



# 玖龍紙業(控股)有限公司\*

## NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

### FINANCIAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2006

#### FINANCIAL HIGHLIGHTS

- Consolidated revenue jumped 63.8% to a record high of RMB7,902,156,000.
- Gross profit rose by 144.7% to RMB1,860,874,000.
- Gross margin increased from 15.8% to 23.5%.
- Profit for the year grew by 340.4% to RMB1,400,124,000.
- Basic earnings per share climbed from RMB0.10 to RMB0.41.
- Proposed final dividend per share of RMB2.30 cents (equivalent to approximately HK2.26 cents).

#### FINANCIAL RESULTS

The Board of Directors (“Board”) of Nine Dragons Paper (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group” or “ND Paper”) for the year ended 30 June 2006, together with the comparative figures for the previous year.

#### CONSOLIDATED INCOME STATEMENT

		Audited	
		For the year ended 30 June	
		2006	2005
	Note	RMB'000	RMB'000
Sales	2	7,902,156	4,825,373
Cost of goods sold	3	(6,041,282)	(4,064,869)
<b>Gross profit</b>		<b>1,860,874</b>	760,504
Other gains – net	4	356,982	24,122
Selling and marketing costs	3	(172,756)	(91,466)
Administrative expenses	3	(233,897)	(135,020)
<b>Operating profit</b>		<b>1,811,203</b>	558,140
Finance costs	5	(294,793)	(179,814)
<b>Profit before income tax</b>		<b>1,516,410</b>	378,326
Income tax expense	6	(116,286)	(60,418)
<b>Profit for the year</b>		<b>1,400,124</b>	317,908

**Profit attributable to:**

Equity holders of the Company		1,374,782	303,759
Minority interests		25,342	14,149
		<u>1,400,124</u>	<u>317,908</u>

**Earnings per share for profit attributable to equity holders of the Company during the year***(expressed in RMB per share)*

– basic	7	<u>0.4072</u>	<u>0.1013</u>
– diluted	7	<u>0.4043</u>	<u>0.1013</u>

<b>Dividend</b>	8	<u>95,450</u>	<u>–</u>
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**CONSOLIDATED BALANCE SHEET**

		<b>Audited</b>	
		<b>30 June</b>	30 June
		<b>2006</b>	2005
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	8,625,486	7,639,960
Land use rights	9	592,125	607,562
Intangible asset	10	146,694	146,694
		<u>9,364,305</u>	<u>8,394,216</u>
<b>Current assets</b>			
Inventories		932,031	998,174
Trade and other receivables	11	1,559,012	997,009
Restricted cash		200,590	659,379
Bank and cash balances		2,816,660	651,587
		<u>5,508,293</u>	<u>3,306,149</u>
<b>Total assets</b>		<u>14,872,598</u>	<u>11,700,365</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	12	4,141,291	312,000
Other reserves		902,006	828,330
Retained earnings			
– Proposed final dividend		95,450	–
– Others		2,402,657	1,181,624
		<u>7,541,404</u>	<u>2,321,954</u>
<b>Minority interests</b>		<u>94,913</u>	<u>85,622</u>
<b>Total equity</b>		<u>7,636,317</u>	<u>2,407,576</u>

**LIABILITIES****Non-current liabilities**

Other payables		<b>27,809</b>	15,248
Borrowings	13	<b>2,743,901</b>	3,817,280
Deferred income tax liabilities		<b>226,808</b>	169,747
		<u><b>2,998,518</b></u>	<u>4,002,275</u>

**Current liabilities**

Trade and other payables	14	<b>1,987,398</b>	2,814,502
Current income tax liabilities		<b>67,440</b>	44,441
Dividend payable		<b>6,050</b>	–
Borrowings	13	<b>2,176,875</b>	2,431,571
		<u><b>4,237,763</b></u>	<u>5,290,514</u>

**Total liabilities**

	<u><b>7,236,281</b></u>	<u>9,292,789</u>
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**Total equity and liabilities**

	<u><b>14,872,598</b></u>	<u>11,700,365</u>
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**Net current assets/(liabilities)**

	<u><b>1,270,530</b></u>	<u>(1,984,365)</u>
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**Total assets less current liabilities**

	<u><b>10,634,835</b></u>	<u>6,409,851</u>
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**CONSOLIDATED CASH FLOW STATEMENT**

	<b>Audited</b>	
	<b>For the year ended 30 June</b>	
	<b>2006</b>	<b>2005</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit for the year	<b>1,400,124</b>	317,908
Adjustments for non-cash items/income tax/finance costs	<b>285,094</b>	134,310
Changes in working capital	<b>(618,116)</b>	610,765
	<u><b>1,067,102</b></u>	<u>1,062,983</u>
Net cash generated from operating activities		
Net cash used in investing activities	<b>(1,454,088)</b>	(1,537,357)
Net cash generated from financing activities	<b>2,555,956</b>	681,434
	<u><b>2,168,970</b></u>	<u>207,060</u>
<b>Net increase in bank and cash balances</b>		
Bank and cash balances at beginning of the year	<b>651,587</b>	446,890
Exchange losses on bank and cash balances	<b>(3,897)</b>	(2,363)
	<u><b>2,816,660</b></u>	<u>651,587</u>
<b>Bank and cash balances at end of the year</b>		

## 1. Group reorganisation and summary of significant accounting policies

The Company was incorporated in Bermuda on 17 August 2005 under the Companies Act 1981 as an exempt company with limited liability. In anticipation of listing of the Company on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Group had undertaken a group reorganisation (the “Reorganisation”). The Company became the holding company of the Group as result of the Reorganisation that principally comprised the acquisition of Zhang’s Enterprises Company Limited (“Zhang’s”), which holds directly or indirectly, the entire share capital of Dongguan Nine Dragons Paper Industries Company Limited, Nine Dragons Paper Industries (Taicang) Company Limited, Dongguan Sea Dragon Paper Industries Company Limited and Sea Dragon Paper Industries (Taicang) Company Limited. The Reorganisation became effective on 30 December 2005. The Company’s shares were listed on the Stock Exchange on 3 March 2006 (the “Listing”).

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the subsidiaries comprising the Group throughout the year ended 30 June 2006, rather than from the date on which the Reorganisation was completed. The comparative figures as at 30 June 2005 and for the year ended 30 June 2005 have been presented on the same basis.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which include all applicable individual Hong Kong Financial Reporting Standards (the “HKFRSs”), Hong Kong Accounting Standards (the “HKASs”) and interpretations (the “HKFRS-int”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. These new and revised HKFRSs have been adopted for the year ended 30 June 2005 and 30 June 2006.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1 July 2006 or later periods are as follows:

HKAS 1 (Amendment)	First time adoption of Hong Kong Financial Reporting Standards – Capital disclosure <sup>1</sup>
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures <sup>2</sup>
HKAS 21 (Amendment)	Net Investment in a Foreign Operation <sup>2</sup>
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions <sup>2</sup>
HKAS 39 (Amendment)	The Fair Value Option <sup>2</sup>
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts <sup>2</sup>
HKFRS 6	Exploration for and Evaluation of Mineral Resources <sup>2</sup>
HKFRS 7	Financial Instruments: Disclosure <sup>1</sup>
HKFRS-int 3	Emission Rights <sup>2</sup>
HKFRS-int 4	Determining whether an Arrangement Contains a Lease <sup>2</sup>
HKFRS-int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds <sup>2</sup>
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment <sup>3</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKFRS 29 <sup>4</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>5</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>6</sup>

- 1: Effective for accounting periods commencing on or after 1 January 2007
- 2: Effective for accounting periods commencing on or after 1 January 2006
- 3: Effective for accounting periods commencing on or after 1 December 2005
- 4: Effective for accounting periods commencing on or after 1 March 2006
- 5: Effective for accounting periods commencing on or after 1 May 2006
- 6: Effective for accounting periods commencing on or after 1 June 2006

These new standards, amendments and interpretations to existing standards are either not relevant to the Group's operation or, if relevant, have not been early adopted by the Group, and management is currently assessing the impact of application of these new standards, amendments and interpretation that will have on the Group's financial statements in the period of initial application.

## 2. Sales

The Group is principally engaged in the manufacture and sales of paper. As the products and services provided by the Group's entities are all related to the manufacture and sales of paper and subject to similar business risks, no segment information have been prepared by the Group.

Sales recognised during the year are as follows:

	<b>For the year ended 30 June</b>	
	<b>2006</b>	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of paper	7,675,351	4,674,588
Sales of pulp paper	226,805	150,785
	<u>7,902,156</u>	<u>4,825,373</u>

## 3. Expenses by nature

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	<b>For the year ended 30 June</b>	
	<b>2006</b>	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of fixed assets	331,934	170,382
Add: amount absorbed in opening inventories	11,302	8,312
Less: amount absorbed in closing inventories	(11,907)	(11,302)
	331,329	167,392
Employee benefit expense	337,155	205,331
Changes in finished goods	(58,413)	89,724
Raw materials and consumables used	5,451,520	3,669,129
Transportation	45,212	29,177
Operating leases		
– Land use rights	21,324	4,657
– Buildings	883	252
Auditors' remuneration	3,903	177
	<u>331,329</u>	<u>167,392</u>

## 4. Other gains – net

	<b>For the year ended 30 June</b>	
	<b>2006</b>	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of scrap materials	23,450	10,378
Sales of electricity	150,118	3,650
Tax refund of re-investment	10,064	–
Interest income	140,347	8,988
Net foreign exchange gains	33,222	–
Transportation	(219)	1,106
	<u>356,982</u>	<u>24,122</u>

## 5. Finance costs

	For the year ended 30 June	
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Interest on bank borrowings		
– wholly repayable within five years	293,714	200,864
– not wholly repayable within five years	10,944	15,211
	<u>304,658</u>	<u>216,075</u>
Less: interest capitalised	(31,880)	(66,674)
	<u>272,778</u>	<u>149,401</u>
Bills discount charge	33,647	26,696
Other incidental borrowing cost	4,713	3,708
Exchange (gains)/losses on borrowings	(16,345)	9
	<u><u>294,793</u></u>	<u><u>179,814</u></u>

## 6. Income tax expense

	For the year ended 30 June	
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Current tax		
– Hong Kong profits tax	–	–
– PRC enterprise income tax	59,225	22,935
	<u>57,061</u>	<u>37,483</u>
Deferred income tax	57,061	37,483
	<u><u>116,286</u></u>	<u><u>60,418</u></u>

Hong Kong profits tax has not been provided as Zhang's did not have any assessable profits for the year ended 30 June 2006 (2005: nil). PRC enterprise income tax is provided on the basis of the profit for statutory financial reporting purposes, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose.

## 7. Earnings per share

### – Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended 30 June	
	2006	2005
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<u>1,374,782</u>	<u>303,759</u>
Weighted average number of ordinary shares in issue ( <i>shares in thousands</i> )	<u>3,376,027</u>	<u>3,000,000</u>
Basic earnings per share ( <i>RMB per share</i> )	<u><u>0.4072</u></u>	<u><u>0.1013</u></u>

## - Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>For the year ended 30 June 2006</b> <i>RMB'000</i>
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<u><u>1,374,782</u></u>
Weighted average number of ordinary shares in issue ( <i>shares in thousands</i> )	<u>3,376,027</u>
Adjustments for share options ( <i>shares in thousands</i> )	<u>23,980</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>shares in thousands</i> )	<u><u>3,400,007</u></u>
Diluted earnings per share ( <i>RMB per share</i> )	<u><u>0.4043</u></u>

There was no potential dilutive ordinary shares outstanding for the year ended 30 June 2005.

## 8. Dividend

	<b>For the year ended 30 June</b>	
	<b>2006</b> <i>RMB'000</i>	<b>2005</b> <i>RMB'000</i>
Proposed final dividend of RMB0.023 per ordinary share (2005: nil)	<u><u>95,450</u></u>	<u><u>-</u></u>

## 9. Capital expenditures

	<b>Land use rights</b> <i>RMB'000</i>	<b>Property, plant and equipment</b> <i>RMB'000</i>
For the year ended 30 June 2005		
Opening net book amount	159,005	2,864,932
Additions	55,582	2,010,575
Acquisition of subsidiaries	397,632	2,942,192
Disposals	-	(7,357)
Amortisation/depreciation expense	<u>(4,657)</u>	<u>(170,382)</u>
Closing net book amount	<u><u>607,562</u></u>	<u><u>7,639,960</u></u>
For the year ended 30 June 2006		
Opening net book amount	<b>607,562</b>	<b>7,639,960</b>
Additions	<b>79,562</b>	<b>1,334,270</b>
Disposals	<b>(73,675)</b>	<b>(16,810)</b>
Amortisation/depreciation expense	<u><b>(21,324)</b></u>	<u><b>(331,934)</b></u>
Closing net book amount	<u><u><b>592,125</b></u></u>	<u><u><b>8,625,486</b></u></u>

## 10. Intangible asset

Intangible asset as at 30 June 2006 represents goodwill, being the excess of the fair value of the shares of Zhang's issued in consideration of the acquisition of Emperor Dragon Paper Industries Co., Ltd., Millennium Scope Limited, Nine Dragons Paper Industries Co., Ltd., River Dragon Paper Industries Co., Ltd. and their respective subsidiaries ("Acquired Subsidiaries") over the fair value of the Group's share of their net identifiable assets as at 1 January 2005.

The fair value of the shares of Zhang's and the fair value of the net identifiable assets of the Acquired Subsidiaries are based on the business valuation carried out by Vigers Appraisal & Consulting Limited, the independent valuers, on 1 January 2005. Accordingly, the goodwill is attributed to the expected high profitability of the Acquired Subsidiaries and significant synergies expected to arise after the acquisitions.

The directors do not consider that a provision for impairment in the carrying amount of the goodwill as at 30 June 2006 is necessary based on the business valuation carried out by Vigers Appraisal & Consulting Limited as at 30 June 2006.

## 11. Trade and other receivables

The Group's sales to corporate customers are entered into on credit terms around 30 to 60 days. As at 30 June 2006, the ageing analysis of trade receivables is as follows:

	<b>Group</b>	
	<b>30 June 2006</b>	30 June 2005
	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	<b>704,567</b>	372,896
31-60 days	<b>189,776</b>	137,342
61-90 days	<b>44,260</b>	39,460
Over 90 days	<b>14,015</b>	33,762
	<hr/> <b>952,618</b> <hr/>	<hr/> 583,460 <hr/>

## 12. Share capital

### Movements were:

	Note	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
<b>Authorised</b>						
Ordinary shares of HK\$1.00 each upon incorporation	(a)	100,000	100	104	–	104
Sub-division of issued shares	(b)	900,000	–	–	–	–
		1,000,000	100	104	–	104
Increase in authorised share capital of HK\$0.1 each	(c)	7,999,000,000	799,900	831,896	–	831,896
		8,000,000,000	800,000	832,000	–	832,000
<b>Issued and fully paid</b>						
Ordinary shares of HK\$1.00 each issued nil paid	(a)	100,000	100	104	–	104
Sub-division of issued shares	(b)	900,000	–	–	–	–
On acquisition of Nine Dragons Paper (BVI) Group Limited (“NDP (BVI)”):						
– shares issued to Best Result Holdings Limited (“Best Result”), credited as fully paid of HK\$0.10 each	(d)	2,985,800,000	298,580	310,523	–	310,523
– shares issued to Max Dragon Profits Limited (“Max Dragon”), credited as fully paid of HK\$0.10 each	(d)	13,200,000	1,320	1,373	–	1,373
– nil-paid shares transferred to Best Result, credited as fully paid of HK\$0.10 each	(d)	–	–	–	–	–
At 30 June 2005		3,000,000,000	300,000	312,000	–	312,000
Issue of shares in connection with the Company’s Listing	(e)	1,150,000,000	115,000	119,152	3,931,999	4,051,151
Placing and Listing expenses		–	–	–	(221,860)	(221,860)
At 30 June 2006		4,150,000,000	415,000	431,152	3,710,139	4,141,291

- (a) At the date of incorporation, the Company’s authorised share capital was HK\$100,000 divided into 100,000 shares of HK\$1.00 each. On 27 September 2005, 100,000 nil-paid shares of HK\$1.00 each were issued to Ms. Cheung Yan (“Ms. Cheung”).
- (b) On 30 December 2005, every share of HK\$1.00 in the Company was sub-divided into 10 shares of HK\$0.10 each.
- (c) On 30 December 2005, the authorised share capital of the Company was increased from HK\$100,000 to HK\$800,000,000 by the creation of additional 7,999,000,000 shares of HK\$0.10 each.
- (d) On 30 December 2005, the Company issued 2,985,800,000 shares to Best Result, credited as fully paid, and 13,200,000 shares to Max Dragon, credited as fully paid, and credited as fully paid the 1,000,000 nil-paid shares held by Best Result in consideration for the transfer of the entire issued share capital of NDP (BVI) from Ms. Cheung, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei and Ms. Chang Siu Hon to the Company.
- (e) On 3 March 2006, the Company issued 1,000,000,000 ordinary shares of HK\$0.1 each at HK\$3.4 per share as public and international offers in connection with the Listing, and raised gross proceeds of approximately HK\$3,400,000,000. Besides, on 8 March 2006, pursuant to the exercise of the overallotment option, additional 150,000,000 shares of HK\$0.1 each were issued at HK\$3.4 per share and raised gross proceeds of HK\$510,000,000.

### 13. Borrowings

	<b>30 June 2006</b> <i>RMB'000</i>	30 June 2005 <i>RMB'000</i>
Non-current	<u>2,743,901</u>	<u>3,817,280</u>
Current		
– Short-term bank borrowings	1,737,040	1,767,563
– Current portion of long-term bank borrowings	<u>439,835</u>	<u>664,008</u>
	<u>2,176,875</u>	<u>2,431,571</u>
<b>Total borrowings</b>	<u><b>4,920,776</b></u>	<u><b>6,248,851</b></u>

As at 30 June 2006, borrowings of RMB1,046,901,000 (2005: RMB3,565,530,000) are secured by assets of the Group and guarantees given by related parties, which are detailed as follows:

	<b>30 June 2006</b> <i>RMB'000</i>	30 June 2005 <i>RMB'000</i>
Borrowings secured by assets of the Group only	420,901	1,400,966
Borrowings secured by guarantees given by related parties	–	1,304,300
Borrowings secured by both assets of the Group and guarantees given by related parties	<u>626,000</u>	<u>860,264</u>
	<u><b>1,046,901</b></u>	<u><b>3,565,530</b></u>

### 14. Trade and other payables

The ageing analysis of trade payables as at 30 June 2006 is as follows:

	<b>30 June 2006</b> <i>RMB'000</i>	<b>Group</b> 30 June 2005 <i>RMB'000</i>
0 – 90 days	1,048,913	1,304,087
91 – 180 days	23,386	44,683
181 – 365 days	17,949	92,310
Over 365 days	<u>1,589</u>	<u>3,650</u>
	<u><b>1,091,837</b></u>	<u><b>1,444,730</b></u>

### 15. Contingencies

The corporate guarantees for bank borrowings and credit facilities granted to Nine Dragons Packaging (Taicang) Company Limited as at 30 June 2005 of RMB62,000,000 was subsequently released during the year ended 30 June 2006.

## 16. Commitments

### (a) Capital commitments

Capital expenditure as at 30 June 2006 but not yet incurred is as follows:

	<b>30 June 2006</b> <i>RMB'000</i>	30 June 2005 <i>RMB'000</i>
Contracted but not provided for:		
– Property, plant and equipment	2,214,035	595,586
Authorised but not contracted for:		
– Property, plant and equipment	<u>1,762,470</u>	<u>490,558</u>
	<u><b>3,976,505</b></u>	<u>1,086,144</u>

### (b) Operating leases commitments – where the Group is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>30 June 2006</b> <i>RMB'000</i>	30 June 2005 <i>RMB'000</i>
Property, plant and equipment:		
Not later than one year	2,386	–
Later than one year and not later than five years	<u>2,574</u>	<u>–</u>
	<u><b>4,960</b></u>	<u>–</u>

## 17. Event after balance sheet date

On 19 September 2006, the Company has entered into a syndicated loan agreement with relevant financial institutions, whereas the Company has been granted a credit facility with maximum amount of US\$350 million for a period of 4 years. The credit facility is unsecured and is bearing interest of LIBOR plus 55 points per annum.

## FINAL DIVIDEND

The Company did not recommend payment of any interim dividend for the six months ended 31 December 2005. The Board has resolved to recommend payment of a final dividend of RMB2.30 cents (equivalent to approximately HK2.26 cents) per share for the year ended 30 June 2006, which is expected to be payable on or about 5 December 2006 subject to the approval of the forthcoming annual general meeting. The dividend will be payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 10 November 2006. The translation of RMB into Hong Kong dollars is made at the exchange rate of HK\$1.00 = RMB1.018 as at 20 September 2006 for illustration purpose only. The actual translation rate for the purpose of dividend payment in Hong Kong dollars will be subject to exchange rate at the remittance date.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 November 2006 to 16 November 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 10 November 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATING RESULTS REVIEW

#### BUSINESS STRATEGY

The Group aims to become the world's leading manufacturer of packaging paperboard products. The Group is able to increase its operational efficiency primarily through economies of scale, technologically advanced equipment, integrated production facilities and equipment know-how. During the year, the Group focused on the implementation of the following strategies: continuing to expand its market leadership position in China, further enhancing operating efficiency, seeking to expand geographical coverage and product offerings, attracting high caliber employees, while continuing to emphasize and reward the employees who have excellent performance.

##### *Continuing to expand market leadership position in China*

The Group will continue to expand its production capacity and market share so as to further strengthen its leading position in the PRC. Its annual design capacity increased by 17.9% to 3,300,000 tonnes during the fiscal year 2006 and is expected to increase by 62.1% to 5,350,000 tonnes in the fiscal year 2007. The Group is well prepared to capture any opportunity for future growth. The Group has made the following substantial investment to secure important resources:

##### *Energy Investment for further development*

As a large-scale packaging paperboard manufacturer, the Group requires a significant amount of electricity and steam for its daily operations. The Group has designed its power generation systems in Dongguan and Taicang as central coal-fired cogeneration plants, providing both electric power and steam to all of its paper machines, thereby saving energy costs and valuable land resources. The Group's cogeneration plants achieve savings of up to approximately one-third compared to the cost of purchasing power from third parties. To lower its coal costs, since September 2005, the Group has started to purchase all of its coal requirements directly from coal distributors and has arranged its own shipping.

With the power generators Unit 6 in Dongguan and Unit 2 in Taicang, that have an installed capacity of 210 MW and 120 MW respectively, commencing production in mid 2005, the aggregate installed capacity of the Group has increased to 591 MW. All of the Group's power plants are connected with the regional power grid, which enable the Group to sell its power generation in excess of its own production needs.

##### *Abundant land resources to meet the 9,000,000 tonne productivity target*

The Group has made substantial investments in acquiring land use rights in Dongguan and Taicang for its existing operations as well as to allow for future development and expansion. The Group obtained the land use certificates for approximately 1,050,000 sq.m. of land in Dongguan. Currently, the Group has obtained approximately 2,600,000 sq.m. of land in Taicang. The land use rights obtained by the Group, together with the land for which the Group has entered into compensation agreements with existing users, are sufficient to accommodate expansion of its total annual production capacity to approximately 9,000,000 tonnes in the future.

### *Building Taicang Pier to reduce loading and unloading charges*

In order to reduce port loading and unloading charges, to avoid transportation bottlenecks and to take advantage of ocean and inland waterway transportation, the Group has constructed a shipping pier at Taicang which can accommodate two berths in the near future. The Group completed construction of one berth in September 2005 and plans to construct an additional berth. The shipping pier is capable of accommodating oceangoing vessels of up to 50,000 tonnes. The Group has obtained all necessary permits to operate the shipping pier for its own use and to offer loading and unloading services to third parties.

The operating berth, with an annual loading and unloading capacity of 2,700,000 tonnes, is dedicated to receiving coal deliveries. Because the Group can take direct delivery by ocean freight from any of the major coal ports on China's coast, including Qinhuangdao, Tianjin and others, the Group is able to realise significant cost savings from eliminating loading and unloading charges that the Group would have to pay for transshipment of coal.

### *Committed to environmentally responsible practices*

The Group is committed to environmentally responsible practices in all aspects of its operations and obtained ISO14001 certification for its environmental management standards in February 2005. The Group has been in compliance or exceeded the relevant minimum standards under PRC environmental laws and regulations, and believes that its excellent environmental record has been a factor in obtaining the required regulatory approvals to expand its capacity. To minimize the impact on forest resources, the Group uses an average of approximately 80% to 90% of recovered paper in its production. To minimize the impact on water resources, the Group's water recycling and conservation system and wastewater treatment facilities substantially reduce its water consumption. The Group's paper production process consumes, depending on the product, approximately 6 to 15 tonnes of water, including treated and recycled water, for each tonne of products produced, which is less than half of that set forth in the relevant national standards.

### *Continuing to enhance operating efficiency*

The Group's multiple production lines provide economies of scale and allow the Group to manufacture a variety of products simultaneously while minimizing equipment shutdowns required for product and specification changes. The Group has technologically advanced paper machines with automated DCSs and quality control systems. Its fourdrinier kraftlinerboard paper machines are among the largest and fastest in China, and certain machines can shift from the production of one type of product to another type of product either without stopping the production run or with only a brief shutdown. The Group has designed its product mix both to meet market demand and to maximize recycling of water and scrap fiber by-product from the production of one product for use in the production of another product. By leveraging its equipment know-how, the Group has been able to accommodate the use of an increased variety of recovered paper grades while maintaining product quality and performance characteristics. This provides the Group with increased flexibility in sourcing raw materials at competitive prices.

The Group seeks to continue enhancing its operating efficiencies mainly through the following means: optimise and upgrade its production process and equipment. Eliminate or minimize impediments to increase production volumes. Enhance production efficiency and product quality. Develop the use of new alternative chemicals with suppliers to improve machine performance and reduce costs.

### *Adding new production facilities to save time and increase utilization*

The Group has installed additional paper machines to allow the Group to further minimize equipment shutdowns required for product and basis weight changes. With the exception of periodic repair and maintenance as well as scheduled maintenance, the Group seeks to maintain uninterrupted operation of its paper machines. PM9 and PM10, which commenced production on 23 December and 25 December 2005 respectively and achieved optimised operating efficiency within two months, attained an annual production capacity of 500,000 tonnes of high performance corrugating medium during the year. This start-up time is substantially shorter than the past record of three to six months on average. As of 30 June 2006, the management and professional engineers of the Group have accumulated experience in successful installation of ten paper machines. In the fiscal year 2006, the average utilization rate of the Group's paper machines was 94.3%. Start-up time for new paper machines PM9 and PM10 was also substantially reduced to achieve design capacity and quality within two months. Therefore, we believe the commencement of new paper machines in future will not materially and adversely affect the average gross profit margin of the Group.

### *Sources of high quality and price competitive raw materials*

Recovered paper and kraft pulp are the Group's principal raw materials used in the manufacturing of its products. Therefore, the ability to maintain a stable source of high quality and price competitive raw materials is one of the Group's keys to success. The Group sources the majority of its recovered paper from America Chung Nam, Inc. ("ACN"), a company indirectly wholly owned by Ms. Cheung Yan and Mr. Liu Ming Chung, under a long-term contract that provides the Group with priority of supply over other ACN customers and which is renewable at the Group's option. ACN is the largest exporter of recovered paper from the United States and Europe to China. It is well known for its ability to source large volumes of recovered paper of consistent high quality. The Group's long-term and stable relationship with ACN, enables it to obtain better logistical and pricing terms than would otherwise be available.

The Group's 55% interest in Nine Dragons Xing An Paper Industries (Inner Mongolia) Co., Ltd. ("ND Xing An") allows it to secure a future supply of unbleached kraft pulp, one of the principal raw materials for kraftlinerboard, which is in short supply in China. ND Xing An has access to the extensive softwood forest reserves in Inner Mongolia owned and managed by the Group's domestic joint venture partner. It has the capacity to produce 100,000 tonnes of longfibred unbleached kraft pulp annually. It plans to substantially increase its capacity in the future. Although ND Xing An currently sells a majority of its output to third parties, the Group has a right to purchase, with priority over other customers of ND Xing An at the same price level, up to its entire output of unbleached kraft pulp.

### *Retaining in-house maintenance teams to enhance the life span and efficiency of production equipment*

The Group has over 700 maintenance personnel who have undergone training provided by the original equipment vendors and are responsible for periodic repair and maintenance of its paper machines. The paper machines are regularly inspected and maintained by the Group's maintenance teams to ensure that they are in proper working order. The Group upgrades its production equipment concurrently with its repair and maintenance to enhance the life span and the efficiency of its production equipment.

### *Use of information technology to optimise resource allocation*

The Group is in the process of implementing an enterprise resource planning system for its Dongguan and Taicang operations. The system will effectively manage, control and track all aspects of operations, including inventory control, operation and maintenance of the paper machines, quality control of its products, sales marketing and delivery of products through its internal transportation and delivery network. The Group expects to implement the system on a full scale in fiscal year 2007. All of its paper machines have DCSs that monitor and control all aspects of production and automated quality control systems manufactured by Honeywell and ABB are designed to be linked, and provide data input, to its enterprise resource system. Such enterprise resource planning system is expected to provide the Group with up-to-date information to determine optimal resource allocation in terms of financial planning and operations management. In order to enhance work place safety, the Group installed additional protection device in the DCSs of the paper machines for the operating staff to confirm activation. Its fleet of trucks at Dongguan is also equipped with GPS.

### *Seeking to expand geographical coverage and product offerings*

The Group actively seeks opportunities to expand its geographical coverage beyond the Yangtze River Delta and Pearl River Delta regions. So far, the Group has already established certain warehouses in Tianjin and Chongqing. It has plans to extend its presence in inland regions such as the central-western and northern China as the manufacturing industries in these regions become more active. Besides, it seeks to increase its exports to tap selected international markets. The Group is actively exploring opportunities to expand its product lines to allow the Group to offer a broader range of complementary products to customers, allowing it to further leverage its existing production expertise and distribution network.

### *Attracting high caliber employees and continuing to emphasize and reward performance excellence*

The Group believes that the quality of human resources, particularly its management and professional engineers, is critical to its ability to compete effectively. The Group aims to achieve and exceed international standards of performance excellence by following international best practices for management processes and corporate governance. As at 30 June 2006, the Group employed approximately 7,460 full time management, administration and production staff in Hong Kong and the PRC. The related employee's costs for the period (including directors' emoluments) amounted to approximately RMB337,155,000. The Group ensures that the pay levels of its employees is competitive and employees are rewarded on a performance related basis within the general framework of the Group's remuneration system. In addition to the adoption of a share option scheme, the Group also seeks to continue to attract and retain domestic and international management and engineering talent by continued implementation and refinement of its incentive bonus program as well as through staff development programs such as periodic in-house and overseas training. The Group obtained the OHSAS18001 certification for its occupational health and safety system in February 2005.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 30 June 2006, the Group achieved a record revenue of RMB7,902,156,000, an increase of 63.8% over the previous fiscal year. The growth in revenue was primarily due to the increase of the Group's total sales volume of packaging paperboard products to 2,759,716 tonnes in the year ended 30 June 2006 from 1,578,214 tonnes in last year, representing an increase of 74.9%. The Group's total sales volume of unbleached kraft pulp products also increased to 65,808 tonnes from 47,267 tonnes in the last year, representing an increase of 39.2%. The significant increase in total sales volume reflected the Group's commencement of production of PM6, PM7, PM8, PM9 and PM10, as well as the contribution from PM4 and PM5 acquired as part of the acquisition of Acquired Subsidiaries on 1 January 2005. During the year ended 30 June 2006, the Acquired Subsidiaries contributed sales of RMB3,446,178,000, representing 43.6% of the Group total sales for the previous fiscal year.

### **Gross Profit**

The gross profit for the fiscal year 2006 was RMB1,860,874,000, an increase of RMB1,100,370,000 compared to the RMB760,504,000 recorded in the previous fiscal year. Gross margin for the year also improved from 15.8% to 23.5%. The increase in gross margin was due to economies of scale from production capacity expansion, further optimisation of the Group's paper machines, realisation of synergies from the Acquired Subsidiaries and management's effort to control overhead.

### **Other Gains – net**

Other gains, net, of the Group increased significantly to RMB356,982,000 in the fiscal year ended 30 June 2006 from RMB24,122,000 in the previous fiscal year. The increase was primarily due to the commencement of operations of power generator Unit 6 of the Group's coalfired cogeneration power plant in Dongguan and power generator Unit 2 in Taicang in May 2005, which resulted in a significant increase in the sales of excess electricity to RMB150,118,000 in the fiscal year ended 30 June 2006 from RMB3,650,000 in the previous fiscal year. The increase in other gains, net was also attributable to the interest income of RMB117,695,000 derived from the lock up of subscription monies of HK\$178.9 billion from over-subscription during the listing of the Company's shares in March 2006.

### **Operating Profit**

The operating profit for the year ended 30 June 2006 was RMB1,811,203,000, an increase of RMB1,253,063,000 or 224.5% over the previous fiscal year. The improvement mainly came from a significant increase in gross profit and gross margin which resulted from overall growth in revenue, a change in the sales mix and improvements in operational efficiency.

Selling and marketing costs increased by 88.9% from RMB91,466,000 in the previous fiscal year to RMB172,756,000 in the fiscal year 2006. The increase was mainly attributable to the increased overhead arising from transportation costs and the acquisition of the Acquired Subsidiaries. The total amount of selling and distribution costs as a percentage of the Group's revenue increased from 1.9 % in the previous fiscal year to 2.2% in the fiscal year 2006.

Administrative expenses increased from RMB135,020,000 in the previous fiscal year to RMB233,897,000 in the fiscal year 2006. The increase was mainly a result of the acquisition of the Acquired Subsidiaries, which included the Taicang production base and the launch of a new product, coated duplex board with grey back. In addition, the Group also made provision of RMB16,797,000 for the share option scheme adopted for its employees according to the new accounting standards of Hong Kong. Besides, additional management and administrative staff were hired to support the commencement of new paper machines and the new addition of power plant units in Dongguan and Taicang. The amount of administrative expenses as a percentage of Group revenue increased from 2.8% in the previous fiscal year to 3.0% in the fiscal year 2006. The Group's administrative expenses amounted to RMB217,100,000 after deducting the provision for share option scheme adopted for its employees, representing 2.7% of its revenue.

### **Net Profit and Dividend**

The profit attributable to shareholders for the year ended 30 June 2006 was RMB1,374,782,000, an increase of RMB1,071,023,000 as compared to the previous . The ratios of EBIT and EBITDA to revenue were 21.1% and 25.6% respectively.

The Group's finance costs increased by 63.9% to RMB294,793,000 in the fiscal year ended 30 June 2006 from RMB179,814,000 in the last year, as a result of an increase in the Group's borrowings in order to meet its production capacity expansion plan.

Basic earnings per share for the year ended 30 June 2006 and the previous fiscal year were RMB0.41 and RMB0.10 respectively. The directors have proposed a final dividend of RMB0.023 per share, which will aggregate to RMB95,450,000.

### **Liquidity and Financial Resources**

The shareholders' funds as at 30 June 2006 were RMB7,541,404,000, an increase of RMB5,219,450,000 from RMB2,321,954,000 reported for the fiscal year 2005. The net assets per share increase by 136.4% from RMB0.77 to RMB1.82.

In terms of available financial resources as at 30 June 2006, the Group had total available bank loan and overdraft facilities of RMB5,443,395,000 and cash and bank deposits (including restricted cash) of RMB3,017,250,000. In addition, the strong recurrent cash flows generated from the Group's paper business provides it with a strong financial position and enables the Group to reap the benefits of investment opportunities as and when they arise. The ample financial resources available to the Group together with the gross proceeds of approximately HK\$3,910,000,000 from the listing of the Company's shares on The Stock Exchange of Hong Kong Limited will provide adequate funding for the Group's operational requirements and also put the Group in a favourable position for further expansion.

Out of the Group's total borrowings of RMB4,920,776,000 as at 30 June 2006, RMB2,176,875,000 (representing approximately 44.2%) was repayable within one year, RMB1,537,000,000 (representing approximately 31.2%) was repayable within two years, RMB1,016,901,000 (representing approximately 20.7%) was repayable within three to five years and RMB190,000,000 (representing approximately 3.9%) was repayable after five years. As at 30 June 2006, the Group pledged assets with aggregate carrying value of RMB2,308,754,000 (2005: RMB2,963,691,000) to secure bank loans facilities of the Group. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 78.7% of total borrowing as at 30 June 2006. The Group will continue to obtain financing on an unsecured basis.

As at 30 June 2006, the net debt to equity ratio for the Group was 25.2%, based on net debt of RMB1,903,526,000 and shareholder's equity of RMB7,541,404,000.

On 19 September 2006, the Group entered into a syndicated loan agreement with 15 reputable international and domestic banks and financial institutions for an unsecured loan facility of US\$350,000,000. The loan facility bears an interest rate of LIBOR (London Interbank Offered Rate) plus 55 basis points. The loan facility will be used by the Group to meet future capital expenditure and working capital requirement.

The Group services its debts primarily with strong recurrent cash flow generated from a stable base of operation. The Board is confident that the Group has adequate financial resources to sustain its working capital requirement, future expansion and meet its foreseeable debt repayment requirements.

### **Net Current Liabilities**

With an enhanced capital structure and operating cash flow, the Group's net current liabilities of RMB1,984,365,000 for the fiscal year 2005 had been significantly reduced and had turned into net current assets of RMB1,270,530,000 as at 30 June 2006.

### **Treasury Policies**

The Group has centralised funding for all its operations at the Group level where foreign exchange exposure is also reviewed and monitored. This policy also achieves better control of treasury operations and lower average cost of funds.

At 30 June 2006, total foreign currency borrowings (non-RMB loans) amounted to the equivalent of RMB2,149,458,000 and RMB loans amounted to RMB2,771,318,000. Therefore, the total amount of non-RMB loans that constitute foreign currency borrowings represented approximately 43.7% of the Group's borrowings, a sharp increase compared to last year.

The Group entered into a syndicated loan agreement of US\$350,000,000 on 19 September 2006, which enables the Group to increase the portion of total non-RMB foreign currency loans in the Group's total loans. In addition, the Group can also better utilize its RMB income and accelerate the repayment of RMB loans in order to minimize exposure to exchange fluctuation and maximize the benefit from the appreciation of RMB.

As the Group's machines, equipment and major raw materials (including recovered paper and kraft pulp), which in aggregate accounted for approximately 65.4% of the operating cost of the Group, were denominated in US dollars and approximately 59.9% of revenue was denominated in RMB, while the remaining was mainly denominated in HK dollars appreciation of the RMB will not have any negative impact on the Group.

As at 30 June 2006, 50.6% of the Group's borrowings are based on fixed interest rates, and the interest cost of the remaining borrowings bear interest costs which are based on floating interest rates.

The objective of the Group's treasury policies is to manage its exposure to fluctuation in foreign currency exchange rates and interest rates on specific transactions and will use appropriate financial instruments to hedge any material exposure. It is the policy of the Group not to engage in speculative activities.

## Working Capital

The stock balance as at 30 June 2006 decreased by 6.6% over the balance at 30 June 2005 to RMB932,031,000. The turnover days decreased from 73 to 56 days. The trade debtors balance as at 30 June 2006 was RMB1,312,378,000, an increase of 71.9% over the balance as at 30 June 2005. The turnover days increased from 48 to 61 days. The decrease in stock and the increase in trade debtors and bills payable were primarily due to larger sales volume in the fourth quarter of the fiscal year 2006 than the Group's average sales volume for the whole year. Total turnover days of stock balance and trade debtors decreased from 121 to 117 days.

Trade payables and bills payable as at 30 June 2006 were RMB1,516,837,000, representing a decrease of 30.0% over the balance as at 30 June 2005. Turnover days decreased from 158 to 92 days. As its capital structure and operating cash flows increased, the Group further reduced its cost of raw materials in the fiscal year 2006 and actively reduced the payment cycle for suppliers. This contributed to the corresponding decrease in the turnover days of trade payables and bills payable.

## Capital Expenditure

For the year ended 30 June 2006, the Group invested RMB1,413,832,000 for the construction of factory buildings, purchase of plant and machinery, equipment and other tangible assets. These capital expenditures were fully financed by internal resources, net proceeds from the issue of new shares and bank borrowings.

## Use of Net Proceeds from the Issue of New Shares

The net proceeds from the issue of new shares amounted to approximately RMB3,829,291,000. Part of the net proceeds has been applied as follows:

	<b>Planned amount</b>	<b>Amount utilised up to 30 June 2006</b>	<b>Balance as at 30 June 2006</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
– as funding for capital expenditure	1,828,903	434,322	1,394,581
– repayment of bank loans	1,627,660	1,627,660	–
– as additional working capital and for other general corporate purposes	372,728	372,728	–
– total	<u>3,829,291</u>	<u>2,434,710</u>	<u>1,394,581</u>

The balance of the net proceeds has been placed as bank deposits.

## Capital Commitments and Contingencies

As at 30 June 2006, the Group had committed to but not yet provided for, and authorised but not yet committed to, future capital expenditure of RMB3,976,505,000.

As at 30 June 2005, corporate guarantee granted by the Group to secure bank borrowings and credit facilities granted to related parties amounted to RMB62,000,000. The guarantee was released upon the Company's shares listed on the main board of the Stock Exchange on 3 March 2006.

## **Future Plans and Prospects**

Looking ahead, the Company maintains its commitment to the expansion of its packaging paper board production base and searches around the world for a suitable kraft pulp resource production base. Apart from the production bases in Pearl River Delta and the Yangtze River Delta, the Group will establish new production bases in central-western and northern China in the next three to five years. The target of the Group for the coming year is to expand its annual production capacity by 62.1% from the current 3,300,000 tonnes to 5,350,000 tonnes, in order to further strengthen its leading position in the international and domestic packaging paper board market, as well as to enhance the bargaining power of the Group. It is expected that the Group's paper making business will experience a compound annual growth rate of not less than 40% each year, in light of its expansion projects in the pipeline, which will be financed mainly by internal resources and bank loans. The Group will frequently assess the risks involved and maintain its net gearing ratio at between 45% and 55%. However, the Group may enter into such strategic joint ventures or acquisition projects which can create value for shareholders and the Group as a whole, in order to enhance its return on assets or capital employed.

In addition, the Group is in negotiations with authorities in Dongguan in respect to the construction of a local pier to improve the ancillary operation of the Group.

To ensure a stable supply of unbleached kraft pulp, the Company has, through a joint venture, established an unbleached kraft pulp plant with an annual production capacity of up to 100,000 tonnes in Inner Mongolia, where abundant resources are available. Looking ahead, the Group intends to engage in resources investment, including the development of upstream operations and kraft pulp production. The Group will also explore potential kraft pulp production plants worldwide which possess a long-term competitive edge to generate an additional source of satisfactory returns.

Relying on economies of scale and the benefits brought about by its previous infrastructure investments, the Group is confident that it will be able to sustain continuous growth as it increases the proportion of its mix of products made from recovered paper and carries out in house research and development for cost saving technologies. Looking ahead, there is a lot for the Group to accomplish for many years to come. Supported by the united effort of our staff, we will strive to become the largest and most efficient packaging paper making group in the world to match the high expectations of our shareholders.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

The audit committee has reviewed the accounting principles adopted by the Group and the audited consolidated financial statements of the Group for the year ended 30 June 2006.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

During the year ended 30 June 2006, the Group was in compliance with the provisions of the Code on Corporate Governance Practices and, where appropriate, the Code of Best Practice, as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

## **DIRECTORS' COMPLIANCE WITH THE MODEL CODE**

Specific enquiries have been made to all directors, who have confirmed that, during the year under review, they were in compliance with provisions of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This results announcement has been published on the websites of the Company ([www.ndpaper.com](http://www.ndpaper.com)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). The annual report will be despatched to shareholders and published on the above websites as soon as practicable.

## **APPRECIATION**

The outstanding results of the Group in the past decade were attributable to the concerted efforts of the management and the staff. I would like to take this opportunity to express my sincere gratitude to my fellow directors and the staff of the Group for their dedication, loyalty and contribution during the year. I would also like to thank our colleagues and shareholders for their invaluable support in making this a fruitful year. We will continue to do our best to create yet another year of success.

As at the date of this announcement, the directors of the Company are:

*Executive Directors:*

Ms. Cheung Yan  
Mr. Liu Ming Chung  
Mr. Zhang Cheng Fei  
Ms. Gao Jing  
Mr. Wang Hai Ying

*Independent Non-Executive Directors:*

Ms. Tam Wai Chu, Maria  
Mr. Chung Shui Ming, Timpson  
Dr. Cheng Chi Pang  
Mr. Wang Hong Bo

*Non-Executive Director:*

Mr. Lau Chun Shun

By Order of the Board  
**Cheung Yan**  
*Chairman*

Hong Kong, 20 September 2006

\* *for identification only*