, logistics supports and human resources exchanges, thus further enhancing the Group’s future competitiveness and strengthening its leadership position in China.

Ms. Cheung Yan, Chairlady of NDP said, “Yongxin has been our respected competitor in the past, and I am glad that they will be joining the Nine Dragons family soon. They have an experienced management team, an extensive customer network and excellent knowledge of the local market, and with the cross-fertilization of efficient management systems as well as strong procurement and sales support from our existing and new production bases, Yongxin will be growing positively with us in terms of economies of scale, efficiency and profitability.”

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### **Background of Nine Dragons**

The Group is the largest containerboard product producer in China and Asia (including Japan), and one of the largest producers in the world, in terms of design capacity. It primarily manufactures linerboard, high performance corrugating medium and certain types of coated duplex board. The Group also manufactures specialty paper through a subsidiary, and produces unbleached kraft pulp through its joint venture subsidiary, which the Group uses as raw material for its own production as well as sells to third parties. The Group’s current annual design capacity amounts to 8.82 million tonnes, which is expected to increase to 11.45 million tonnes by June 2011. ND Paper was listed on the Main Board of the Hong Kong Stock Exchange on 3 March 2006.

This press release is distributed by Wonderful Sky Financial Group Limited for Nine Dragons Holdings Limited.

For details, please contact:

Wonderful Sky Financial Group Limited

Joanne Chan / Daisy Sun / Erica Liu

Direct Line: (852) 3970 2117 / (852) 3970 2185 / (852) 3970 2183

Tel: (852) 2851 1038

Fax: (852) 2815 1352

E-mail: joannechan@wsfg.hk / daisysun@wsfg.hk / ericaliu@wsfg.hk