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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)

**SUPPLEMENTAL AGREEMENT TO
CONTINUING CONNECTED TRANSACTION**

This announcement is made pursuant to Rule 14A.54 of the Listing Rules.

Reference is made to the announcement of the Company dated 2 June 2020 in relation to, among others, the continuing connected transactions under the Recovered Paper and Recycled Pulp Agreement.

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

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

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Supplemental Agreement and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Agreement.

A circular containing, among other things, details of the Supplemental Agreement, a letter from the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Agreement will be despatched to the Shareholders on or before 21 April 2021.

Reference is made to the announcement of the Company dated 2 June 2020 in relation to, among others, the continuing connected transactions under the Recovered Paper and Recycled Pulp Agreement.

THE RECOVERED PAPER AND RECYCLED PULP AGREEMENT

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

THE SUPPLEMENTAL AGREEMENT

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

Save for the addition of Hainan ACN as a party to the Recovered Paper and Recycled Pulp Agreement, all other terms of the Recovered Paper and Recycled Pulp Agreement remain unchanged.

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

Subject: the Group agreed to purchase recovered paper and recycled pulp from ACN and/or Tianjin ACN and/or Hainan ACN or their respective subsidiaries ;

Term: a period of three years ending 30 June 2023;

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

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

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

Cap Amount:

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

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

The annual caps under the Recovered Paper and Recycled Pulp Agreement were determined by reference to the historical transaction amount and the expected demand of recovered paper and recycled pulp by the Group. The historical amount of purchases from ACN and Tianjin ACN for the two financial years ended 30 June 2019 and the six months ended 31 December 2020 are as follows:

	For the year ended 30 June 2018 RMB' million	For the year ended 30 June 2019 RMB' million	For the six months ended 31 December 2020 RMB' million
Annual cap ^(Note 1)	31,000	51,000	68,000 ^(Note2)
Actual purchases	21,242	22,865	15,052 ^(Note3)

Notes:

- 1. The annual cap is the combined annual caps for purchases from ACN and Tianjin ACN, as amended.*
- 2. The annual cap of RMB68,000 million is for the entire financial year ended 30 June 2020.*
- 3. The unaudited figures for the six months ended 31 December 2020 is RMB15,052 million.*

REASONS FOR THE SUPPLEMENTAL AGREEMENT

On 23 June 2020, the Ministry of Finance and State Taxation Administration of the PRC issued guidance (Circular 31) implementing several tax measures to support the development of the Hainan Free Trade Port (“HFTP”). The measures are effective retroactively as from 1 January 2020 and will expire on 31 December 2024, and include a special 15% enterprise income tax rate (reduced from the statutory 25% rate in other provinces in PRC) for taxpayers engaged in business activities in the HFTP. It is anticipated that Hainan ACN could benefit from the special tax rate and this policy can benefit Hainan ACN undoubtedly.

As the Supplemental Agreement was entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, the Directors, excepted the Interested Directors who have abstained from voting for the resolution to approve the Supplemental Agreement and the independent non-executive Directors, consider that the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the independent non-executive Directors will be set out in the circular of the Company after taking advice from the independent financial adviser.

LISTING RULE IMPLICATIONS

Hainan ACN is indirectly owned as to 70% by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng and indirectly owned as to 30% by the Company.

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

INFORMATION ON THE PARTIES

The Company

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

ACN

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

Tianjin ACN

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

Hainan ACN

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

PRICING AND INTERNAL CONTROL POLICIES

The Company has in place pricing and internal control policies with regard to continuing connected transactions. The details of such policies will be disclosed in the circular of the Company to be despatched to the shareholders in relation to the Supplemental Agreement.

GENERAL

Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Ken Liu, Mr. Lau Chun Shun and Mr. Zhang Lianpeng (the “**Interested Directors**”) are considered to be interested in the Supplemental Agreement and have abstained from voting for the approval of the Supplemental Agreement at the Board meeting convened for such purpose.

The Interested Directors and their respective Associates will abstain from voting on the resolution to be proposed at the Special General Meeting to approve the Supplemental Agreement.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Supplemental Agreement and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Agreement.

A circular containing, among other things, details of the Supplemental Agreement, a letter from the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Agreement, and a notice of the special general meeting to be convened to approve the Supplemental Agreement will be despatched to the Shareholders on or before 21 April 2021.

DEFINITIONS

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

“ACN”	America Chung Nam, Inc., a corporation established with limited liability under the laws of the State of California in the United States, which is indirectly wholly-owned by Ms. Cheung Yan and Mr. Liu Ming Chung, both of whom are Directors and substantial shareholders of the Company;
“associate”	has the same meaning as given to it under the Listing Rules;
“Board”	the board of the Company;
“Company”	Nine Dragons Paper (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange;

“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hainan ACN”	Hainan ACN Resources Co., Ltd.(海南中南再生資源有限公司), a company established in the PRC and is indirectly owned as to 70% by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng and as to 30% by the Company;
“Independent Board Committee”	the independent board committee of the Board;
“Independent Shareholders”	Shareholders of the Company who have no material interest in the Supplemental Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China;
“Recovered Paper and Recycled Pulp Agreement”	the agreement dated 2 June 2020 entered into among the Company, ACN and Tianjin ACN in relation to the supply of recovered paper and recycled pulp to the Group;
“RMB”	Renminbi, the lawful currency of the PRC;
“Special General Meeting”	the special general meeting to be convened to approve the Supplemental Agreement;
“Supplemental Agreement”	the supplemental agreement to the Recovered Paper and Recycled Pulp Agreement dated 26 March 2021 entered into between the Company, ACN, Tianjin ACN and Hainan ACN;
“Tianjin ACN”	ACN (Tianjin) Resources Co., Ltd. (中南(天津)再生資源有限公司), a company established in the PRC and is indirectly owned as to 70% by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng and as to 30% by the Company; and

“%”

per cent

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

Hong Kong, 26 March 2021

As at the date of this announcement, the executive directors are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Ken Liu, Mr. Lau Chun Shun, Mr. Zhang Lianpeng and Mr. Zhang Yuanfu; the independent non-executive directors are Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing, Mr. Lam Yiu Kin and Mr. Chen Kefu.

**For identification purposes only*