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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)

**ANNOUNCEMENT
PRICE-SENSITIVE INFORMATION**

Further to the announcement of the Company dated 14 March 2008, the Board is pleased to announce that on 5 May 2008, Dalson, an indirectly wholly-owned subsidiary of the Company, as purchaser, entered into the Agreement with the Vendors pursuant to which Dalson has agreed to acquire the entire issued share capital of Best Shine from the Vendors for an aggregate consideration of US\$22,800,000.

Best Shine is an investment holding company that holds 60% equity interest in Cheng Yang which principally engages in the production of various kinds of industrial papers, including kraft paper, testliner and medium paper in Vietnam.

The Acquisition does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and this announcement is made pursuant to Rule 13.09 of the Listing Rules.

Reference is made to the announcement of the Company dated 14 March 2008 in respect of the proposed acquisition of a controlling interest in a paper mill established in Vietnam. The Board is pleased to announce that on 5 May 2008, Dalson, an indirect wholly-owned subsidiary of the Company, as purchaser, entered into the Agreement with the Vendors, pursuant to which Dalson has agreed to acquire all the entire issued share capital of Best Shine from the Vendors. The details of the Agreement are as follows:

Date

5 May 2008

Parties

- (i) Dalson; and
- (ii) the Vendors.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendors is an Independent Third Party and has no prior business relationship with the Group.

Subject Matter

The Vendors have agreed to sell and Dalson has agreed to acquire the entire issued share capital in Best Shine. Best Shine is an investment holding company that holds 60% equity interest in Cheng Yang which principally engages in the production and processing of various kinds of industrial papers, including kraft paper, testliner and medium paper in Vietnam.

Consideration

The total consideration for the Acquisition is US\$22,800,000 which has been or shall be (as the case may be) paid in the following manner:

- (a) an initial deposit of US\$3,000,000 has been paid to the Vendors ; and
- (b) the balance of the consideration in the sum of US\$19,800,000 shall be payable on Completion.

The consideration was reached after arm's length negotiation between the parties to the Agreement and was determined with reference to the net asset value of Cheng Yang. The Directors consider that the consideration of US\$22,800,000 to be reasonable and under normal commercial terms.

Conditions to the Agreement

Completion of the Agreement is conditional upon, among others, the satisfaction of the following conditions:

- (a) Dalson having satisfied with the results of the legal and financial due diligence in respect of Cheng Yang by notifying the Vendors in writing;
- (b) Cheng Yang having obtained the certificate of investment confirming that the amount of total investment and registered capital have been increased to US\$206,000,000 and US\$61,800,000, respectively, and such increase have been duly approved and agreed by the relevant governmental authorities and third party (if required); and
- (c) the Vendors' warranties remaining true and accurate, and not misleading, in all material respects at the completion.

Completion

Completion shall take place on the third business day after the date on which the last of the conditions is fulfilled or waived (where applicable).

Information on Best Shine and Cheng Yang

Best Shine is an investment holding company incorporated in the Cayman Islands with limited liability. Best Shine holds 60% equity interest in Cheng Yang.

Cheng Yang is a limited liability company established in Vietnam with a total investment of US\$206,000,000. Products manufactured by Cheng Yang are mainly sold in Vietnam, Laos and Cambodia. Cheng Yang possesses auxiliary facilities for its integrated manufacturing businesses, including a coal-fire boiler, waste water treatment system and other transportation facilities. It has

also obtained approvals from local authorities on the increases in capital and production capacity. Upon completion of the Acquisition, the Company plans to increase the production capacity of Cheng Yang to a level where economy of scale can be attained, thereby lowering its production costs. Cheng Yang currently has sufficient land bank for increasing production capacity in future. In respect of equipment, as the time lag between ordering a new paper manufacturing machine to delivery is two to three years, the Company plans to transfer delivery of a paper manufacturing machine with annual production capacity of approximately 400,000 tonnes to Cheng Yang, which is formerly scheduled for the Group's future projects in the PRC. The new machine is expected to commence production by the end of 2009. Cheng Yang has an existing production capacity of approximately 100,000 tonnes per annum and is one of the largest packaging and containerboard producers in Vietnam. Its annual production capacity is expected to increase by approximately 400,000 tonnes, thereby increasing its annual production capacity to approximately 500,000 tonnes per annum. It is expected that Cheng Yang will continue to be one of the largest packaging and containerboard producers in Vietnam. The Acquisition and the production capacity expansion plan of Cheng Yang will not result in the capital expenditures of the Group exceeding its original overall budget.

Benefits of the Acquisition

The Company adopts a prudent expansion plan for its related business through, among others, identifying investment opportunities with potential for its paper manufacturing business in territories outside the PRC or, in the views of Directors, to provide synergies to its paper manufacturing business.

The Company is the largest producer in Asia and one of the largest producers in the world of containerboard products. The Company has developed an extensive distribution network in the PRC and made substantial pre-investments in infrastructure development, including pier and land for future development.

The Directors believe that the Acquisition would facilitate the exploration of the Vietnamese market. Upon completion of increase in production capacity by Cheng Yang, the number of production and export bases of the Group outside the PRC would increase, resulting in further strengthening of the position of the Company in the global market and enhancement of market share, thereby increasing the Group's overall competitiveness in the long run. Subject to the market conditions, it is estimated that Cheng Yang may invest approximately US\$200 million to further expand its business operations in Vietnam. As at the date of this announcement, no other binding agreement has been entered into in relation to the Group's business operations in Vietnam. The Company will keep the market informed by way of announcement in compliance with the Listing Rules as and when appropriate.

General

The Acquisition does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. This announcement is made pursuant to Rule 13.09 of the Listing Rules. The Directors individually and jointly accept responsibility for the accuracy of the information in this announcement.

Definitions

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

“Acquisition”	the acquisition of all the issued share capital of Best Shine by Dalson from the Vendors pursuant to the Agreement;
“Agreement”	the agreement dated 5 May 2008 between Dalson and the Vendors for the sale and purchase of the entire issued share capital of Best Shine;
“Best Shine”	Best Shine International Development (Cayman V) Ltd., a company incorporated in the Cayman Islands;
“Cheng Yang”	Cheng Yang Paper Mill Co., Ltd., a company incorporated in Vietnam
“Company”	Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
“Dalson”	Dalson International Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirectly wholly-owned subsidiary of the Company;
“Director(s)”	the director(s) of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	independent third party not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Purchaser”	Dalson;
“Shares”	the shares of par value of HK\$0.1 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Vendors”	Grand Development Overseas Corporation and Mr. Huang Kuan-Li; and
“%”	per cent.

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

Hong Kong, 5 May 2008

As at the date of this announcement, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei and Ms. Gao Jing are executive Directors, Mr. Lau Chun Shun is a non-executive Director and Ms. Tam Wai Chu, Maria, Mr. Chung Shui Ming, Timpson, Dr. Cheng Chi Pang and Mr. Wang Hong Bo are independent non-executive Directors.

** For identification purposes only*