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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 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)**

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTION  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser  
to Independent Board Committees 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 3 to 12 of this circular and letters from the Independent Board Committees to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committees and the Independent Shareholders is set out on pages 15 to 29 of this circular.

A notice convening the Special General Meeting to be held at Auditorium, 4/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Friday, 14 June 2019 at 11:30 a.m. is set out on pages 35 to 37 of this circular. A form of proxy for the Special General Meeting for use by the Shareholders is enclosed with this circular.

Whether or not you are able to attend the Special General Meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time designated for holding the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or at any adjourned meeting should you so wish.

\* *For identification purpose only*

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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:*

“associate”	has the meaning ascribed to it under the Listing Rules;
“Best Result”	Best Result Holdings Limited, a company incorporated under the laws of the British Virgin Islands, is a substantial shareholder of the Company;
“Board”	the board of directors of the Company;
“Company”	Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange;
“connected person”	has the same meaning ascribed to it under the Listing Rules;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors;
“Independent Financial Adviser”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committees and the Independent Shareholders on the terms of the Tianjin ACN Supplemental Agreement;
“Independent Shareholders”	Shareholders who are not interested in the transactions contemplated under the Tianjin ACN Wastepaper Purchase Agreement;
“Latest Practicable Date”	25 April 2019, 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;
“PRC”	the People’s Republic of China, which, for the purpose of this circular, does not include Hong Kong, Macao Special Administrative Region and Taiwan;

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholders”	shareholders of the Company;
“Special General Meeting”	the special general meeting of the Company to be convened and held at Auditorium, 4/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Friday, 14 June 2019 at 11:30 a.m. for the Independent Shareholders to approve the Tianjin ACN Supplemental Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tianjin ACN”	ACN (Tianjin) Resources Co., Ltd. (中南(天津)再生資源有限公司), a company established in the PRC and is indirectly owned as to 30% by the Company and as to 70% by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng;
“Tianjin ACN Supplemental Agreement”	the supplemental agreement to the Tianjin ACN Wastepaper Purchase Agreement dated 6 March 2019 between the Company and Tianjin ACN;
“Tianjin ACN Wastepaper Purchase Agreement”	the agreement dated 8 May 2017 entered into between the Company and Tianjin ACN;
“tpa”	unit of production capacity in 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. Lau Chun Shun  
Mr. Ken Liu *(Deputy Chairman)*  
Mr. Zhang Lianpeng  
Mr. Zhang Yuanfu *(Chief Financial Officer)*

*Independent Non-executive Directors:*

Ms. Tam Wai Chu, *Maria GBM, JP*  
Mr. Ng Leung Sing *SBS, JP*  
Mr. Lam Yiu Kin  
Mr. Chen Kefu

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal place of business  
in Hong Kong:*

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

30 April 2019

*To the Shareholders*

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTION  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 8 May 2017 and the circular of the Company dated 14 June 2017 in relation to, among others, the Tianjin ACN Wastepaper Purchase Agreement. Reference is also made to the announcement of the Company dated 6 March 2019 in relation to the Tianjin ACN Supplemental Agreement.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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The purpose of this circular is:

- (i) to provide the Shareholders with further details of the Tianjin ACN Supplemental Agreement and details of the revisions to the annual caps of the Tianjin ACN Wastepaper Purchase Agreement;
- (ii) to set out the opinion of the Independent Financial Adviser on the terms of the Tianjin ACN Supplemental Agreement and details of the revisions to the annual caps of the Tianjin ACN Wastepaper Purchase Agreement;
- (iii) to set out the recommendation of the Independent Board Committee on the Tianjin ACN Supplemental Agreement; and
- (iv) to give the Shareholders notice of the Special General Meeting to consider and, if thought fit, to approve the Tianjin ACN Supplemental Agreement and the revisions to the annual caps of the Tianjin ACN Wastepaper Purchase Agreement.

### **TIANJIN ACN SUPPLEMENTAL AGREEMENT**

On 8 May 2017, the Company and Tianjin ACN entered into the Tianjin ACN Wastepaper Purchase Agreement in relation to the purchase of wastepaper by the Group from Tianjin ACN.

As it is reasonably expect that the annual caps in relation to the transactions under the Tianjin ACN Wastepaper Purchase Agreement will be exceeded for the two remaining financial years ending 30 June 2019 and 2020, on 6 March 2019, the Company and Tianjin ACN entered into the Supplemental Agreement to revise the annual caps of the Tianjin ACN Wastepaper Purchase Agreement.

The details of the Tianjin ACN Wastepaper Purchase Agreement and the Tianjin ACN Supplemental Agreement are set out below:

#### **Parties**

- (1) the Company; and
- (2) Tianjin ACN

Tianjin ACN is a company established in the PRC and is principally engaged in the business of sourcing of wastepaper in the PRC. Tianjin ACN is indirectly owned as to 30% by the Company and as to 70% beneficially owned by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng, all are Directors and substantial shareholders of the Company. Accordingly, Tianjin ACN is an associate of connected persons of the Company and the transactions under the Tianjin ACN Wastepaper Purchase Agreement will constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### Subject

Under the Tianjin ACN Wastepaper Purchase Agreement, the Group will purchase wastepaper on a non-exclusive basis from Tianjin ACN from time to time.

### Term

The Tianjin ACN Wastepaper Purchase Agreement has a fixed term of three financial years ending 30 June 2020.

### Pricing terms

The purchase prices of the products under the Tianjin ACN Wastepaper Purchase Agreement will be determined with reference to the prevailing market prices of wastepaper in the PRC and in accordance with the pricing policies of continuing connected transactions of the Group and subject to the following additional principles:

The pricing terms for individual orders of wastepaper shall be determined by reference to:

- (a) the prevailing market price of similar wastepaper as publicly announced on the public website ([www.umpaper.com](http://www.umpaper.com)), which contains pricing information in relation to the current and historical market price of wastepaper, and collects data from market participants and updates the pricing of wastepaper; or
- (b) the pricing terms of wastepaper of comparable quality, specifications, quantities and required time of delivery offered by the independent suppliers (the “**Independent Raw Material Pricing Terms**”) to the Group based on the quotations obtained from at least three independent suppliers on the Group’s approved list of suppliers. The procurement department of the Group will compare the prices quoted and ensure that the pricing terms of the wastepaper are no less favourable than the prevailing market price or the Independent Raw Material Pricing Terms available to the Group.

The information from the website [www.umpaper.com](http://www.umpaper.com) was used by the Group as a reference for the determination of the market price for wastepaper as UM Paper is a leading publisher for information concerning the paper industry in the PRC. UM Paper is a subsidiary of RISI, Inc., a leading information provider for the global forest products industry. UM Paper provides pricing analysis on the paper industry in the PRC. It publishes newsletter where subscribers could obtain pricing information in relation to raw materials and paper products. Its information is used by practitioners across the paper industry, including plant operators, box and envelope makers, publishers, printers and professionals, and UM Paper is recognized by the paper industry as the leading source of market intelligence for the industry in the PRC.

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## LETTER FROM THE BOARD

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The terms of the Tianjin ACN Wastepaper Purchase Agreement were concluded after arm's length negotiations and were based on normal commercial terms in the parties' ordinary course of business.

### Revised Annual Caps

Pursuant to the Tianjin ACN Supplemental Agreement, the annual caps for the purchases of wastepaper from Tianjin ACN by the Group for the two remaining financial years ending 30 June 2019 and 2020 will be revised as follows:

	Annual Cap for the year ending 30 June	
	2019	2020
	<i>RMB' million</i>	<i>RMB' million</i>
Original	14,000	16,000
Revised	30,000	45,000

### Basis of determining the revised annual caps

The revised annual caps were determined after arm's length negotiations between the Company and Tianjin ACN based on the historical transaction amount for the financial year ended 30 June 2018 and the six months ended 31 December 2018, the expected demand for wastepaper by the Group to meet its manufacturing requirements, and the expected increases in the price of wastepaper during the term of the Tianjin ACN Wastepaper Purchase Agreement.

In determining the expected demand and prices for wastepaper, the Group has taken into consideration the following factors:

- (i) the increase in demand for domestic wastepaper as a result of:
  - (a) an increase in the production capacity of the Group of approximately 2.6 million tpa in accordance with the schedule of the new production lines of the Group beginning production operation;
  - (b) an increase in the purchase of domestic wastepaper from approximately 40% of the total purchase of the Group when the Tianjin ACN Wastepaper Purchase Agreement was entered into in May 2017 to approximately 56% at the end of June 2018, and is expected to be further increased to approximately 64% and 72% for the two financial years ending 30 June 2019 and 2020, respectively, as a result of the reduction in the import quota for wastepaper. The Group purchases domestic wastepaper from Tianjin ACN and other independent suppliers, with the purchases from Tianjin ACN representing approximately 61% and 75% for the financial year ended 30 June 2018 and the six months ended 31 December 2018, respectively; and



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## LETTER FROM THE BOARD

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- (ii) the increase in price of domestic wastepaper as a result of the tightening supply. The prices for domestic wastepaper has already risen by approximately 75% since the Tianjin ACN Wastepaper Purchase Agreement was entered into in May 2017 and is forecasted to rise even further in the coming years.

The historical transaction amount for the purchases of wastepaper products by the Group from Tianjin ACN for the financial year ended 30 June 2018 and the six months ended 31 December 2018 was as follows:

	<b>For the financial year ended 30 June 2018</b>	<b>For the six months ended 31 December 2018</b>
	<i>RMB' million</i>	<i>RMB' million</i>
Original annual cap	12,000	14,000 <sup>(Note)</sup>
Actual transaction amount	11,148	7,096

*Note:* The annual cap for the financial year ending 30 June 2019.

Save for the revision to the annual caps, the other terms of the Tianjin ACN Wastepaper Purchase Agreement will remain unchanged.

### REASONS FOR THE REVISION TO THE ANNUAL CAPS

The main raw material for the Group's manufacturing operations is wastepaper, which the Group purchases both from overseas and domestically. Historically, the Group purchased a significant portion of its supplies of wastepaper from overseas. The import of wastepaper by each paper manufacturer is subject to quota pre-approved by the relevant government authority from time to time and the prevailing quality standards required by the government. In 2018, the import quota granted to the paper industry has been reduced, and quality standards have been significantly tightened, notably the prohibition of import of "mixed paper" grades from all countries. All these have effectively reduced the quantity of imported wastepaper available to the paper industry, resulting in greater dependence on wastepaper procurement from the domestic market and driven up prices of domestic wastepaper. As a result, the Group had to procure significantly larger amounts of domestic wastepaper at higher prices as compared to 2017 and before.

Furthermore, owing to the trade war between the PRC and the U.S., with effect from 23 August 2018, a tariff (currently 25%) became applicable on all wastepaper imported from the U.S. The trade war has also led to tightened measures imposed by the PRC authorities on the inspection and customs clearance of imported wastepaper from the U.S. All these have resulted in volatility in both supplies and prices of imported wastepaper, which caused escalating industry demand for domestic wastepaper and much higher prices in the domestic wastepaper market. In order to ensure that the Group could secure sufficient quantity of wastepaper to meet its production and sales requirements, and in light of the sporadic supply of imported wastepaper, the Group has to rely more on domestic supply of wastepaper.

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## LETTER FROM THE BOARD

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As prices for domestic wastepaper have increased by more than 75% since June 2017, and that the quota for imported wastepaper is expected to continue to decrease on a yearly basis, the gap in the demand of wastepaper for the Group's manufacturing operations which was previously satisfied by imported wastepaper would need to be satisfied by domestic supplied wastepaper. With the Group's new paper production line in Chongqing with design capacity of 0.55 million tpa having commenced production in February 2019, and four more new paper production lines in Shenyang, Hebei, Quanzhou and Dongguan with combined design capacity of 2.05 million tpa will commence production in the second and third quarters of 2019, the production capacity of the Group will increase by approximately 18%.

Given (i) the tightening of supplies from imports as a result of the reduction in import quotas, (ii) the escalation in domestic wastepaper price, and (iii) the increase in the Group's production capacity as a result of the new capacity coming on line, it is expected that the existing annual caps under the Tianjin ACN Wastepaper Purchase Agreement for the two remaining financial years ending 30 June 2019 and 2020 will not be sufficient to meet the Group's requirements. Accordingly, the Tianjin ACN Supplemental Agreement was entered into to enable the Group to increase its purchase of wastepaper from Tianjin ACN to meet the Group's production and sales requirements in compliance with the Listing Rules.

Given that the Tianjin ACN Supplemental Agreement have been entered into after arm's length negotiations and under normal commercial terms, the Board considers that (i) the transactions contemplated under the Tianjin ACN Supplemental Agreement are being provided on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) the terms of the Tianjin ACN Supplemental Agreement and the proposed revised annual caps thereunder are fair and reasonable; and (iii) the Tianjin ACN Supplemental Agreement is in the interests of the Company and its Shareholders as a whole.

### **PRICING PRINCIPLES OF THE GROUP FOR CONTINUING CONNECTED TRANSACTIONS**

In addition to the pricing terms set out above, all continuing connected transactions of the Group would need to abide the following pricing principles:

The basis of determining the prices of the products to be supplied or purchased by the Group under the respective agreement of 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

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## LETTER FROM THE BOARD

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- (iii) if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously supplied or purchased by a party, and on normal commercial terms comparable to those offered by the relevant party to independent third parties.

In determining the prevailing market price for the products for a particular contract, the Company will:

- (a) in respect of procurement of products from a connected person or his/her associates, invite quotations from at least three independent suppliers to give a reference on the prevailing market prices for the relevant products to be procured. Such quotations will be reviewed and evaluated from both the technical and commercial perspectives by qualified personnel of the Company to ensure that the products to be procured from a connected person or his/her associates are comparable to the prices for such products being offered by independent third parties; and
- (b) in respect of provision of products to be sold to a connected person or his/her associates, evaluate and assess the scope of the relevant order and prepare a detailed cost calculation by reference to cost of materials, products and labors, quotes of the Group to other independent third party customers and the level of fees charged by competitors of the Group in the market (if available) to ensure that the prices of the products of the Group are competitive and comparable to those being offered to independent third party customers of the Group.

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 Group has in place procedures and principles to conduct regular checks to review and assess whether the products have been supplied/purchased in accordance with the terms of the relevant agreement.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the prices of the products are fair and reasonable, and are in line with the market average, the Group adopts the following methods and procedures:

- (a) The relevant personnel of the business department of the Company will conduct regular checks on a monthly basis to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of its respective agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy:
  - (i) both the sales team and the marketing team will from time to time (on a regular bi-weekly basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to ascertain the quality of the products compared to similar products in the market and the reference price of each type of the products in the market;
  - (ii) the operations team will regularly on a bi-weekly basis review, monitor and benchmark with the average industry gross profit margin in respect of the sales of the products;
  - (iii) the Company also conducts regular bi-weekly basis reviews of the sales, margin, market and profitability of the products and ensures the transactions are within the annual cap;
  - (iv) the Group would also work closely with customers with a view to obtaining information on the demand and inventory situation of the customers. The Company would then adjust or negotiate the prices of the products as and when necessary to ensure price fairness.
- (b) The Company will conduct periodic half-yearly audit reviews of the continuing connected transactions of the Company, to consider (i) effective implementation of the pricing policies and the payment methods, evaluation of balances of annual caps; and (ii) identification of management weaknesses, and recommendation of improvement measures to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective and where any weaknesses are identified, the Company will take measures to address them as soon as practicable.
- (c) The independent non-executive directors of the Company will review the transactions contemplated under the continuing connected transactions of the Company pursuant to Listing Rule 14A.55, and confirm in the annual report whether the transactions have been entered in the ordinary and usual course of business of the listed issuer's group; on normal commercial terms or better; and according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

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## LETTER FROM THE BOARD

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The independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps thereof.

### LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the revised annual caps under the Tianjin ACN Wastepaper Purchase Agreement are more than 5%, the revision to the annual caps is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Ken Liu and Mr. Zhang Lianpeng were considered to be interested in the transactions contemplated under the Tianjin ACN Supplemental Agreement and have abstained from voting in respect of the resolution proposed to approve the Tianjin ACN Supplemental Agreement.

### GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Tianjin ACN Supplemental Agreement and the revisions to the annual caps under the Tianjin ACN Wastepaper Purchase Agreement. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Tianjin ACN Supplemental Agreement and the transactions contemplated thereunder.

A Special General Meeting will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Tianjin ACN Supplemental Agreement and the revisions to the annual caps.

### SPECIAL GENERAL MEETING

A notice of the Special General Meeting is set out on pages 35 to 37 of this circular.

Pursuant to the Rule 13.39(4) of the Listing Rules, the vote of the shareholders at a general meeting would be taken by poll. Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Ken Liu and Mr. Zhang Lianpeng and their associates are considered to be interested in the Tianjin ACN Supplemental Agreement. As at the Latest Practicable Date, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Ken Liu and Mr. Zhang Lianpeng, through Best Result, held in aggregate 2,992,120,000 Shares, representing approximately 63.77% of the issued share capital of the Company. Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Ken Liu also personally hold 90,097,758 Shares, 31,594,184 Shares, 34,399,821 Shares, 14,149,000 Shares and 1,382,000 Shares, representing 1.92%, 0.67%, 0.73%, 0.30% and 0.03% of the issued share capital of the Company, respectively. Accordingly, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun

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## LETTER FROM THE BOARD

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Shun, Mr. Ken Liu and Mr. Zhang Lianpeng and their associates will abstain from voting for the resolution proposed at the Special General Meeting to approve the Tianjin ACN 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or at any adjournment thereof should you so wish.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 13 to 14 of this circular which contains its recommendations to the Independent Shareholders in respect of the terms of the Supplemental Agreement and the revisions to the annual caps of the Tianjin ACN Wastepaper Purchase 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 15 to 29 of this circular.

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

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

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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 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 April 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTION  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular of the Company to the Shareholders dated 30 April 2019 (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 Tianjin ACN Supplemental Agreement and the revisions to the annual caps under the Tianjin ACN Wastepaper Purchase 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 Tianjin ACN Supplemental Agreement and the revisions to the annual caps under the Tianjin ACN Wastepaper Purchase Agreement as set out on pages 15 to 29 of the Circular and the letter from the Board as set out on pages 3 to 12 of the Circular.

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 Tianjin ACN Supplemental Agreement and the revisions to the annual caps under the Tianjin ACN Wastepaper Purchase Agreement are on normal

\* For identification purposes only

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Tianjin ACN 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 Tianjin ACN Supplemental Agreement for the purpose of inclusion in this circular.*



建泉融資有限公司  
VBG Capital Limited

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

30 April 2019

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

Dear Sirs,

### **REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS — PURCHASE OF WASTEPAPER PRODUCTS**

#### **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 Tianjin ACN 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 April 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Terms used in this letter of advice shall have the same meanings as defined in the Circular unless the context requires otherwise.

References are made to the announcement and circular of the Company dated 8 May 2017 and 14 June 2017 respectively in relation to the Tianjin ACN Wastepaper Purchase Agreement to purchase wastepaper products from Tianjin ACN. As it is reasonably expected that the annual caps in relation to the transactions under the Tianjin ACN Wastepaper Purchase Agreement will be exceeded for the two remaining financial years ending 30 June 2019 and 2020, the Company and Tianjin ACN have on 6 March 2019 entered into the Tianjin ACN Supplemental Agreement to revise the said annual caps of the Tianjin ACN Wastepaper Purchase Agreement.

With reference to the Letter from the Board, as the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the revised annual caps under the Tianjin ACN Supplemental Agreement are more than 5%, the revision to the annual caps is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 Tianjin ACN 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 Tianjin ACN 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 Tianjin ACN 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 renewal of continuing connected transactions which a circular dated 14 June 2017 was issued; and (ii) the existing engagement in relation to the revision of annual caps for continuing connected transactions, 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 of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Tianjin ACN Supplemental Agreement.

### **BASIS OF OUR OPINION**

In formulating our opinion with regard to the Tianjin ACN Supplemental Agreement, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the announcements of the Company dated 8 May 2017 and 6 March 2019, its circular dated 14 June 2017 and 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 material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 investigation into the business and affairs or future prospects of the Group, Tianjin ACN or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Tianjin ACN Wastepaper Purchase Agreement and the Tianjin ACN 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 material 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 revised annual caps under the Tianjin ACN Supplemental Agreement 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 2020, and they do not represent forecasts of revenues/costs or purchases/sales to be recorded/incurred from the Tianjin ACN Supplemental Agreement. Consequently, we express no opinion as to how closely the actual revenue, costs, purchases or sales to be incurred under the Tianjin ACN Supplemental Agreement will correspond with such proposed revised annual caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

**(1) Background of and reasons for the Tianjin ACN Supplemental Agreement**

*Business overview of the Group*

The Group is engaged in the production and sale of a broad variety of quality packaging paperboard products, including linerboard (kraftlinerboard, testlinerboard and white top linerboard), high performance corrugating medium and coated duplex board, as well as the production and sale of recycled printing and writing paper and specialty paper.

Set out below is the consolidated financial information of the Group for the six months ended 31 December 2018 and the two financial years ended 30 June 2018 as extracted from the interim report of the Company for the six months ended 31 December 2018 (the “**2018/19 Interim Report**”) and its annual report for the financial year ended 30 June 2018 (the “**2017/18 Annual Report**”):

	<b>For the six months ended 31 December 2018 (unaudited) RMB'000</b>	<b>For the financial year ended 30 June 2018 (“FY2017/18”) (audited) RMB'000</b>	<b>For the financial year ended 30 June 2017 (“FY2016/17”) (audited) RMB'000</b>
Revenue	30,328,003	52,781,754	39,154,808
Profit for the period/year	2,276,968	7,861,251	4,409,634

As depicted by the above table, the Group recorded revenue of approximately RMB52.8 billion in FY2017/18, representing a significant growth of approximately 34.8% as compared to the prior financial year. With reference to the 2017/18 Annual Report, such growth was mainly driven by the increase in the selling price of the products. The Group's profitability also increased significantly by approximately 78.3% during the said financial year which, with reference to the 2017/18 Annual Report, was mainly attributable to a substantial increase in the selling price of the products and a better profit margin of the Group. According to the 2018/19 Interim Report, the Group achieved a revenue of approximately RMB30.3 billion for the six months ended 31 December 2018, representing an increase of approximately 18.2% as compared to the corresponding period last year. Nevertheless, the Group's profitability shrank for the six months ended 31 December 2018 primarily due to the increase in the cost of raw materials (mainly the costs of wastepaper and coal) and decrease in the selling price of the products.

As advised by the Directors, the major contributor of the Group's revenue was its packaging paper business, including linerboard, high performance corrugating medium and coated duplex board, which altogether accounted for approximately 94.3% of the revenue of the Group in FY2017/18. The Group generated the remaining of its revenue from the recycled printing and writing paper and high value specialty paper products business. From the 2017/18 Annual Report, we noted that the Group's total sales volume of packaging paperboard products and recycled printing and writing paper remained stable at approximately 13.0 million tonnes in FY2016/17 and FY2017/18; whereas the sales volume of linerboard in FY2017/18 increased by approximately 2.9% as compared to the prior financial year. As for the six months ended 31 December 2018, we noted from the 2018/19 Interim Report that the Group's sales volume reached approximately 7.5 million tonnes, increasing by approximately 19.0% as compared to the corresponding period last year. The increase in sales volume was driven by approximately 0.7 million tonnes, 0.1 million tonnes and 0.4 million tonnes increase in the Group's PRC business, Vietnam business and the newly acquired U.S. business respectively. Moreover, the sales volume of linerboard, high performance corrugating medium and printing and writing paper for the six months ended 31 December 2018 increased by approximately 16.9%, 19.5% and 145.5%, respectively, as compared to the corresponding period last year.

***The Group's production capacity***

According to the 2017/18 Annual Report, PM2(VN) at the Vietnam base of the Group commenced commercial production in January 2018. With an annual design production capacity of 0.35 million tonnes for linerboard products, this new paper machine has brought the Group's total design production capacity to approximately 14.08 million tpa. In June 2018, the Group acquired two fully-integrated pulp and paper mills in the U.S., which further increased the Group's total production capacity to approximately 15 million tpa. Subsequently, the Group completed the acquisition of another two pulp mills in the U.S., which have an aggregate annual production capacity of approximately 0.4 million tonnes. As at 31 December 2018, the Group's total design production capacity exceeded 15 million tpa. In February 2019, a new paper machine for linerboard commenced production in Chongqing, the PRC, adding 0.55 million tpa to the Group's design production capacity. As confirmed by the Directors, as at the Latest Practicable Date, the Group's total production capacity had almost been fully utilised to satisfy its sales. Thus, the Group has put continuous effort to expand its total design production capacity. Four more new paper production lines in Shenyang, Hebei, Quanzhou and Dongguan, the PRC with combined design production capacity of 2.05 million tpa will commence production in the second and third quarters of 2019. It is expected that the Group's total design production capacity will be approximately 18 million tpa thereafter.

*Information on Tianjin ACN*

As extracted from the Letter from the Board, Tianjin ACN is a company established in the PRC and is principally engaged in the business of the sourcing of wastepaper in the PRC. Tianjin ACN is indirectly owned as to 30% by the Company and as to 70% beneficially owned by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng, all being Directors and substantial shareholders of the Company.

*Overview of the paper industry and the recent policies*

Based on our independent research over the internet, as revealed by the 2017 Annual Report of the Paper Industry (the “**Report**”) published in May 2018 by China Paper Association (an organisation founded in 1992, registered at the State Ministry of Civil Affairs and regulated by the relevant department of the State Council), the output of paper and paperboard in the PRC in 2017 increased by approximately 2.5% than that in 2016 to approximately 111.3 million tonnes. Consumption of paper and paperboard in the PRC in 2017 also increased by approximately 4.6% as compared to that in 2016. From 2008 to 2017, the average output of paper and paperboard per year increased by approximately 3.8%, while the average consumption of the same per year increased by approximately 3.6%. The Report further revealed that the Company was one of the top 30 paper manufacturers in the PRC. In 2017, paper output of the Company ranked the first among the top 30 enterprises, and its production was approximately 2.4 times more than the paper manufacturer which ranked the second on the top 30 list.

On 14 December 2017, the Ministry of Ecology and Environment of the PRC released the Environmental Protection Management Regulation on Importing Wastepaper, restricting the import of wastepaper from abroad. Such restriction has led to a reduction in supply of imported wastepaper, thus the demand for wastepaper shifted to domestic source and consequently the price of domestic wastepaper rose from RMB1,606 per tonne in June 2017 to RMB2,084 per tonne in December 2017. On 2 May 2018, the General Administration of Customs of the PRC issued an urgent notice pursuant to which full unpacking and inspection and quarantine of waste materials from the U.S. were carried out with effect from 4 May 2018. Since then, the import volume of wastepaper has further reduced. Based on the data released by the General Administration of Customs of the PRC in the official website ([www.customs.gov.cn](http://www.customs.gov.cn)), from January 2018 to June 2018, China’s cumulative import volume of wastepaper was approximately 7.1 million tonnes, representing a substantial year-on-year decrease of approximately 53.0%. Due to the aforesaid chain effect, the price of domestic wastepaper further rose to the peak of RMB2,835 per tonne in June 2018, representing a robust year-on-year growth of approximately 76.5%.



On 8 August 2018, the Ministry of Commerce of the PRC announced the Notice of the Customs Tariff Commission of the State Council on Adding Tariffs to Imported Goods of About US\$16 Billion from the U.S. (Announcement of the Taxation Committee [2018] No. 7) to implement a 25% tariff on imported wastepaper from the U.S. which has become effective since 23 August 2018. The imposition of tariff would likely to further curb the demand for imported wastepaper from the U.S., thereby intensifying the growth on the demand for domestic wastepaper. Although the price of domestic wastepaper may have stopped the sharp rising trend in late 2018, based on the data released by the General Administration of Customs of the PRC, from January 2018 to December 2018, China's cumulative import volume of wastepaper was approximately 17.0 million tonnes, representing a substantial year-on-year decrease of approximately 33.8%.

***Reasons for the entering into of the Tianjin ACN Supplemental Agreement***

As referred to in the Letter from the Board, the main raw materials for the Group's manufacturing operations is wastepaper, which the Group purchases both from overseas and domestically. Historically, the Group purchased a significant portion of its supplies of wastepaper from overseas. The import of wastepaper by each paper manufacturer is subject to quota pre-approved by the relevant government authority from time to time and the prevailing quality standards required by the government. In 2018, the import quota granted to the paper industry has been reduced, and quality standards have been significantly tightened, notably the prohibition of import of "mixed paper" grades from all countries. All these have effectively reduced the quantity of imported wastepaper available to the paper industry, resulting in greater dependence on wastepaper procurement from the domestic market and driven up prices of domestic wastepaper. As a result, the Group had to procure significantly larger amounts of domestic wastepaper at higher prices as compared to 2017 and before. Furthermore, owing to the trade war between the PRC and the U.S., with effect from 23 August 2018, a tariff (currently 25%) became applicable on all wastepaper imported from the U.S. The trade war has also led to tightened measures imposed by the PRC authorities on the inspection and customs clearance of imported wastepaper from the U.S. All these have resulted in volatility in both supplies and prices of imported wastepaper, which caused escalating industry demand for domestic wastepaper and much higher prices in the domestic wastepaper market.

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According to the Directors, in order to ensure that the Group could secure sufficient quantity of wastepaper to meet its production and sales requirements, and in light of the sporadic supply of imported wastepaper due to the reduction in import quotas, the Group has to rely more on domestic supply of wastepaper. Besides Tianjin ACN, the Group also purchases domestic wastepaper from other local suppliers. The domestic wastepaper from Tianjin ACN represented around 61% and 75% of the total volume of domestic wastepaper purchased by the Group for the financial year ended 30 June 2018 and the six months ended 31 December 2018, respectively. Moreover, as the price of domestic wastepaper has increased, it is reasonable to expect that the existing annual caps under the Tianjin ACN Wastepaper Purchase Agreement for the two remaining financial years ending 30 June 2019 and 2020 will not be sufficient to meet the Group's production and sales requirements, taking into account its total design production capacity and expected sales volume in the coming years. Accordingly, the Tianjin ACN Supplemental Agreement was entered into.

Having considered that,

- (i) the import of wastepaper from the U.S. has been restricted by the current regulatory policies in the PRC, which resulted in a considerable reduction in supply of imported wastepaper coupled with an increase in the price of domestic wastepaper;
- (ii) paper output of the Company ranked the first among the top 30 enterprises in the PRC in 2017 and its production was approximately 2.4 times more than the paper manufacturer which ranked the second on the top 30 list. Given that wastepaper is the Group's main raw materials component, the Group's ability to source sufficient volumes of consistently high-quality wastepaper under stable, long-term arrangement is critical to its success; and
- (iii) the original annual caps under the Tianjin ACN Wastepaper Purchase Agreement are reasonably expected to be insufficient to satisfy the production and sales requirements of the Group attributable to the fact that the Group has to rely more on domestic wastepaper, the price of which has experienced an increase,

we are of the view that the entering into of the Tianjin ACN 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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (2) Principal terms of the Tianjin ACN Wastepaper Purchase Agreement and the Tianjin ACN Supplemental Agreement

The table below summarises the major terms of the Tianjin ACN Wastepaper Purchase Agreement and the Tianjin ACN Supplemental Agreement dated 8 May 2017 and 6 March 2019 respectively:

<b>Term:</b>	The Tianjin ACN Wastepaper Purchase Agreement has a fixed term of three financial years ending 30 June 2020.
<b>Parties:</b>	(i) The Company; and (ii) Tianjin ACN
<b>Subject:</b>	Under the Tianjin ACN Wastepaper Purchase Agreement, the Group will purchase wastepaper products on a non-exclusive basis from Tianjin ACN from time to time.
<b>Pricing terms:</b>	<p>The purchase prices of the products under the Tianjin ACN Wastepaper Purchase Agreement will be determined with reference to the prevailing market prices of wastepaper in the PRC and in accordance with the pricing policies of continuing connected transactions of the Group and subject to the following additional principles:</p> <p>The pricing terms for individual orders of wastepaper shall be determined by reference to:</p> <p>(a) the prevailing market price of similar wastepaper as publicly announced on the public website (<a href="http://www.umpaper.com">www.umpaper.com</a>), which contains pricing information in relation to the current and historical market price of wastepaper, and collects data from market participants and updates the pricing of wastepaper; or</p>

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

We have obtained and reviewed (i) the individual agreements governing the actual transactions between the Group and Tianjin ACN under the Tianjin ACN Wastepaper Purchase Agreement; and (ii) the agreements entered into between the Group (as recipient) and independent third parties (as supplier) in relation to the supply of domestic wastepaper similar to those under the Tianjin ACN Wastepaper Purchase Agreement, covering each of the three financial years ended 30 June 2018. As confirmed by the Directors and based on our review, we noted that the major terms (including the pricing and payment terms) offered by Tianjin ACN to the Group were similar to and not less favourable than those offered by the independent third party suppliers to the Group.

Save for the revision to the annual caps as detailed under the following subsection of this letter of advice, the other terms of the Tianjin ACN Wastepaper Purchase Agreement will remain unchanged.

***The proposed revised annual caps***

Pursuant to the Tianjin ACN Supplemental Agreement, the proposed annual caps for the purchase of wastepaper from Tianjin ACN by the Group for the two remaining financial years ending 30 June 2019 and 2020 will be revised as follows:

	<b>Annual cap for the financial year ending 30 June</b>	
	<b>2019</b>	<b>2020</b>
	<b>(“FY2018/19”)</b>	<b>(“FY2019/20”)</b>
	<i>RMB’ million</i>	<i>RMB’ million</i>
Original	14,000	16,000
Revised	30,000	45,000

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As extracted from the Letter from the Board, in arriving at the revised annual caps under the Tianjin ACN Supplemental Agreement, the Directors have considered (i) the historical transaction amount of wastepaper by the Group from Tianjin ACN in FY2017/18 and the six months ended 31 December 2018; (ii) the expected demand for domestic wastepaper by the Group to meet its production requirements; and (iii) the expected increase in the price of domestic wastepaper during the term of the Tianjin ACN Wastepaper Purchase Agreement. In this relation, based on our due diligence review, the key data for calculation of the revised annual caps is as follows:

	<b>FY2018/19</b>	<b>FY2019/20</b>
Expected annual production of the Group (million tonnes) <b>(A)</b>	15.6	17.0
Expected demand for domestic wastepaper by the Group from Tianjin ACN based on the Group's total production (million tonnes) <b>(B) = (A)*1.15* Tianjin Percentage</b> <i>(Note 1)</i>	9.0	11.2
Expected price of domestic wastepaper per tonne (RMB) <b>(C)</b> <i>(Note 2)</i>	2,904	3,485
Expected total purchase from Tianjin ACN (RMB' million) <b>(D) = (B)*(C)</b>	26,136	39,032
Additional buffer <b>(E)</b>	15%	15%
Proposed revised annual cap <b>(D)*(E)</b>	30,000	45,000

*Notes:*

(1) *The consumption rate of wastepaper is 1:1.15.*

*Moreover, as advised by the Directors, during FY2017/18, the Group purchased approximately 35% of the total wastepaper it required for production from Tianjin ACN (the "Tianjin Percentage"). It is expected that the Tianjin Percentage will be 50% and 57% respectively in FY2018/19 and FY2019/20.*

(2) *Based on the market price of domestic wastepaper of RMB2,420 per tonne in February 2019, the expected year-on-year increase in market price of domestic wastepaper is approximately 20% in FY2018/19 and FY2019/20.*

With reference to the Letter from the Board, the actual transaction amount for the purchase of wastepaper by the Group from Tianjin ACN in FY2017/18 was approximately RMB11,148 million, indicating that the original annual cap of RMB12,000 million had almost been fully utilised. For the six months ended 31 December 2018, the actual transaction amount was approximately RMB7,096 million. As illustrated under the sub-section headed "Overview of the paper industry and the recent policies" of this letter of advice, due to tighten measures imposed by the PRC authorities, there has been a considerable reduction in supply of imported wastepaper coupled with an increase in the price of domestic wastepaper. As mentioned, the cumulative import volume of wastepaper was

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approximately 7.1 million tonnes from 1 January 2018 to 30 June 2018, representing a substantial year-on-year decrease of approximately 53.0%; whilst the price of domestic wastepaper rose to the peak of RMB2,835 per tonne in June 2018, representing a robust year-on-year growth of approximately 76.5%. Given that the Group has been purchasing a majority of wastepaper from domestic source and the supply from Tianjin ACN has contributed an increasing proportion of the domestic supply of wastepaper to the Group (from 61% to 75% of domestic wastepaper as highlighted under the sub-section headed “Reasons for the entering into of the Tianjin ACN Supplemental Agreement” of this letter of advice), we are of the view that the Company’s assumption on the possible increase in the Tianjin Percentage (i.e. from 35% in FY2017/18 to 50% in FY2018/19, then to 57% in FY2019/20 out of the total wastepaper) in calculating the revised annual caps is justifiable. On the other hand, based on the aforesaid robust year-on-year growth of the price of domestic wastepaper of approximately 76.5% from June 2017 to June 2018, as well as our research findings at [www.100ppi.com](http://www.100ppi.com)<sup>1</sup> that the price of domestic wastepaper had rose year-on-year by approximately 31.3% and 50.4% in 2016 and 2017 respectively, we are of the view that the Company’s assumption on the increase in the expected price of domestic wastepaper (which is 20% in both FY2018/19 and FY2019/20) in calculating the revised annual caps is justifiable.

Regarding the expected annual productions of the Group, given the effect of the expansion in production capacity of the Group in the PRC to approximately 17 million tpa in 2019 following the commencement of production its new production lines as presented under the sub-section headed “The Group’s production capacity” of this letter of advice, we are of the view that the expected annual productions of the Group for the two financial years ending 30 June 2019 and 2020 as depicted in the above table are properly substantiated. Additionally, as the current production capacity of the Group has almost been fully utilised to satisfy the Group’s sales, and the production capacity of the Group is expected to be mostly utilised in the future given the historical growth in consumption of paper and paperboard in the PRC and the Group’s strong sales, we concur with the Directors that it is reasonable to use the expected annual productions of the Group as the base for estimating the revised annual caps under the Tianjin ACN Supplemental Agreement.

Furthermore, while it seems that the Group’s recent sales volume has not been materially affected by the trade war between the PRC and the U.S. (for details, please refer to the sub-section headed “Business overview of the Group” of this letter of advice), the Group’s future operations and production may be affected by other unforeseeable circumstances, such as abrupt surge in price and demand of domestic wastepaper and/or instability or disruption in supply of

<sup>1</sup> The Business Community 生意社 ([www.100ppi.com](http://www.100ppi.com)) is a commodity data quotient. It is a data organisation that tracks, analyses and researches commodities. It is built by the listed company Zhejiang Netsun Co., Ltd. (stock code: 002095). The Business Community tracks the spot data of more than 500 commodities in energy, chemical, rubber, nonferrous metals, steel, textiles, building materials, agricultural and tertiary industries, and covers futures data in more than 20 global futures markets such as the New York Mercantile Exchange and the Shanghai Futures Exchange.

imported wastepaper due to changes in government policies and/or international political and trading environment and/or other factors affecting the supply of wastepaper, the effects of which are highly unpredictable. We therefore consider that it is acceptable that reasonable buffer of 15% is built in when estimating the revised annual caps so as to provide the Group with sufficient level of flexibility to cater for the possible unforeseeable market changes.

Taking into account all the foregoing aspects, we are of the opinion that the terms of the Tianjin ACN Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

**(3) Internal control and compliance with the Listing Rules**

Shareholders may refer to the section headed “Internal control policy for continuing connected transactions” in the Letter from the Board with regard to the various internal control measures that the Group has adopted to (i) determine the prevailing market price of domestic wastepaper under the Tianjin ACN Wastepaper Purchase Agreement; and (ii) supervise the continuing connected transactions contemplated under the Tianjin ACN Wastepaper Purchase Agreement. For our due diligence purpose, we have requested, obtained and reviewed the relevant internal control manual of the Group to understand how the relevant personnel of the business department of the Company (a) will conduct regular checks on a monthly basis to review and assess whether the transactions contemplated under the Tianjin ACN Wastepaper Purchase Agreement are conducted in accordance with the terms thereof; and (b) will 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 relevant pricing policy. We have also requested, obtained and reviewed the wastepaper procurement reports of the Group which described (i) the wastepaper procurement process; (ii) the individual wastepaper procurement contracts and relevant price comparison; and (iii) the proposed amount of wastepaper to be purchased from different suppliers of the Group. Furthermore, as mentioned under the section “Principal terms of the Tianjin ACN Wastepaper Purchase Agreement and the Tianjin ACN Supplemental Agreement” of this letter of advice, we have obtained and reviewed (i) the individual agreements governing the actual transactions between the Group and Tianjin ACN under the Tianjin ACN Wastepaper Purchase Agreement; and (ii) the agreements entered into between the Group (as recipient) and independent third parties (as supplier) in relation to the supply of domestic wastepaper similar to those under the Tianjin ACN Wastepaper Purchase Agreement, covering each of the three financial years ended 30 June 2018. As confirmed by the Directors and based on our review, we noted that the major terms (including the pricing and payment terms) offered by Tianjin ACN to the Group were similar to and not less favourable than those offered by the independent third party suppliers to the Group. These documents may substantiate that the aforesaid internal control procedures of the Group have been followed in practice to ensure that the terms of the continuing connected transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the Tianjin ACN Wastepaper Purchase Agreement must be restricted by the proposed revised annual caps for the years concerned under the Tianjin ACN Wastepaper Purchase Agreement; (ii) the terms of the Tianjin ACN Wastepaper Purchase Agreement and the Tianjin ACN 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 Tianjin ACN Wastepaper Purchase Agreement and the Tianjin ACN 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 Tianjin ACN Wastepaper Purchase Agreement are carried out in accordance with the pricing policies of the Company, and the proposed revised annual caps are not being exceeded. In the event that the total amounts of the transactions contemplated under the Tianjin ACN Wastepaper Purchase Agreement exceed the proposed revised annual caps, or that there is any material amendment to the terms of the Tianjin ACN Wastepaper Purchase Agreement and the Tianjin ACN Supplemental Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

In relation to the above, we have also reviewed the annual reports of the Company for each the two financial years ended 30 June 2018 and noted that the Company has been complying with the stipulated requirements under the Listing Rules (including both the review by the independent non-executive Directors and the auditors of the Company) for the continuing connected transactions contemplated under the Tianjin ACN Wastepaper Purchase Agreement.

With the internal control measures of the Group as well as the stipulated requirements for continuing connected transactions of the Listing Rules in place, the continuing connected transactions contemplated under the Tianjin ACN Wastepaper Purchase Agreement will be monitored and hence the interest of the Independent Shareholders would be safeguarded.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Tianjin ACN 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 Tianjin ACN 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 Tianjin ACN 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**  
*Deputy Managing Director*

*Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 14 years of experience in corporate finance industry.*



## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests

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

#### (i) Interests in the Company

Name of Director	Long Position/ Short Position	Number of Shares			Total	Approximate percentage of shareholding
		Personal interest	Family interest	Corporate interest		
Cheung Yan	Long Position	90,097,758	31,594,184	2,992,120,000	3,113,811,942	66.36%
Liu Ming Chung	Long Position	31,594,184	90,097,758	2,992,120,000	3,113,811,942	66.36%
Zhang Cheng Fei	Long Position	34,399,821	—	—	34,399,821	0.73%
Lau Chun Shun	Long Position	14,149,000	—	2,992,120,000	3,006,269,000	64.07%
Ken Liu	Long Position	1,382,000	—	2,992,120,000	2,993,502,000	63.80%
Tam Wai Chu, Maria	Long Position	1,216,670	—	—	1,216,670	0.03%

#### (ii) Interests in associated corporation of the Company

Name of Director	Long Position/ Short Position	Name of associated corporation	Capacity	Number of shares held	Approximate percentage of shareholding
Cheung Yan	Long Position	Best Result	Founder of The Cheung Family Trust	37,073	37.073%
			Interest of spouse	37,053	37.053%



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

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

**(b) Substantial Shareholders**

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

*Long Positions in the Shares/underlying Shares*

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

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

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

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

### 3. DIRECTORS' SERVICE CONTRACTS

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

### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, in so far as the Directors were aware, 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, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2018, 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:

<b>Name</b>	<b>Qualification</b>
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 2018, 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 2018, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in the annual report of the Company under the paragraph headed “Directors’ Interests in Contracts”, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.
- (c) The company secretary of the Company is Ms. Cheng Wai Chu, Judy, an associate member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 13 to 14 of this circular;
- (c) the letter from VBG Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 29 of this circular;
- (d) the written consents referred to in the paragraph headed “Expert’s Qualification and Consent” in this Appendix;
- (e) the Tianjin ACN Supplemental Agreement; and
- (f) 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 Auditorium, 4/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on 14 June 2019, at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

“**THAT**

- (a) the Tianjin ACN supplemental agreement (the “**Tianjin ACN Supplemental Agreement**”) dated 6 March 2019 entered into between the Company and ACN (Tianjin) Resources Co., Ltd. (中南(天津)再生資源有限公司) (“**Tianjin ACN**”), a copy of which is tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the parties have conditionally agreed to amend the annual caps of the agreement entered into between the Company and Tianjin ACN on 8 May 2017 (the “**Tianjin ACN Wastepaper Purchase Agreement**”) be and is hereby approved, ratified and confirmed;
- (b) the revised annual caps of the Tianjin ACN Wastepaper Purchase Agreement as set out in the circular of the Company dated 30 April 2019 be and is hereby approved; and
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Tianjin ACN Supplemental Agreement.”

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

Hong Kong, 30 April 2019

\* *For identification purposes only*

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## NOTICE OF SPECIAL GENERAL MEETING

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*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

**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 share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the meeting, or any adjourned meeting thereof (as the case may be).
4. The register of members of the Company will be closed from Tuesday, 11 June 2019 to Friday, 14 June 2019, 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, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 10 June 2019.
5. Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

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## NOTICE OF SPECIAL GENERAL MEETING

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6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
7. The votes at the above mentioned meeting will be taken by poll.
8. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 3 hours before the time of the meeting, the meeting will be postponed. The Company will publish an announcement on the websites of the Company and the Stock Exchange to notify shareholders of the Company of the date, time and venue of the rescheduled meeting.
9. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

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