

Environmental Dedication



ND Paper continued to incorporate the essence of corporate governance into its management structure and internal control procedures, as we strove to maintain the highest standard in integrity and ethics in all aspects of our business activities, and to ensure the full compliance of our operations with applicable laws and regulations.

Corporate Governance Practices

Throughout the year ended 30 June 2007, the Company followed the principles and complied with all applicable provisions under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Compliance with the Model Code Set out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code.

Specific enquiries have been made of all directors, who have confirmed that, during the year under review, they were in compliance with provisions of the Model Code.

Securities Transactions by Relevant Employees

The Board has adopted the Model Code for Securities Transactions by Relevant Employees setting out the guidelines for relevant employees in respect of the dealings in the securities of the Company.

The relevant employees must not deal in any shares of the Company without first notifying in writing the Chairman or the Company Secretary and receiving a dated written acknowledgement.

Corporate Governance Structure

The Board, as the core of the Company's corporate governance structure, and the management are distinct and separate. The Board is responsible for giving guidance to and exercising effective checks on the management. In general, the duties of the Board are:

- formulating the long-term strategies of the Group and supervising their implementation;
- reviewing and approving, if thought fit, the business plans and financial budgets of the Group;
- approving, if thought fit, the annual and interim results of the Group;
- reviewing and supervising the risk management and internal control of the Group;
- ensuring a high standard of corporate governance and compliance; and
- overseeing the performance of the management.

The Board delegates on specific terms for the management to carry out defined strategies and report to the Board in respect of day to day operations. For such purposes, the Board has laid down clear terms of reference which specify those circumstances under which the management shall report to the Board and those decisions and commitments for which prior approval of the Board is required.

Board

Currently, the Company has nine directors, including four executive directors, one non-executive director and four independent non-executive directors. Ms. Cheung is the spouse of Mr. Liu while Mr. Zhang is a brother of Ms. Cheung. Mr. Lau Chun Shun is the son of Ms. Cheung and Mr. Liu and a cousin of Mr. Zhang. Save as disclosed above, the Board members have no financial, business, family or other material/relevant relationship with each other.

Biographical details of the Directors, showing a good balance of professional expertise and diverse range of experience among them, are set out on pages 65 and 70 of this Annual Report.

A Director who considers a need for independent professional advice in order to perform his/her duties as a Director may convene, or request the Company Secretary to convene a meeting of the Board to approve the seeking or independent legal or other professional advice.

All of the directors of the Company are appointed for a specific term. In accordance with Articles 87(1) and (2) of the Company's Bye-laws, at each annual general meeting, all the directors shall retire but shall be eligible for re-election.

The Board held five meetings in FY2007 and meetings attended by each of the Directors were as follows:

Name of Directors	Meetings attended/ eligible to attend
Executive directors	
Ms. Cheung (<i>Chairman</i>)	4/5
Mr. Liu	4/5
Mr. Zhang	4/5
Mr. Wang Hai Ying (<i>resigned on 28 February 2007</i>)	0/4
Ms. Gao Jing (<i>appointed on 6 July 2006</i>)	3/4
Non-executive director	
Mr. Lau Chun Shun	5/5
Independent non-executive directors	
Ms. Tam Wai Chu, Maria	5/5
Mr. Chung Shui Ming, Timpson	4/5
Dr. Cheng Chi Pang	5/5
Mr. Wang Hong Bo	5/5

Chairman and Chief Executive Officer

To avoid concentration of power and control, the position of the Chairman and the Deputy Chairman cum Chief Executive Officer are segregated and each plays a distinctive role but complementing each other. The Chairman is responsible for supervising the functions and performance of the Board, while the Deputy Chairman cum Chief Executive Officer is responsible for the management of the businesses of the Group.

Independent non-executive Directors

The INEDs are appointed for a specific term, subject to re-election, which will run until the conclusion of the annual general meeting in accordance with the Company's Bye-laws. Two INEDs have professional accounting qualifications and extensive financial management expertise which exceeded the requirement of Listing Rule 3.10. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers that all of the independent non-executive directors are independent.

Directors' Responsibility for the Financial Statements

The Directors are responsible for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, profitability and cash flows of the Group in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. In preparing the financial statements of the Group for the year ended 30 June 2007, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movements of the Group at any time. The statement of reporting responsibilities of the Company's external auditors in connection with the financial statements of the Company are set out in the Auditor's Report on page 79 to 80.

Executive Committee

The Board has established the Executive Committee, which is responsible for the management and administration of the business of the Company and any matters which are within the ordinary course of the Company's business under the control and supervision of the Board and in accordance with the provisions of the Bye-laws.

The members of the Executive Committee shall be executive directors, but the Executive Committee shall not at any time consist of more than four members. No change shall be made to the composition of the Executive Committee except with the approval of all the directors in writing. The Chairman of the Board shall be the Chairman of the Executive Committee.

Currently, the members of the Executive Committee include Ms. Cheung (Chairman), Mr. Liu and Mr. Zhang.

Remuneration Committee

The Board has set up a Remuneration Committee with a majority of the members being INEDs. It comprises three INEDs and two executive Directors, namely, Ms. Tam Wai Chu, Maria (Chairman), Mr. Chung Shui Ming, Timpson, Dr. Cheng Chi Pang, Mr. Liu and Mr. Zhang.

A separate report prepared by the Remuneration Committee which summarized its works performed during the year ended June 2007, and also set out details of the share options to the Directors and the employees on page 47 to 52 of this Annual Report.

The details of the remuneration of Directors are set out on note 22 to the consolidated financial statements. No Director or any of his/her associates is involved in deciding his/her own remuneration.

Audit Committee

Currently, the Audit Committee of the company consists of four INEDs, namely, Dr. Cheng Chi Pang (Chairman), Ms. Tam Wai Chu, Maria, Mr. Chung Shui Ming, Timpson and Mr. Wang Hong Bo. Dr. Cheng and Mr. Chung are qualified accountants with extensive experience in financial reporting and controls. Ms. Tam is a barrister and practicing in Hong Kong. Mr. Wang has rich experience and expertise in the paper industry in China.

A separate report prepared by the Audit Committee which summarized its works performed during the year ended June 2007 is set out on page 53 to 54 of this Annual Report.

Risk Control Committee

The Risk Control Committee is formed by the Supervision Department, Finance Department and Group Management Department. The primary duties of the Risk Control Committee are strengthening the control environment; assessing relevant risks and carrying out necessary control activities; ensuring seamless information exchange; exercising appropriate supervision to ensure the effectiveness and efficiency of control over activities within and between different departments; identifying risks and analysing such risks which may impede the achievement of corporate objectives (including such risks associated with constant changes in the regulatory and operating environments); establishing internal control measures for minimising and eliminating risks; reviewing and reporting to the Board in respect of the effectiveness of internal control; and maintaining contact with external auditors for maintaining the quality of the Group's internal control system.

Investors' Relations and Shareholders' Interests

The Board is committed to providing shareholders with a clear and complete picture of the financial information of the Group by way of publication of interim and annual reports. Apart from receiving circulars, notices and financial reports, shareholders may also choose to log onto our website (www.ndpaper.com) for access more information.

The Company encourages participation of its shareholders at every annual general meeting, and it is our policy to dispatch the relevant notice at least 30 days prior to the AGM (statutory requirement : 21 days). Each shareholder is legally entitled to demand that a special general meeting be convened and propose an agenda of such a meeting to be considered by other shareholders. In this circumstance, such shareholder is only required to notify in writing the Company Secretary at our registered office in Hong Kong in respect of the demand for convening a general meeting and the agenda for matters to be transacted at such meeting.

The Board endeavours to maintain an on-going dialogue with Shareholders. The annual general meeting provides a useful forum to exchange views with the Board.

Matters resolved at the 2006 AGM and the percentage of votes cast in favour of such resolutions are set out below:

- Approval of the audited financial statements for the year ended 30 June 2006 (99.99%)
- Approval of a final dividend of RMB2.3 cents per share for the year ended 30 June 2006 (99.99%)
- All directors were re-elected and elected as directors (99.31% to 99.17% in respect of each individual resolution)
- Fix the remuneration of the Directors (99.06%)
- Re-appointment of PricewaterhouseCoopers as the external auditors of the ND Holdings (99.99%)
- Grant of a general mandate to Directors to issue additional shares in the Company (93.30%), repurchase by the Company of its own shares (99.99%), extension of the general mandate regarding issue of additional shares (97.59%).

The poll results were published in newspapers and on the Company's website (www.ndpaper.com).

The Company actively develops investors' relations and communicates with the investment community throughout the year, particularly after announcement of its interim and annual results. It also addresses the enquiries of investors (including institutional shareholders, analysts and the media) by way of regular corporate presentations, telephone conferences and forums. The details are set out on pages 135 to 137 in this annual report.

With regard to the consultation paper on "Periodic Financial Reporting" published on August 2007 by the HKSE, proposing the introduction of shortening of reporting deadlines for half-yearly and year-end announcements and reports for Main Board issuer; and the introduction of quarterly reporting for Main Board issuers, we believe such move will further enhance the transparency of the Company. We will closely monitor the progress of implementation and we will accommodate proactively and make every changes if necessary.