

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**玖龍紙業(控股)有限公司\***

**NINE DRAGONS PAPER (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 2689)

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF PAPER MILLS IN THE U.S.**

On 25 May 2018, the Company and the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor, the Guarantor and the Target Company on the acquisition of the Target Company. The Target Company is a company incorporated in Delaware, the U.S. The Target Company owns and operates two paper mills located in Maine and Wisconsin engaging in the business of manufacturing and distributing various types of pulp, paper and paper-based packaging materials. The consideration for the Acquisition is a sum of US\$175,000,000 (equivalent to approximately HK\$1,373,750,000).

Upon completion of the Acquisition, the Target Company will be wholly owned by the Purchaser and the Target Company will become an indirect wholly-owned subsidiary of the Company.

As one of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

**THE ACQUISITION**

On 25 May 2018, the Company and the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor, the Guarantor and the Target Company. The Guarantor is the holding company of the Vendor and will guarantee the obligations of the Vendor under the Agreement.

To the best knowledge of the Directors, having made all reasonable enquiry, each of the Vendor and the Guarantor is independent of and not connected with the Company and its connected persons. The salient terms of the Agreement are set out below:

**Subject matter**

The Vendor will sell, and the Purchaser will acquire, the entire equity interest in the Target Company. The transaction will also include the transfer of certain customer contracts, employees and information technology assets in relation to the operation of the Target Company's business.

The Guarantor is the holding company of the Vendor and will guarantee the obligations of the Vendor under the Agreement.

### **Consideration**

The consideration for the Acquisition is US\$175,000,000 (equivalent to approximately HK\$1,373,750,000), which was determined after arm's length negotiations between the Purchaser and the Vendor. The consideration will be paid:

- (a) as to US\$17,500,000 (equivalent to approximately HK\$137,375,000) as deposit at the time of the execution of the Agreement; and
- (b) the balance of the consideration at closing.

The consideration will be satisfied by the Group through its cash in hand and bank borrowing.

### **Conditions to closing**

Closing of the Acquisition is subject to, among others, the Vendor and the Target Company making of all filings with, and their receipt of all consents, authorizations and approvals from the relevant government bodies in respect of the transactions contemplated under the Agreement.

### **INFORMATION ON THE TARGET COMPANY**

The Target Company was incorporated in the state of Delaware, the U.S. The Target Company owns and operates two paper mills located in Rumford, Maine and Biron, Wisconsin, engaging in the business of manufacturing and distributing various types of pulp, paper and paper-based packaging materials.

The mill in Rumford is a fully-integrated paper and pulp mill operating three paper production lines, with a combined annual production capacity of approximately 550,000 tonnes (metric tons), which are capable of producing coated one-side, coated freesheet and coated groundwood grades. With two kraft pulping lines and a dryer, the mill has a combined annual pulping capacity of approximately 520,000 tonnes for kraft pulp, both hardwood and softwood, of which approximately 400,000 tonnes are for internal consumption and the rest of approximately 120,000 tonnes are for market.

The mill in Biron is a fully-integrated paper and pulp mill operating two paper production lines, with a combined annual production capacity of approximately 340,000 tonnes producing coated groundwood grades.

The financial information of the Target Company for the year ended 31 December 2017 and the three months ended 31 March 2018 is set out as follows:

	<b>For the year ended 31 December 2017</b>	<b>For the three months ended 31 March 2018</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Net profit/(loss) before tax	6,908	7,863
Net profit/(loss) after tax	4,145	5,897

The net asset value of the Target Company as at 31 March 2018 was US\$65,760,000.

Upon completion of the Acquisition, the Target Company will be wholly owned by the Purchaser and will become an indirect non-wholly owned subsidiary of the Company.

## **REASONS FOR ENTERING THE AGREEMENT**

The Company is principally engaged in the manufacturing and sales of packaging paperboard, recycled printing and writing paper and high value specialty paper products.

The Acquisition is an upstream integration of the Group's current business and is an important step in executing the Group's global fiber sourcing and customer strategy. The Acquisition is expected to generate synergies within the existing raw material sourcing and production processes of the Group. The Acquisition will also allow the Group to diversify its manufacturing base and obtain access to high quality virgin fiber. The resulting business model is expected to provide the Group with more secure material supply and stable development for the Group in the long term.

The Directors (including the independent non-executive Directors) consider that the Agreement has been entered into on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the entire equity interest in the Target Company by the Purchaser;
“Agreement”	the agreement dated 25 May 2018 among the Purchaser, the Vendor, the Company, the Target Company and the Guarantor in connection with the Acquisition;
“Board”	the board of the Company;
“Company”	Nine Dragon Paper (Holdings) Limited, a company incorporated in Bermuda, 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;
“Guarantor”	Catalyst Paper Corporation, a corporation incorporated under the laws of British Columbia, Canada, the holding company of the Vendor;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Purchaser”	ND Paper LLC, a company incorporated under the laws of the state of Delaware, the U.S., a wholly-owned subsidiary of the Company;
“Shareholder(s)”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Catalyst Paper Operations Inc., a company incorporated under the laws of the state of Delaware, the U.S.;
“U.S.”	the United States of America;
“US\$”	United States dollar, the lawful currency of the U.S.;
“Vendor”	Catalyst Paper Holdings Inc., a company incorporated under the laws of the state of Delaware, the U.S.; and
“%”	per cent.

*For illustration purposes, amounts in US\$ in this announcement have been translated into HK\$ at US\$1.00 = HK\$7.85.*

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

Hong Kong, 25 May 2018

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

*\*For identification purposes only*