



玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號: 2689

2006/07

Interim Report
中期業績報告





Contents 目錄

2	公司資料	Corporate Information
3	財務概要	Financial Summary
4	主席報告	Chairman's Statement
9	行政總裁營運回顧與展望	Chief Executive Officer's Operation Review and Outlook
13	管理層討論與分析	Management Discussion and Analysis
26	企業管治及其他資料	Corporate Governance and Other Information
37	簡明綜合中期資產負債表	Condensed Consolidated Interim Balance Sheet
38	簡明綜合中期損益表	Condensed Consolidated Interim Income Statement
39	簡明綜合中期權益變動表	Condensed Consolidated Interim Statement of Changes in Equity
40	簡明綜合中期現金流量表	Condensed Consolidated Interim Cash Flow Statement
42	簡明綜合中期財務報表附註	Notes to the Condensed Consolidated Interim Financial Statements
64	投資者關係及股東通訊	Investor Relations and Communications with Shareholders



CORPORATE INFORMATION

公司資料

董事會

執行董事

張茵女士 (董事長)
劉名中先生 (副董事長兼行政總裁)
張成飛先生 (副行政總裁)
高靜女士
王海英先生

非執行董事

劉晉嵩先生

獨立非執行董事

譚惠珠女士 金紫荊星章, 太平紳士
鍾瑞明先生 金紫荊星章, 太平紳士
鄭志鵬博士
王宏渤先生

授權代表

張成飛先生
鄭慧珠女士

合資格會計師

羅宏澤先生 *FCCA, FCCA*

公司秘書

鄭慧珠女士 *ACS, ACIS*

核數師

羅兵咸永道會計師事務所

法律顧問

Conyers Dill & Pearman (百慕達)
盛德律師事務所 (香港)
競天公誠 (中國)

主要往來銀行

中國銀行有限公司
中國銀行(香港)有限公司
招商銀行
中國農業銀行

合規顧問

美林遠東有限公司

BOARD OF DIRECTORS

Executive Directors

Ms. Cheung Yan (*Chairman*)
Mr. Liu Ming Chung (*Deputy Chairman and Chief Executive Officer*)
Mr. Zhang Cheng Fei (*Deputy Chief Executive Officer*)
Ms. Gao Jing
Mr. Wang Hai Ying

Non-Executive Director

Mr. Lau Chun Shun

Independent Non-Executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Zhang Cheng Fei
Ms. Cheng Wai Chu, Judy

QUALIFIED ACCOUNTANT

Mr. Law Wang Chak, Waltery *FCCA, FCCA*

COMPANY SECRETARY

Ms. Cheng Wai Chu, Judy *ACS, ACIS*

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

Conyers Dill & Pearman (*Bermuda*)
Sidley Austin (*Hong Kong*)
Jingtian & Gongcheng (*PRC*)

PRINCIPAL BANKERS

Bank of China Limited
Bank of China (Hong Kong) Limited
China Merchants Bank
Agricultural Bank of China

COMPLIANCE ADVISER

Merrill Lynch Far East Limited

FINANCIAL SUMMARY

財務概要

As at or for the half-year ended 31 December
於十二月三十一日或截至十二月三十一日止半年度

		淨變動 Net changes	二零零六年 2006	二零零五年 2005
經營業績 (人民幣百萬元)	Operating results (RMB mm)			
銷售額	Sales	+22.9%	4,638.5	3,774.3
息稅折舊攤銷前盈利 (EBITDA)	Earnings before interest, taxes, depreciation and amortisation (EBITDA)	+37.2%	1,285.0	936.4
息稅前盈利 (EBIT)	Earnings before interest and tax (EBIT)	+45.0%	1,109.1	764.7
股東應佔利潤	Profit attributable to equity holders of the Company	+69.2%	948.1	560.2
邊際利潤 / 盈利能力⁽¹⁾ (%)	Marginal profit/profitability⁽¹⁾ (%)			
息稅折舊攤銷前盈利率	EBITDA margin	+2.9百分點	27.7	24.8
毛利率	Gross profit margin	+4.0百分點	26.0	22.0
經營利潤率	Operating profit margin	+3.3百分點	24.0	20.7
淨利潤率	Net profit margin	+5.6百分點	20.4	14.8
股權收益	Rate of return on equity	-16.7百分點	22.5	39.2
已動用資本收益	Rate of return on capital employed	+0.3百分點	15.8	15.5
財務狀況 (人民幣百萬元)	Financial position (RMB mm)			
經營活動所得現金淨額	Net cash generated from operating activities	+198.2%	885.3	296.9
資本開支之現金流出	Cash outflow for capital expenditures	+272.3%	2,755.2	740.1
期末銀行及現金結餘	Bank and cash balances at end of the period	+154.5%	848.4	333.4
流動資金比率⁽¹⁾	Liquidity ratios⁽¹⁾			
流動比率 (倍)	Current ratio (times)	+0.7倍	1.3	0.6
速動比率 (倍)	Quick ratio (times)	+0.5倍	1.0	0.5
存貨周轉率 (日)	Inventory turnover (days)	-10日	46	56
應收賬款周轉率 (日)	Trade receivable turnover (days)	-6日	42	48
應付賬款周轉率 (日)	Trade payable turnover (days)	-66日	46	112
資本充足比率⁽¹⁾	Capital adequacy ratio⁽¹⁾			
資本負債比率 (%)	Gearing ratio (%)	-20.4百分點	31.7	52.1
淨借貸對權益比率 (%)	Net borrowings to equity ratio (%)	-138.6百分點	47.7	186.3
利息償付比率 (倍)	Interest coverage (times)	+9.7倍	16.3	6.6
每股股份資料 (人民幣元)	Per share data (RMB)			
每股盈利 - 基本	Earnings per share - basic	+0.04元	0.23	0.19
每股中期股息	Interim dividend per share	+0.016元	0.016	-
股份資料⁽²⁾	Share information⁽²⁾			
已發行股份數目 (百萬股)	Number of issued shares (million)	+1,150.0	4,150.0	3,000.0
市值 (人民幣百萬元)	Market capitalisation (RMB mm)	-	55,610.0	N/A

(1) 各比率之計算公式與截至二零零六年六月三十日止年度的年度財務報表中所列相同。而集團之半年度業績在計算比率時已化作全年計算。

(1) The formula used for the calculation of ratios is consistent with that applied in the annual report for the year ended 30 June 2006. The half year results of the Group are annualized for the calculation of ratios.

(2) 截至二零零六年及二零零五年十二月三十一日。

(2) As at 31 December 2006 and 2005.



CHAIRMAN'S STATEMENT 主席報告

各位股東：

本人欣然向閣下提呈玖龍紙業(控股)有限公司(「本公司」)及其附屬公司(「玖龍紙業」或「本集團」)截至二零零六年十二月三十一日止半年度之中期業績報告。此半年度標誌著本集團另一個重要發展里程碑。期內，本集團確實履行多項主要的業務增長措施，進一步鞏固本集團之長遠拓展。

在回顧期內，本集團取得驕人業績，營業額及純利均較去年同期顯著增長。本集團之基礎設施得以持續擴充，財務表現也與審慎的擴展策略相符，滿足市場對包裝紙板不斷增加之需求。在本財政年度內首六個月，本集團錄得總收入及毛利分別約人民幣4,638,469,000元及人民幣1,203,941,000元，較去年同期增加22.9%及45.3%。權益持有人應佔盈利為人民幣948,062,000元，較去年同期增加69.2%。每股盈利為人民幣0.23元，增加21.1%。

玖龍紙業在截至二零零六年十二月三十一日止半年度之年設計產能維持在330萬噸，與上一個財政年度下半年相若。在沒有產能擴充下，玖龍紙業之業績表現相比上個財年下半年度的營業額及權益持有人應佔盈利(不包括本公司上市時因超額認購股份而產生的利息收入)仍分別增加12.4%及36.0%。業績增長主要因為本集團管理層多年前已為玖龍紙業制訂正確的長遠發展目標，並按著市場需求增長步伐擴充產能，大量預投資於基建項目，建立好一個良好的平臺。加上玖龍紙業各員工認真的工作態度，完善的管理制度及超前的經營理念，將規模效益進一步發揮、提升本集團造紙機的使用率及嚴格控制生產、銷售、管理及財務等各項成本。

更令人鼓舞的是玖龍紙業十一號、十六號及十七號三台造紙機均已在二零零七年一月份投產，比原計劃提早兩至五個月。截至本報告日，玖龍紙業之年產能已提升至450萬噸。

Dear Shareholders,

I am pleased to present to you the interim report of Nine Dragons Paper (Holdings) Limited (the "Company") and its subsidiaries ("ND Paper" or the "Group") for the half-year ended 31 December 2006. This half year marks another significant stage of our development as we launched key growth initiatives to further solidify our foundation for long-term expansion.

During the period under review, the Group achieved remarkable results with solid growth in turnover and net profit compared with the same period in the previous year. Our operating infrastructure continued to grow and our financial performance was commensurate with our strategy for measured expansion to meet the growing demand for packaging paperboard. For the first six months during the fiscal year, the Group recorded total revenue and gross profit of approximately RMB4,638,469,000 and RMB1,203,941,000 respectively, representing an increase of 22.9% and 45.3% over the same period of the previous year. Profit attributable to equity holders was RMB948,062,000, an increase of 69.2% over the same period of the previous year and earnings per share were RMB0.23, representing an increase of 21.1%.

For the half-year ended 31 December 2006, ND Paper maintained an annual designed capacity of 3.3 million tonnes, the same as the second half of the last fiscal year. Given that the production capacity remained unchanged, ND Paper or the Group still achieved better results as compared with the second half of last fiscal year, with both turnover and profit attributable to equity holders (excluding interest income accrued from over subscription of shares during share listing) increased 12.4% and 36.0% respectively. The increase in our results was mainly attributable to management's vision of setting a long-term development goal for the Group, our continuous expansion in response to market needs and substantial investment in infrastructure, which together provided a solid platform for the Group. Our dedicated staff, complete management system and foresight further enhanced our economies of scale, thereby increasing the utility rate of our paper machines. This also contributed to containing various costs such as production, sales, management and finance.

More encouraging is that PM11, PM16 and PM17 have commenced operation since January 2007, which is two to five months ahead of the original schedule. As of the date of this report, ND Paper's annual production capacity has been increased to 4.5 million tonnes.



CHAIRMAN'S STATEMENT (Cont'd) 主席報告(續)

市場環境良好

良好的市場狀況為業務持續增長提供穩健之經營環境，並同時支持包裝紙板生產因為致力配合內地經濟蓬勃發展所帶來在供應及需求同步的增長。供需同步增長乃主要由經濟因素影響，加上玖龍紙業成功的策略規劃，以及管理層之洞察力所致，有助建立井然有序之市場環境。

二零零六年國內生產總值按可比價格計算，較去年增長10.7%，證明中國經濟持續強勁增長。同時，行業迅速整合加快淘汰技術落伍、產品種類有限及環保標準較差之小規模生產廠商。本集團抓住這個機會，填補因為未能有效競爭及緊貼不斷提升的行業標準而被淘汰之落後設備空隙，進一步鞏固玖龍紙業的龍頭地位。

除了供應中國市場內需及出口廠商的產品需求外，本集團對海外國家的出口也見增加。直接出口的國家遍及歐洲、北美、南美、中東及亞洲國家，這反映出玖龍紙業產品的品質已得到全球客戶的認可。為了充分把握中國內需增長的機遇及保持於國內市場份額的持續上升，本集團將直接出口限制在總銷售額的10%以內。

POSITIVE MARKET CONDITIONS

Market conditions have provided a healthy operating environment that is accommodative for expansion at a sustainable rate while supporting parallel growth among the influences of supply and demand as packaging paperboard production strives to meet the needs of an expanding economy in the PRC. The simultaneous growth of supply and demand is the result of key influential economic factors coupled with the successful strategic planning and foresight of our management that has contributed to orderly market conditions.

The continuous robust growth of the China economy is evident in the GDP. In 2006, in terms of comparable price, GDP recorded 10.7% growth as compared with the previous year. Meanwhile, rapid industry consolidation has contributed to the elimination of smaller production plants with outdated technology, limited products, and poor environmental standards. The Group has capitalized on this opportunity and further secured its leading position as it fills the gap created by the retirement of outdated facilities due to their inability to effectively compete and adhere to rising industry standards.

Apart from meeting the demand of the domestic market and exporter manufacturers, the Group's overseas exports also increased. We export directly to Europe, North America, South America, Middle-East and Asian countries, which exemplifies that the quality our products have achieved world-wide recognition. In order to fully capitalize on the growing domestic demand and to sustain stable growth in market share in the PRC market, the Group has limited its direct export to around 10% of its total sales.



CHAIRMAN'S STATEMENT (Cont'd)

主席報告 (續)

成功擴展

玖龍紙業推行進一步分散集團地理覆蓋範圍的策略，以有效滿足內地不同地區潛在而分散之需求，同時也為日後可能出現之市場波動影響作好準備。有關策略旨在擴充本集團穩健的生產線，建立分散的生產基地組合，以確保持續增長。本集團在重慶成功拓展，正正是有關策略之重要部分。重慶市毗鄰湖北、雲南、貴州及四川，是中國中西部的樞紐，能夠同時服務多個市場。此外，重慶市之工業發展蓬勃，產業鏈發展成熟，當中包括輕工業產品、醫藥、民生需求用品、家電、汽車零件、紡織品等多個行業近年發展迅速，極具增長潛力，帶動箱板原紙之需求。

重慶市現有之箱板原紙生產廠房主要為技術較落後及生產能力有限之小型生產設施，這令玖龍紙業在重慶市設立生產設施更具必要性。至於依賴山東、河南、河北、廣東及江蘇生產設施之客戶，只能以較高成本取得箱板原紙供應。

社會責任、職業安全及環境保護

本集團在環保及工作安全方面保持最高行業標準。由二零零三年起至今，玖龍紙業已成功取得ISO品質認證、環境標準認證及職業健康安全管理體系認證。玖龍紙業透過不斷投資環保設備及技術，致力持續提高環保水準及安全。最近，本集團旗下位於東莞的兩家企業獲廣東省環境保護局評為綠牌／環保誠信企業，乃本集團遵守環保法律及法規的記錄之最佳證明。

玖龍紙業將繼續堅持使用再生原料作為生產原料之承諾，並確保維持最高之社會責任。

SUCCESSFUL EXPANSION

ND Paper has initiated a strategy to further diversify our geographic coverage that will effectively address potential divergent demands among various domestic regions while providing a buffer for the impact of potential future market fluctuations. This endeavor aims to expand our already healthy production lines while simultaneously creating a diversified portfolio to ensure sustainable growth. The Group's successful expansion in Chongqing City is an integral part of this strategy. With its proximity to Hubei, Yunnan, Guizhou, and Sichuan, Chongqing City, it serves as a regional hub in Central and Western China that is capable of serving several markets. The industrial development in the region is promising as growth in several sectors, including light industrial products, medical, daily necessities, home electronic appliance, auto parts and textiles industries have experienced exponential growth in recent years which has driven demand for containerboard.

The presence of the Nine Dragons production facility in the region is further necessitated by the fact that existing containerboard production plants in Chongqing City are primarily small scale facilities with inferior technology and limited production capacity. Furthermore, clients in the region that rely on production plants in Shandong, Henan, Hebei, Guangdong and Jiangsu for containerboard supply, do so at an increase in cost.

SOCIAL RESPONSIBILITY, OCCUPATIONAL SAFETY, AND ENVIRONMENTAL PROTECTION

The Group maintains the highest industry standards regarding environmental protection and work safety. ND Paper has successfully achieved ISO Quality as well as Environmental Standard Certifications and Occupational Health and Safety Management System Certification from 2003 to the present. ND Paper strives to constantly improve our level of environmental protection and safety by continuing to invest in environmentally friendly equipment and technology. Recently, the Group's two subsidiaries in Dongguan were granted with the honour of Green/Environmental Creditable Enterprise by the Guangdong Environmental Protection Bureau, validating the Group's compliance with environmental laws and regulations.

ND Paper will continue in its commitment to using recycled paper as the raw material for manufacturing and ensure the highest standards of social responsibility.



CHAIRMAN'S STATEMENT (Cont'd) 主席報告(續)

未來計劃及展望

本集團對長期持續擴展之前景抱正面態度，我們深信供需同步增長將繼續為本集團提供有利之經營環境，促進業務健康擴展，目標於二零零八年將年產量提高至不低於775萬噸。本集團的產能增加將與未來需求一致，不但長遠維持有秩序的市場及提供經濟規模效益所必需的因素，更會進一步鞏固本集團在國際及內地包裝板紙行業之市場領導地位。與此同時，本集團將繼續研究海內外的商機，發展具競爭力的上游紙漿業務。

本集團位於東莞的碼頭將於今年完成所有審批手續，並預計於二零零八年上半年開始動工興建。碼頭落成後可進一步減低本集團的運輸成本。玖龍紙業的第四個生產基地可望於二零零七年落實並且完成審批程序。另外，本集團的總部及管理中心將設於東莞一玖龍紙業首個生產基地的所在位置。當四大生產基地及管理中心正式營運時，本集團的效率將可進一步提升。

展望未來，玖龍紙業將策略地投資海內外市場，以推動業務持續發展。除了發展中國的四個生產基地外，本集團正密切關注在亞洲其他國家設立生產基地的機遇，並以穩健、務實的態度考察此等地區。但在當地的市場規模及產業鏈發展仍未成熟時，本集團不會貿然作出投資。與此同時，本集團將繼續研究海內外的商機，發展具競爭力的上游木漿業務，並物色能帶來理想規模效益，具長遠潛力和可提供長期回報的項目。本集團的目標是將玖龍紙業發展成為全球產能最大及最具效益的包裝紙生產商，以及成為全球包裝紙生產的龍頭企業。

FUTURE PLANS AND PROSPECTS

The outlook for long-term sustainable expansion is positive and we are confident that the parallel growth of supply and demand will continue to provide a beneficial operating environment that is conducive to healthy expansion. The target for the group is to increase annual production capacity to 7.75 million tonnes in 2008. The increase in production capacity is commensurate with future demand and necessary to maintain an orderly market place in the long run while allowing for the benefits of economies of scale. The production capacity expansion plans will further solidify our leading position in the international and domestic packaging paperboard market. Meanwhile, the Group continues to study opportunities overseas for developing competitive upstream pulp business.

All necessary approval procedures relating to the Group's pier in Dongguan will be completed during the year and construction work is expected to commence in the first half of 2008. The pier, when completed, will further reduce the transportation cost of the Group. The fourth production base of ND Paper is likely to be finalized and complete all approval procedures in 2007. The base is expected to commence construction in 2008. In addition, the Group's headquarters and administration center will be set up in Dongguan where the first production base of ND Paper is situated. The efficiency of the Group will be further enhanced when the four major production bases and the administration center begin operation.

Looking ahead, ND Paper will strategically invest in the overseas market to promote sustainable business development. In addition to the four production bases in China, the Group, by adopting a cautious and practical attitude, is carefully considering opportunities to set up production bases in other Asian countries. However, the Group will not make any investment in a hasty manner if the scale and business chain of the local market are not well-developed. Meanwhile, the Group will continue to consider domestic and international opportunities for upstream pulp business that have strong competitive potential. The Group will therefore target projects which can bring economies of scale and long-term growth. Our ultimate goal is to turn ND Paper into the world's largest and most efficient packaging paperboard manufacturer and to become a world leader in the production of packaging paperboard.



CHAIRMAN'S STATEMENT (Cont'd) 主席報告(續)

鳴謝

本集團在回顧期內取得之驕人業績，全賴管理層與全體員工共同勤奮工作、承擔及高瞻遠矚，為本集團的持續增長帶來貢獻。本人謹藉此向各地方政府致意，感激他們持續提供有利之經營環境，並向各位股東、投資者及業務夥伴之信任及支持致以衷心感謝。

董事長
張茵

中國香港，二零零七年二月十三日

APPRECIATION

Our remarkable performance during the period under review is the result of the dedication, commitment and forward looking vision of the management and staff who contributed tremendous effort in our continued growth. I would like to take this opportunity to express my appreciation to the local governments for continuing to provide a favorable operating environment, as well as our shareholders, investors, and business partners for their trust and support.

Cheung Yan
Chairman

Hong Kong, the PRC, 13 February 2007



CHIEF EXECUTIVE OFFICER'S OPERATION REVIEW AND OUTLOOK 行政總裁營運回顧與展望

致各位股東：

本人欣然匯報玖龍紙業的業務於截至二零零六年十二月三十一日止半年度持續錄得健康發展。本集團成功運用市場不斷擴充的利好環境，並已啟動新的發展以抓住新機遇。

隨著玖龍紙業的產能增加，配合強勁的箱板原紙銷售，本集團全線產品之銷售額及銷售量穩健增長。此增長也有賴市場對紙張產品的殷切需求，以及玖龍紙業的三大主要產品，包括牛卡紙、高強瓦楞芯紙及塗布灰底白板紙之產品價格受惠於經濟規模效益、資本投資、產品優化及推行各種策略舉措而得以保持健康。

在回顧期內，本集團的包裝原紙產品銷售量達到約1,586,000噸，較去年同期銷售量約1,286,000噸上升23.3%。強勁的市場需求配合產能擴充，帶動銷售量的增加，也為供需同步增長作好準備。玖龍紙業的年產能在二零零七年六月前可從本報告日之450萬噸提升到535萬噸，與其推行逐步增長的策略相符。

玖龍紙業的定價及議價能力保持強勁，平均銷售價較去年有所增加。與此同時，經濟規模效益進一步加強本集團的競爭優勢及營運效率，也有助降低本集團的平均生產成本。

玖龍紙業透過投資在生產設備、環保運營及人力資源，加強業務實力及競爭優勢，進一步提升經營效率。本集團現已在三大主要的包裝紙產品類別，包括牛卡紙、高強瓦楞芯紙及塗布灰底白板紙，已穩佔中國市場的龍頭地位，預計在二零零七年財政年度下半年新造紙機相繼投產後，本集團的領導地位將會伸延至全亞洲，包括日本。

Dear Shareholders,

I am delighted to report the continued healthy progress of ND Paper for the six months ended 31 December 2006. The Group has successfully capitalized on positive market conditions and initiated new developments to seize emerging opportunities.

Production capacity increases coupled with robust sales of containerboard contributed to solid growth across all our product lines in terms of both revenue and volume. Contributing factors included strong market demand for paper products and the benefits of economies of scale, capital investment, product optimization and the implementation of strategic initiatives. The pricing was therefore stabilized for our three main products, including kraftlinerboard, high performance corrugating medium and coated duplex board.

During the period under review, sales volume of packaging paperboard reached approximately 1,586,000 tonnes, an increase of 23.3% over approximately 1,286,000 tonnes during the same period of the previous year. Strong market demand and an increase in production capacity stimulated sales and provided for simultaneous growth in both supply and demand. It is expected that ND Paper's annual production capacity will reach 5.35 million tonnes by June 2007, increasing from 4.5 million tonnes as of the date of this report, which is in line with the Group's growth strategy.

Pricing power and bargaining leverage of ND Paper remained strong and average selling prices have increased as compared with a year ago. Meanwhile, economies of scale strengthened our competitive edge and efficiency of operations, helping to reduce our average production cost.

Operational efficiency improved as ND Paper further solidified our business strengths and competitive advantages through investment in production, environmentally friendly operations and human capital. The Group is now the market leader in the PRC in all three major packaging paperboard categories, namely kraftlinerboard, high performance corrugating medium and coated duplex board. It is expected that when our new paper machines commence production in the second half of the year, our leading position will be extended to all of Asia, including Japan.



CHIEF EXECUTIVE OFFICER'S OPERATION REVIEW AND OUTLOOK (Cont'd) 行政總裁營運回顧與展望 (續)

生產

為配合長期的發展需要，玖龍紙業落實投資位於中國重慶市的第三個生產基地，並正辦理收購約170萬平方米土地使用權手續，當地政府另外預留約70萬平方米土地供本集團後續發展之需，全面應用將足以應付高達500萬噸的產能。第一期生產設備及相關配套的興建工程預計於二零零八年中完成，屆時可提供額外產能80萬噸。

玖龍紙業仔細考慮了物流優勢及營運要求後，將新廠房策略部署於中國中西部重慶市。該地區製造行業的產業鏈發展成熟，創造出對箱板原紙的需求，可以確保新廠房成功發揮作用。新廠房座落於長江邊、擁有自用碼頭及鐵路專線、鄰近高速公路，交通便利，而且距離重慶市中心僅40分鐘車程。該土地之面積可容納年產量達500萬噸之生產設備及配套設施。於二零零八年中以前，該基地將有至少兩台造紙機投入運作。同時，本集團將密切關注未來市場動態和最新情況，立即作出適當調整。本集團自二零零六年開始，已在廣東及太倉基地全面培訓管理層及生產員工，為新設施成功投產作好準備。新廠房將是本集團在這生產重地發展之重要一步，使玖龍紙業能為客戶提供更佳的服務，進一步對該地區的發展作出貢獻。

本集團在東莞及太倉的廠房擴展計劃進展順利。位於東莞的第十一號造紙機已於一月中正式投產，每年可生產50萬噸塗布灰底白板紙。另外，本集團的第十六號和第十七號造紙機已於一月底正式投產，產能達70萬噸高強瓦楞芯紙。十一號、十六號及十七號造紙機均能提前投產，為股東創造更佳回報。截至本報告日，玖龍紙業之產能已提升到450萬噸。

PRODUCTION

In order to meet our long-term development goals, ND Paper confirmed the investment of our third production base in Chongqing, China. We are in the process of acquiring the land use rights of approximately 1,700,000 sq.m. of land. In addition, the local government set aside 700,000 sq.m. of land for our future development. The third production base will provide a maximum production capacity of 5.0 million tonnes when fully operational. The first phase of the production facility and its related ancillary are expected to be completed by mid 2008, which can immediately provide an additional production capacity of 0.8 million tonnes.

Careful consideration was given to the logistic advantages and operational requirements that would contribute to the success of a new facility. The production base is strategically located in central-western China where there has been substantial growth in the manufacturing industry supply chain and subsequent demand for containerboard. The facility is located in the peripheral area of Yangtze River with a self-use pier and railway, and has convenient access to the highway to allow for easy distribution while the location is only 40 minutes from downtown Chongqing. The plot of land allows for expansive facilities capable of accommodating production to reach 5.0 million tonnes per annum. At least two paper machines will commence operation by mid-2008. Meanwhile, the Group is closely monitoring the latest market development in order to make any appropriate adjustments. Since 2006, we have thoroughly trained management and production staff in Guangdong and Taicang to prepare for the successful consummation of operations at the new facility. The initiative marks a significant step in our development in this important manufactory base that will allow ND paper to better serve our customers and further contribute to the development of the region.

Expansion in our Dongguan and Taicang plants is progressing smoothly with PM11 located in Dongguan, which has commenced operation in mid-January, providing an annual production capacity of 0.5 million tonnes of coated duplex board. In addition, PM16 and PM17 also commenced operation in January, with a capacity of 0.7 million tonnes of high performance corrugating medium. All three paper machines, PM11, PM16 and PM17, commenced operation ahead of schedule, thus providing a better return to equity holders. As of the date of this report, production capacity of ND Paper has increased to 4.5 million tonnes.

CHIEF EXECUTIVE OFFICER'S OPERATION REVIEW AND OUTLOOK (Cont'd) 行政總裁營運回顧與展望 (續)

生產 (續)

另外，東莞的第十二號及十三號造紙機也按照集團的投產計劃，在正常順利進行中。於二零零七年中，本集團之總產能將增加至535萬噸。

下表概述新造紙機於截至二零零七年六月三十日止半年度內開始運作的時間表：

PRODUCTION (Cont'd)

Furthermore, PM12 and PM13 at the Dongguan facility are also under construction and progressing smoothly. In mid 2007, the Group's total production capacity will increase to 5.35 million tonnes.

The table below sets out the expected schedule of commencement of operation of the new paper machines for the half-year ending 30 June 2007:

生產線 Paper machine	地點 Location	產品 Product	年產能(噸) Annual production capacity (tonnes)	投產日期 Expected commencement date	
				預定 二零零七年 Forecast 2007	實際 二零零七年 Actual 2007
十一號造紙機 PM11	東莞 Dongguan	塗布灰底白板紙 Coated duplex board	500,000	三月底前 Before the end of March	一月十四日 14 January
十六及十七號造紙機 PM16 and PM17	太倉 Taicang	高強瓦楞芯紙 High performance corrugating medium	700,000	六月底前 Before the end of June	一月三十日 30 January
十二及十三號造紙機 PM12 and PM13	東莞 Dongguan	牛卡紙 Kraftlinerboard	800,000	六月底前 Before the end of June	按計劃進行中 Progress as scheduled
八號造紙機 PM8	太倉 Taicang	牛卡紙 Kraftlinerboard	增加50,000至500,000 Increasing by 50,000 to 500,000	六月底前 Before the end of June	按計劃進行中 Progress as scheduled

環境

玖龍紙業堅守「沒有環保，便沒有造紙」的理念，嚴格遵守環境保護的原則，非常重視負責任的環保規則之推行工作，以及維持高環保水準。

為配合本集團致力於行業豎立環保標準的目標，玖龍紙業由沿用的半乾脫硫法轉為採用濕脫硫法，以減低廢氣排放。我們同時堅持在生產過程中，實施嚴格的污水處理、固體廢物處理及噪音污染控制措施。

ENVIRONMENT

Holding firm to our belief of "No environment, no paper", Nine Dragons continues to abide by our strict adherence to the principle of conscientious environmental protection and place strong emphasis on environmentally responsible standards and practices.

In keeping with our existing efforts to set the standard in the industry for environmentally friendly practices, ND paper has changed to wet desulfurization from the semi-dry desulfurization which was originally adopted, thereby reducing air pollution. The Group also maintains strict control over sewage treatment, solid waste treatment and noise pollution during the production process.



CHIEF EXECUTIVE OFFICER'S OPERATION REVIEW AND OUTLOOK (Cont'd) 行政總裁營運回顧與展望 (續)

環境 (續)

透過採用高標準及環保的設備及技術，以及實行有效的環境管理，本集團各個廠房均已取得ISO 14001認證。二零零六年十二月，本集團屬下東莞玖龍紙業有限公司及東莞海龍紙業有限公司獲廣東省環境保護局評為綠牌／環保誠信企業，進一步表揚玖龍紙業在維持高水準的環保生產程式的成就。

人力資源

玖龍紙業深明員工對本集團整體發展的重要性，並感謝他們所作出的寶貴貢獻。因此，本集團持續加強人力資源的投入，以確保長遠而持久的發展。持續投資也確保本集團之員工均能享受適當的保護、安全及舒適的工作環境，這對全體僱員的生活質素，以至玖龍紙業的長遠成就相當重要。在二零零五年，本集團獲得OHSAS 18001職業健康安全體系認證。本集團也定期向員工提供身體檢查，以確保全體員工之身體健康。

展望

展望未來，玖龍紙業將策略地投資海內外市場，以推動業務持續發展，期望將玖龍紙業發展成為全球最大及最具效益的包裝紙生產商，並成為全球包裝紙生產的龍頭企業。

玖龍紙業也會進一步加強成本管理，預投資於土地碼頭及鐵路等基建設施，控制資源使用效率，包括人力資源，致力在行業競爭環境中保持最具競爭能力的成本組合。

副董事長兼行政總裁
劉名中

中國香港，二零零七年二月十三日

ENVIRONMENT (Cont'd)

Through the utilization of high standard, environmentally friendly equipment and technologies along with the implementation of efficient environmental management techniques, all of the Group's production facilities have obtained the ISO 14001 certificate. In December 2006, Dongguan Nine Dragons Paper Industries Company Limited and Dongguan Sea Dragon Paper Industries Company Limited, subsidiaries of the Group, were granted with the honour of Green/Environmental Creditable Enterprise by the Guangdong Environmental Protection Bureau, further recognizing our achievement in maintaining a high standard of environmentally friendly production.

HUMAN RESOURCES

ND Paper understands and appreciates the contributions and importance of human resources to the overall development of the Group. Therefore, we consistently invest in human capital to ensure our future development and longevity. Our staff is provided with proper protection to ensure a safe and comfortable working environment which not only guarantees their quality of life, but is also indispensable to the long-term success of ND Paper. In 2005, the Group was granted OHSAS 18001 certification for its occupational health and safety system. The Group provides regular health check-ups for all staff to ensure their physical well being.

FORWARD

Looking ahead, ND Paper will strategically invest in the both domestic and overseas markets to promote further business growth. We are dedicated to develop ND Paper into the world's largest and most efficient packaging paperboard manufacturer and become the leader in the packaging paperboard manufacturing industry.

ND Paper will reinforce its cost management and invest in infrastructure such as land, pier and railway. We will also monitor our resource utilization, including human capital, to maintain the highest level of cost efficiency among our peers.

Liu Ming Chung
Deputy Chairman and Chief Executive Officer

Hong Kong, the PRC, 13 February 2007



MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論與分析

業務回顧

根據 Resource Information System Inc. 的資料顯示，本集團於二零零六年十二月三十一日仍保持中國包裝原紙龍頭生產商地位，也是全球最大包裝原紙生產商之一。本集團於二零零七財年增加之新紙機集中在財年下半年陸續投產，因此玖龍紙業於截至二零零六年十二月三十一日止半年度在東莞基地及太倉基地之年總設計產能仍為330萬噸，當中150萬噸為牛卡紙、135萬噸為高強瓦楞芯紙及45萬噸為塗布灰底白板紙，東莞基地佔總設計產能約71.2%，太倉基地佔28.8%。

於二零零六年十一月，本集團於中國中西部地區重慶市拓展其第三個生產基地，本集團亦藉此進一步擴充銷售覆蓋範圍至珠江三角洲及長江三角洲以外地區。重慶基地首兩條生產線預計於二零零八年中投產。

截至本報告日，隨著十一、十六及十七號造紙機於二零零七年一月份正式投產，玖龍紙業之產能已提升到450萬噸。

業務策略

於截至二零零六年十二月三十一日止半年度，本集團繼續集中推行四項業務策略，包括進一步提升市場領導地位，增加營運效率，拓展地域覆蓋範圍及產品選擇，以及吸納優秀僱員。此等業務策略能助本集團成為高效率及高盈利能力的全球頂尖包裝原紙產品製造商，以維持業務持續增長並提升股東價值。

BUSINESS REVIEW

According to statistics from Resource Information Systems Inc., as at 31 December 2006, the Group remained the biggest containerboard manufacturer in China and one of the biggest in the world. As the Group's newly added paper machines for the fiscal year of 2007 will be gradually put into production in the second half of the fiscal year, therefore, the Group's annual design capacity at its production bases in Dongguan and Taicang for the half-year ended 31 December 2006 remained at 3.30 million tonnes, comprising 1.50 million tonnes of kraftlinerboard, 1.35 million tonnes of high performance corrugating medium and 0.45 million tonnes of coated duplex board; Dongguan production base shares around 71.2% of its designed capacity, while Taicang production base shares 28.8%.

In November 2006, the Group established its third production base to Chongqing City in central-western China, through which the Group further expanded its sales coverage to regions well beyond the Pearl River Delta and the Yangtze River Delta. The first two production lines of the production base in Chongqing City is expected to commence production in mid 2008.

As at the date of this report, ND Paper's annual production capacity has reached 4.50 million tonnes with the official putting into production of PM11, PM16 and PM17 in January 2007.

BUSINESS STRATEGIES

During the half-year ended 31 December 2006, the Group continued to focus on the implementation of four business strategies: further expanding market leadership position, enhancing operating efficiency, expanding geographical coverage and product offerings, as well as attracting high caliber employees. These business strategies can enhance the Group to become the world's leading containerboard product manufacturer with the highest efficiency and profitability in order to maintain sustainable business growth and increase shareholders' value.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析 (續)

業務策略 (續)

進一步提升市場領導地位

本集團計劃於二零零七年六月底前將年設計產能從本報告日約450萬噸提升至535萬噸，增幅18.9%。以產能計算，玖龍紙業所有主要產品包括牛卡紙、高強瓦楞芯紙及塗布灰底白板紙已穩佔龍頭地位，並預計在二零零七年財年下半年新紙機相繼投產後，此龍頭地位將會伸延至全亞洲。本集團將繼續擴充生產能力及市場份額，並準備就緒把握日後增長的機遇，以提升世界市場領導地位。

繼續投資基建項目，配合未來發展

本集團於基建項目作出大額投資，包括發電廠、土地及船運碼頭。

於二零零六年十二月三十一日，本集團擁有充裕電力資源，足以應付本集團年產能高達535萬噸的用電需要。此外，本集團已就目前經營的業務以及未來的發展及擴充計劃作出大額投資，收購東莞、太倉及重慶的土地使用權。本集團已分別於東莞及太倉取得佔地約110萬平方米及250萬平方米的土地使用權證，並正在重慶辦理收購170萬平方米的土地使用權證。本集團的土地使用權為期五十年。本集團已取得的土地使用權，足以配合日後總設計年產能擴充至不少於900萬噸的需要。

為減低港口裝卸費用、避免交通瓶頸以及善用航運和內陸水道便捷的交通優勢，本集團在每個基地都會興建船運碼頭或其他運輸基建。太倉基地已在二零零五年建成一個船運碼頭，本集團亦已申請於東莞興建一個船運碼頭，並預期所有審批程序可在二零零七年完成。除興建船運碼頭外，位於重慶的新生產基地亦將有鐵路直接接駁工廠，可進一步降低成本，並有助本集團銷售覆蓋範圍深入整個中國中西部地區市場。

BUSINESS STRATEGIES (Cont'd)

Further expanding market leadership position

The Group plans to increase its annual designed capacity of 4.50 million tonnes as at the date of this report by 18.9% to 5.35 million tonnes by the end of June 2007. In terms of capacity, all the major products of the ND Paper, including kraftlinerboard, high performance corrugating medium and coated duplex board, have taken the leading position in the industry. It is anticipated that such leading position will extend to the whole Asia after the successive commencement of the production of newly added paper machines for the second half-year of the fiscal year of 2007. The Group will continue to expand its production capacity and market share and is well prepared to capture any opportunities for future growth so as to promote its leading position in the world.

Continuous investment in infrastructure for future development

The Group has made substantial investments in infrastructure, including power plants, land and piers.

As at 31 December 2006, the Group has sufficient power resources to meet the electricity demand of the Group's annual production capacity up to 5.35 million tonnes. The Group has also made substantial investments in acquiring land use rights in Dongguan, Taicang and Chongqing for its existing operations and allowing for future development and expansion. The Group has obtained land use certificates for parcels of land with site area of approximately 1.10 million sq.m. and 2.50 million sq.m. in Dongguan and Taicang respectively, and is applying for the land use certificate for the acquired land with site area of 1.70 million sq.m. in Chongqing. The Group's land use rights are for 50 year terms. The land use rights obtained by the Group are sufficient to accommodate expansion of its total annual design capacity to no less than 9.00 million tonnes in the future.

In order to reduce port loading and unloading charges, avoid transportation bottlenecks and take advantage of ocean and inland waterway transportation, the Group will construct a pier or other transportation infrastructures for every production bases. A pier was completed for the Taicang base in 2005. The Group has also applied for the construction of a pier in Dongguan and all approval procedures are expected to be completed in 2007. In addition to the pier, the new production base at Chongqing will also has railway connected directly to the factory and this can further reduce the costs and expand the Group's sales coverage to the entire central-western region markets in China.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析(續)

業務策略(續)

進一步提升市場領導地位(續)

致力奉行環保作業守則

本集團認為，奉行環保作業守則以及維持高度的環保標準是本集團的寶貴資產及競爭優勢。本集團的環境管理標準已取得ISO14001認證。為實踐環境保護的承諾，本集團已投資於環保設施，包括迴圈節約用水和蓄水系統，大量減少各生產線的耗水量；迴圈硫化床垃圾焚燒鍋爐，儘量減少產生廢物；而燃煤發電廠設有高效微粒過濾和濕法脫硫設備，令排放水準遠優於中國監管規定的排放標準。此等措施可大大減低本集團業務對環境所造成的影響，以及環保法律及法規下的責任所帶來的風險。

依仗本公司的生產訣竅及技術，透過裝置新造紙機：十二及十三號造紙機採用以全廢紙為原材料的設計生產卡紙，本集團亦進一步增加本集團產品的纖維來源自廢紙的百分比。

廣東省環境保護局於二零零六年十二月對集團東莞玖龍紙業有限公司及東莞海龍紙業有限公司進行環境保護信用評級，並獲評為綠牌／環保誠信企業，乃本集團遵守環保法律及法規的記錄的最佳證明。

BUSINESS STRATEGIES (Cont'd)

Further expanding market leadership position (Cont'd)

Committed to environmental protection practices

The Group considers that the implementation of environmental protection practices and the maintenance of high environmental standards are valuable asset and competitive strength of the Company. The Group obtained ISO14001 certification for its environmental management standards. As part of its commitment to environmental protection, the Group has invested in environmental facilities which include the water recycling and conservation system that significantly reduces its water consumption at each of its production lines, the circulating fluidized bed waste-to-energy boilers that minimises waste products, and the coal-fired cogeneration power plants that are equipped with particulate filtration and wet desulfuration equipment to allow their emission levels well below permitted emission levels under applicable PRC regulatory requirements. These measures significantly reduce the impact of the Group's operations on the environment and the risk of exposure to liabilities under environmental protection laws and regulations.

Based on its production know-how and technologies, the Group also further increased the percentages of fiber derived from the recovered paper in the Group's products by installing new paper machines ("PMs"), PM12 and PM13, to manufacture linerboard which adopted the use of pure recovered paper as raw materials for its default mode.

In December 2006, Guangdong Environmental Protection Bureau conducted a environmental credit rating on Dongguan Nine Dragons Paper Industries Company Limited and Dongguan Sea Dragon Paper Industries Company Limited, both being members of the Group, and granted the two companies with the honour of Green/Environmental Creditable Enterprise, which is the solid evidence of the Group's record of compliance with environmental protection.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析 (續)

業務策略 (續)

增加營運效率

本集團的多條生產線及雙機組生產線設計產生規模經濟效益，而製造各式各樣產品的能力，更令設備因轉換產品及規格而需停機的時間減至最短。本集團的產品組合為迎合不同市場及行業的市場需求而設。玖龍紙業已在二零零六年成功地減少噸紙用水量及固體廢物，儘量以生產一種產品後的污水及零碎纖維副產品用於生產另一種產品的部分原材料，達致迴圈再用；且本集團可透過設備訣竅，在配合使用更多種不同等級的廢紙及部份由全廢紙成份生產的產品的同時，也能保持產品品質及性能特性，令本集團得以大幅減低成本。本集團將會加強科研力量於增加資源使用效率，包括人力資源，以進一步降低成本。

增加生產設施

於二零零六年十二月三十一日，新建五台造紙機十一至十三、十六及十七號造紙機仍在建設期中，因此，本集團於截至二零零六年十二月三十一日止半年度的產能並無變更。截至二零零六年十二月三十一日止半年度，本集團的造紙機平均有效運行率為95.2%，各造紙機之實際運行時數及有效運行率均較上年同期有改善。

本集團已裝置額外造紙機，使本集團可以進一步減少轉換產品及基重時所需的停機時間。由於本集團全體員工的共同努力及完全奉獻以及管理層的寶貴經驗及出色訣竅，十一、十六及十七號造紙機已於二零零七年一月份正式投產，較原定時間表提早分別二個月(十一號)及五個月(十六及十七號)開始運作。因興建時間縮短，本集團能大大節省所涉及的資源及成本，從而提高股東的回報，此亦反映本集團嚴格控制興建新造紙機進度的執行能力。

BUSINESS STRATEGIES (Cont'd)

Enhancing operating efficiency

The Group's multiple production lines and dual-machine production line layout provide economies of scale while its ability to manufacture a variety of products simultaneously allows it to minimise equipment shutdowns required for product and specification changes. The Group has designed its product mix to meet market demand in different markets and different industries. In 2006, ND Paper has successfully reduced the water consumption and solid waste for each tonne of paper produced by way of redeploying water and scrap fiber by-product from the production of one product into parts of the raw materials for the production of another product for recycling. Leveraging on its equipment know-how, the Group has been able to accommodate the use of an increased variety of recovered paper grades, and for some products produced with pure recovered paper content, while maintaining product quality and performance characteristics. This feature provides the Group with more room for cost reduction. The Group will make more research efforts on enhancing resources utilization efficiency, including human resources, so as to further reduce cost.

Adding new production facilities

As at 31 December 2006, the five new PMs, i.e. PM11 to PM13, PM16 and PM17, are still at construction stage and there is no change in the Group's production capacity during the half-year ended 31 December 2006. In the half-year ended 31 December 2006, the average utilisation rates of the Group's PMs was 95.2%, and their actual hours of operation and utilisation rates both improved across the board as compared with the same period last year.

The Group has installed additional PMs to allow the Group to further minimise equipment shutdown period required for product and basis weight changes. Through the concerted efforts and total commitment of all staff of the Group as well as the invaluable experience and outstanding know-how of the management, PM11, PM16 and PM17 were formally put into production in January 2007 and commenced operations at a date that was two months (PM11) and five months (PM16 and PM17) ahead of schedule respectively. With shortened construction time, the Group is able to save a substantial amount of resources and costs involved and enhance the returns to shareholders. This also reflects the execution power of the Group in strictly controlling the progress of the construction of new PMs.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析(續)

業務策略(續)

增加營運效率(續)

穩定而且價格相宜的優質原材料供應

本集團主要製造原材料為廢紙及木漿，而保持這些原材料價格穩定而相宜並優質，是本集團成功關鍵元素。

由於本集團奉行儘量使用廢紙生產優質產品的生產及環境政策，以符合客戶的成本目標。有見及此，本集團制定採購政策向可靠提供品質統一的廢紙供應商採購。本集團向一間關連公司美國中南有限公司(「美國中南」)採購絕大部分所需廢紙，也向多家其他貿易公司採購。為保障貨源的穩定性及增加透明度，本集團每年向美國中南以外的供應商採購的廢紙以價值計算，不會少於其廢紙採購總值的20%。截至二零零六年十二月三十一日止半年度，本集團向美國中南採購廢紙達人民幣1,203,375,000元，佔本集團廢紙總採購額65.8%。

由於中國木漿供應短缺，因此取得大量統一優質木漿的穩定供應對本集團的成功十分關鍵。為了確保日後取得穩定的本色木漿供應，本集團持有一家合資企業玖龍興安漿紙(內蒙古)有限公司(「玖龍興安」)55%的權益，其長纖本色木漿每年生產量為10萬噸。於截至二零零六年十二月三十一日止半年度，本集團向玖龍興安採購約佔本集團本色木漿採購總值之20.1%。

BUSINESS STRATEGIES (Cont'd)

Enhancing operating efficiency (Cont'd)

Sources of high quality and price competitive raw materials

Recovered paper and kraft pulp are the Group's principal raw materials used in the manufacture of its products. Therefore, the ability to maintain a stable source of high quality raw materials at a reasonable price is one of the Group's keys to success.

The Group's production and environmental policy is to maximise the use of recovered paper to produce high-quality products to meet its customers' cost objectives. As a result, the Group's sourcing strategy is to source from suppliers that can offer a reliable supply of recovered paper with consistent quality. The Group sources the majority of its recovered paper from a related company, America Chung Nam, Inc. ("ACN"), and the remainder from several trading companies. To secure the stability of supply and improve transparency in the course of dealing, the Group will source not less than 20% of its recovered paper in terms of aggregate value of its purchases of recovered paper from suppliers other than ACN annually. For the half-year ended 31 December 2006, the Group's purchases of recovered paper from ACN amounted to RMB1,203,375,000, representing 65.8% of Group's total purchases of recovered paper.

Due to the short supply of kraft pulp in China, a stable supply of substantial volumes of consistent high quality kraft pulp is critical to the Group's success. To secure a future supply of unbleached kraft pulp, the Group holds a 55% interest in an equity joint venture, Nine Dragons Xing An Paper Industries (Inner Mongolia) Company Limited ("ND Xing An"), which has the capacity to produce 0.10 million tonnes of long-fibred unbleached kraft pulp annually. During the half-year ended 31 December 2006, the Group's purchases from ND Xing An represents approximately 20.1% of the Group's total purchases of unbleached kraft pulp.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析 (續)

業務策略 (續)

增加營運效率 (續)

自有維修團隊

本集團現擁有逾700位曾接受原設備供應商培訓的維修人員，負責定期維修保養本集團的造紙機。本集團的維修團隊定期檢查及維修造紙機，確保造紙機操作順暢。此外，本集團於進行維修及保養的同時，也不時進行生產設備升級，以改善本集團生產設備的使用期及生產效率。

利用資訊科技

東莞及太倉的業務現正逐漸推進企業資源規劃系統，其進展令人滿意。該系統將管理、操控及監察各個業務範疇，包括庫存管理、造紙機的操作及維修、產品品質控制、銷售及市場推廣，以及通過內部運輸及運送網路運送本集團的產品。本集團預期有關企業資源規劃系統可於二零零七年年中全面實施，對進一步全方位控制成本建立了一個良好的基礎，並在資訊的時間性及準確性有大幅改善。

拓展地域覆蓋範圍及產品選擇

截至二零零六年十二月三十一日止半年度，本集團成功擴充長江三角洲及珠江三角洲以外地區至中國中西部地區重慶市的銷售覆蓋範圍。此外，本集團將致力於中國北部地方物色機會。於重慶市的首兩條造紙生產線將於二零零八年年中開始運作，設計產能為45萬噸卡紙。

由於中西部及北部地方的製造業較多元化，且覆蓋較多種消費產品如食品、藥品、煙酒、家電及汽車的零部件，與長江三角洲及珠江三角洲地區一帶的製造業有所不同。本集團現正積極發掘擴充產品品種的機會，讓本集團可向客戶提供更廣泛的互補產品。

BUSINESS STRATEGIES (Cont'd)

Enhancing operating efficiency (Cont'd)

Retaining in-house maintenance teams

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 the Group's 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. In addition, the Group also upgrades its production equipments concurrently with its repair and maintenance from time to time to increase their life span and efficiency.

Use of information technology

The progress of gradually implementing an enterprise resources planning (ERP) system for its Dongguan and Taicang operations is satisfactory. The system will manage, control and track all aspects of operations, including inventory control, operation and maintenance of the PMs, quality control of its products, sales and marketing and delivery of the Group's products through its internal transportation and delivery network. The ERP system is expected to be fully implemented in mid 2007, which will lay a sound foundation for further overall control on costs and make a significant improvement in the timing and accuracy of information transmission.

Expanding geographical coverage and product offerings

During the half-year ended 31 December 2006, the Group has successfully expanded its sales coverage beyond the Yangtze River Delta and the Pearl River Delta regions to Chongqing City in the central-western region of China, and will also seek business opportunities in the northern region of China. The first two paper production lines in Chongqing City, with a designed capacity of 0.45 million tonnes of linerboard, will commence operations in mid 2008.

As the manufacturing industries in the central-western and northern regions are more diversified and cover more consumer products like food, medicine, liquor and tobacco, home electrical appliance and spare parts for automobile etc., which are different from those manufacturing industries in the Yangtze River Delta and the Pearl River Delta regions, 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.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析(續)

業務策略(續)

吸納優秀僱員

我們相信，本集團之人力資源，尤其是管理層及工程師的質素，對本集團能否脫穎而出十分關鍵。因此，本集團一直以遵照管理及公司管治的國際最佳作業守則為原則，務求達至表現超越國際標準，包括取得職業健康安全標準的OHSAS18001認證。

於二零零六年十二月三十一日，本集團在中國內地及香港擁有約7,480名全職僱員負責管理、行政及生產。期內，有關僱員成本(包括董事酬金)約為人民幣197,412,000元。本集團通過繼續採納及完善獎勵紅利計劃及定期進行內部及海外培訓等員工發展計劃，繼續吸引並挽留國內及國際管理及工程人才。

員工購股權計劃

本集團為僱員採納購股權計劃。

在上市前，集團已向超過200名員工授予購股權，行使價為3.06港元，此購股權計劃佔公司於二零零六年十二月三十一日之已發行股本約2.35%。該計劃主要作為表揚此等員工為集團以往及上市時所作出的貢獻。

為對本集團三名創辦人張茵女士、劉名中先生及張成飛先生(「創辦人」)對過去十多年對本集團的發展及表現作出的寶貴貢獻，本公司獨立股東已於二零零六年十一月十七日批准於二零零六年十二月三十一日向創辦人授予購股權(「購股權」)，以認購本公司合共124,500,000股股份，約佔於二零零六年十二月三十一日止已發行股份之3%，認購價為每股9.8365港元。購股權的年期最長為五年。

BUSINESS STRATEGIES (Cont'd)

Attracting high caliber employees

We believe that the quality of the Group's human resources, in particular, its management and engineers, are critical to its ability to compete effectively. Therefore, the Group aims to achieve and exceed international standards of performance excellence by following international best practices for management and corporate governance, including OHSAS18001 certification for its occupational health and safety system.

As at 31 December 2006, the Group had approximately 7,480 full time management, administrative and production staff in the PRC and Hong Kong. The related employees' costs for the period (including directors' emoluments) amounted to approximately RMB197,412,000. The Group also seeks to continue to attract and retain domestic and international management and engineering talents by continuous implementation and refinement of its incentive bonus program and through staff development programs such as periodic in-house and overseas training.

EMPLOYEE SHARE OPTION SCHEME

The Group adopted a share option scheme for its employees.

Prior to the listing, the Group had granted share options at an exercise price of HK\$3.06 to over 200 employees. It represented approximately 2.35% of the issued share capital of the Company as at 31 December 2006. The purpose of this scheme was to reward for the contribution made by these employees to the Group in the past years and in the process of listing of the Group.

In consideration of the invaluable contribution to the Group's development and performance made by the three founders of the Group, namely Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei (the "Founders") in the past decade. On 17 November 2006, the independent shareholders of the Company approved the grant of share options ("Options") to the Founders on 31 December 2006 to subscribe an aggregate of 124,500,000 shares at a subscription price of HK\$9.8365 per share, representing approximately 3% of its then issued shares as at 31 December 2006. The Options have a maximum term of five years.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析 (續)

員工購股權計劃 (續)

授出購股權之主要目的為向創辦人提供推動力及鼓勵彼等繼續為本集團的未來發展作出貢獻。創辦人亦可藉著此購股權作為其每年從玖龍紙業收到之股息之投資管道。此購股權並將作為創辦人每年薪酬組合之一部份，彼等於購股權年期內，除非獲董事會上批准（創辦人放棄投票），否則將不獲授年終酌情花紅。

購股權計劃之摘要及本公司購股權於半年度內之變動詳情載於第32至35頁。

財務回顧

本集團截至二零零六年十二月三十一日止半年度的營業額及盈利相比去年同期繼續錄得雙位數百分比的增長。

本集團於去年財年下半年（即截至二零零六年六月三十日止半年度）及截至二零零六年十二月三十一日止半年度之年設計產能都維持在330萬噸。去年財年下半年的營業額及股東應佔利潤（不包括二零零六年三月本公司股份首次公開發售時因超額認購股份而產生的利息收入約人民幣117,695,000元）分別約為人民幣4,127,842,000元及人民幣696,871,000元。因此玖龍紙業在沒有產能擴充下，在本財政年度內首六個月的營業額及盈利均較去年財年下半年度分別增加12.4%及36.0%。業績主要反映本集團管理層能進一步發揮規模經濟效益、增加本集團造紙機的使用率及嚴格控制成本所致。

EMPLOYEE SHARE OPTION SCHEME (Cont'd)

The grant of the Options aims to provide an incentive to the Founders to encourage them to make continuous contribution to the future development of the Group. The Options can also be exercised by the Founders as an investment channel for dividends to be distributed by the Group. The Options will form part of the Founders' annual remuneration each year. The Founders shall not be entitled to the discretionary year-end bonus during the term of the Options, unless approved by the meeting of the Board of Directors (in which the Founders shall be required to abstain from voting).

The summary of the share option scheme and the details of the movement of the Options of the Company in the half-year period are set out on pages 32 to 35.

FINANCIAL REVIEW

The Group continued to record double-digit growth in turnover and earnings for the half-year ended 31 December 2006 as compared with the corresponding period of last year.

For the second half of previous financial year (being the half-year ended 30 June 2006) and the half-year ended 31 December 2006, the Group's designed capacity maintained at 3.30 million tonnes. The turnover and profit attributable to Company's equity holders (excluding the interest income of approximately RMB117,695,000 derived from over-subscription of shares during the initial public offering of the Company in March 2006) for the second half of last financial year were RMB4,127,842,000 and RMB696,871,000 respectively. As such, in the absence of capacity expansion, the turnover and earnings of the ND Paper for the first six months of this financial year increased by 12.4% and 36.0% respectively over that of the second half of previous financial year. These results were mainly the outcome of the economies of scale, full utilization of the Group's PMs and stringent cost control measures further implemented by the Group's management team.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析(續)

財務回顧(續)

收入

於截至二零零六年十二月三十一日止半年度，本集團收入增加22.9%，達人民幣4,638,469,000元，較上個財政年度同期增加人民幣864,155,000元。本集團的收入增加主要是由於本集團截至二零零六年十二月三十一日止半年度的包裝原紙產品總銷量由上個財政年度同期的約1,286,000噸增加約23.3%至約1,586,000噸所致。包裝原紙產品的整體銷量大幅增加是由於本集團的9號及10號造紙機於二零零五年十二月底投產。

本地市場仍為本集團的最大市場。截至二零零六年及二零零五年十二月三十一日止兩個半年度期間，以外幣計值的銷售(主要為向外商投資加工企業作出的銷售)分別佔本集團總銷售額41.0%及40.8%。截至二零零六年及二零零五年十二月三十一日止兩個半年度，本集團前五大客戶合共佔本集團銷售額約11.7%及7.7%。同期，對單一最大客戶的銷售額佔本集團總銷售額約2.8%及2.9%。

毛利

截至二零零六年十二月三十一日止半年度的毛利為人民幣1,203,941,000元，較上個財政年度同期所錄得的人民幣828,618,000元增加人民幣375,323,000元。本期間的毛利率由22.0%上升至26.0%。毛利率上升主要反映本集團產能擴充帶來的規模經濟效益、進一步提升本集團造紙機的使用率及嚴格控制成本所致。

其他收益淨額

截至二零零六年十二月三十一日止半年度，本集團的其他收益淨額由上個財政年度同期的人民幣104,015,000元增加43.2%至人民幣148,913,000元，增長主要是由於本集團於截至二零零六年十二月三十一日止半年度銷售剩餘電力增加人民幣11,264,000元至人民幣93,166,000元，利息收入增加人民幣5,733,000元及因人民幣升值而帶來之淨外匯收益人民幣23,812,000元所致。

FINANCIAL REVIEW (Cont'd)

Revenue

During the half-year ended 31 December 2006, the Group's revenue grew by 22.9% and reached RMB4,638,469,000, representing an increase of RMB864,155,000 over the corresponding period of the previous financial year. The growth in revenue was primarily due to the increase in the Group's total sales volume of packaging paperboard products to approximately 1,586,000 tonnes in the half-year ended 31 December 2006 from approximately 1,286,000 tonnes in the same period of last financial year, representing an increase of approximately 23.3%. The significant increase in the total sales volume of packaging paperboard products was a direct result of the commencement of operation of the Group's PM9 and PM10 in late December 2005.

The domestic market continues to be the largest market for the Group. For the two half-year periods ended 31 December 2006 and 2005, sales denominated in foreign currencies, which primarily represented sales made to foreign invested processing enterprises, constituted 41.0% and 40.8% of the Group's total sales respectively. For the two half-year periods ended 31 December 2006 and 2005, the Group's five largest customers in aggregate accounted for approximately 11.7% and 7.7% of sales for the period. Sales to the single largest customer for the same periods accounted for approximately 2.8% and 2.9% of the Group's sales respectively.

Gross Profit

The gross profit for the half-year ended 31 December 2006 was RMB1,203,941,000, an increase of RMB375,323,000 compared to the RMB828,618,000 recorded in the same period of the previous financial year. Gross margin for the period improved from 22.0% to 26.0%. The increase in gross margin was due to the economies of scale from production capacity expansion, further optimization of the Group's PMs and stringent cost control.

Other Gains (Net)

Other gains, net, of the Group increased 43.2% to RMB148,913,000 in the half-year ended 31 December 2006 from RMB104,015,000 in the same period of the previous financial year. The increase was due primarily to an increase in the sale of excessive electricity of RMB11,264,000 to RMB93,166,000, an increase of RMB5,733,000 in interest income and a net exchange gain of RMB23,812,000 as a result of the appreciation of Renminbi in the half-year ended 31 December 2006.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析 (續)

財務回顧 (續)

經營利潤

截至二零零六年十二月三十一日止半年度的經營利潤為人民幣1,115,484,000元，較上個財政年度同期增加人民幣335,505,000元或增加43.0%，主要原因是受到整體收入改善、銷售組合改變及營運效率改善帶動，使毛利及毛利率大幅上升。

銷售及市場推廣成本由上個財政年度同期的人民幣69,905,000元增加38.5%至截至二零零六年十二月三十一日止半年度的人民幣96,847,000元。銷售及分銷成本總額佔本集團收入的比例由上個財政年度同期的1.9%增加至截至二零零六年十二月三十一日止半年度的2.1%。

行政開支由上一個財政年度同期的人民幣82,749,000元增加至截至二零零六年十二月三十一日止半年度的人民幣140,523,000元。本集團在回顧期內為東莞與太倉的新造紙機投產及重慶的新基地預撥人力資源而增聘管理及行政人員。此外，本集團也於採納香港財務報告準則第2號後作出新購股權開支人民幣16,419,000元。行政開支佔本集團收入比率的百分點相比於上個財政年度同期的2.2%增加0.8百分點至3.0%。本集團扣除購股權計劃作出撥備的行政開支為人民幣124,104,000元，佔收入的比例2.7%。

淨利潤及股息

截至二零零六年十二月三十一日止半年度，收入增加及邊際利潤改善導致股東應佔利潤較去年同期增加69.2%至人民幣948,062,000元，相比於去年同期錄得人民幣560,216,000元。息稅前盈利及息稅折舊攤銷前盈利對收入比率分別為23.9%及27.7%。

本集團截至二零零六年十二月三十一日止半年度的融資成本由上個財政年度同期的人民幣156,424,000元減少45.5%至人民幣85,278,000元，主要反映於二零零六年三月上市後致力於成本監控及改善流動資金。

FINANCIAL REVIEW (Cont'd)

Operating Profit

The operating profit for the half-year ended 31 December 2006 was RMB1,115,484,000, representing an increase of RMB335,505,000 or 43.0% over the same period of the previous financial year. The improvement mainly came from significant improvement in gross profit and gross margin which resulting from overall growth in revenue, a change in the sales mix and improvements in operational efficiency.

Selling and marketing costs increased by 38.5% from RMB69,905,000 in the same period of the previous financial year to RMB96,847,000 in the half-year ended 31 December 2006. The total amount of selling and marketing costs as percentage of Group's revenue increased from 1.9% in the same period of the previous financial year to 2.1% in the half-year ended 31 December 2006.

Administrative expenses increased from RMB82,749,000 in the same period of the previous financial year to RMB140,523,000 in the half-year ended 31 December 2006. Additional management and administrative staff were hired in connection with the pre-allocation of human resources for the commencement of new PMs in Dongguan and Taicang and new base in Chongqing during the period under review. The Group also made new share option expenses of RMB16,419,000 following the adoption of HKFRS 2. The percentage of administrative expenses in the Group's revenue increased by 0.8 basis point to 3.0% as compared to 2.2% in the same period of last financial year. The Group's administrative expenses amounted to RMB124,104,000 after deducting the provision for the share option scheme, representing 2.7% of its revenue.

Net Profit and Dividend

The higher revenue and improved margin drove the profit attributable to Company's equity holders for the half-year ended 31 December 2006 increased by 69.2% to RMB948,062,000, as compared to RMB560,216,000 recorded in the same period of last year. The ratios of EBIT and EBITDA to revenue were 23.9% and 27.7% respectively.

The Group's finance costs decreased by 45.5% to RMB85,278,000 in the half-year ended 31 December 2006 from RMB156,424,000 in the same period of last financial year, as a result of the Group's effort in cost control and improvement in liquidity of the Group after the listing in March 2006.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析(續)

財務回顧(續)

淨利潤及股息(續)

截至二零零六年十二月三十一日止半年度的每股基本盈利為人民幣0.23元，相比於上個財政年度同期人民幣0.19元增加21.1%。董事會建議派付中期股息每股人民幣1.60仙，合共約人民幣66,649,000元。

流動資金及財務資源

本集團的財務資源仍然保持穩健，於二零零六年十二月三十一日的股東資金為人民幣8,410,948,000元，較二零零六年六月三十日所報的人民幣7,541,404,000元增加11.5%。每股資產淨值由人民幣1.82元上升11.5%至人民幣2.03元。

本集團於本期間繼續擁有來自經營活動的穩健現金流入淨額人民幣885,340,000元，而上個財政年度同期則為人民幣296,884,000元。

就本集團於二零零六年十二月三十一日的可動用財務資源而言，減除人民幣94,937,000元作為股息於二零零六年十二月派付予股東後，本集團於期末錄得現金及銀行存款人民幣848,427,000元以及未提取銀行貸款及透支額人民幣4,721,173,000元。

於二零零六年十二月三十一日，本集團擁有的短期借貸及長期借貸分別為人民幣695,789,000元及人民幣4,168,162,000元，分別佔總借貸14.3%及85.7%。於二零零六年十二月三十一日，本集團已抵押賬面總值人民幣2,168,335,000元(二零零六年六月三十日：人民幣2,308,754,000元)的資產，作為本集團所獲銀行信貸的擔保。本集團大部分借貸為無抵押借貸；於二零零六年十二月三十一日，無抵押借貸佔總借貸約84.5%。

於二零零六年十二月三十一日，本集團的淨借貸對權益比率(根據本集團的淨借貸人民幣4,015,524,000元及股東權益人民幣8,410,948,000元計算)為47.7%(二零零六年六月三十日：25.2%)。

FINANCIAL REVIEW (Cont'd)

Net Profit and Dividend (Cont'd)

Basic earnings per share for the half-year ended 31 December 2006 were RMB0.23, representing an increase of 21.1%, compared to RMB0.19 in the same period of previous financial year. The Board have proposed an interim dividend of RMB1.60 cents per share, which will aggregate to approximately RMB66,649,000.

Liquidity and Financial Resources

The Group's financial resources continued to be strong. The shareholders' funds as at 31 December 2006 were RMB8,410,948,000, a 11.5% increase from RMB7,541,404,000 reported as at 30 June 2006. The net asset value per share increased from RMB1.82 to RMB2.03 by 11.5%.

The Group continue to enjoy stable and strong net cash inflow from operating activities for this period of RMB885,340,000 as compared to RMB296,884,000 in the comparable period of last financial year.

In terms of the Group's available financial resources as at 31 December 2006, notwithstanding that RMB94,937,000 was distributed to shareholders as dividend payment in December 2006, the Group recorded with RMB848,427,000 of cash and bank deposits and total undrawn bank loans and overdraft facilities of RMB4,721,173,000 in the end of period.

As at 31 December 2006, the Group had short-term borrowings and long-term borrowings of RMB695,789,000 and RMB4,168,162,000 respectively, accounting for 14.3% and 85.7% of the total borrowings respectively. As at 31 December 2006, the Group pledged assets with aggregate carrying value of RMB2,168,335,000 (30 June 2006: RMB2,308,754,000) 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 84.5% of total borrowings as at 31 December 2006.

As at 31 December 2006, the net borrowings to equity ratio for the Group, expressed as a percentage of net borrowings of RMB4,015,524,000 and shareholder's equity of RMB8,410,948,000, was 47.7% (30 June 2006: 25.2%).



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析 (續)

財務回顧 (續)

流動資金及財務資源 (續)

本集團主要透過穩定的造紙業務所產生的強勁經常性現金流量償還債項。董事會有信心，本集團具備足夠財務資源應付營運資金及日後發展所需，並於可見將來應付償還債項的需求。

庫務政策

本集團主要通過集團層面為其所有業務提供所需資金，並檢討及監控外匯風險。該政策同時更有效控制庫務運作及降低平均資金成本。

於二零零六年十二月三十一日，美元總借貸達至相等於人民幣2,184,181,000元，而人民幣貸款達人民幣2,679,770,000元。非人民幣貸款的借貸佔本集團總借貸約44.9%。本集團的收入主要以人民幣及港元結算。

本集團已於二零零六年九月十九日就本集團二零零七年的資本開支需要及營運資金需求訂立一項無抵押貸款的銀團貸款協定。該筆貸款安排的利率為倫敦銀行同業拆息加55個基點。該筆貸款有助本集團增加本集團貸款總額中的非人民幣貸款比例。此外，本集團亦可更好利用人民幣收入並加快償還人民幣貸款，以減少匯率波動風險並提升人民幣升值為本集團所帶來的利益。

本集團於二零零六年十二月三十一日的51.0%借貸為定息借貸，其餘按照浮動利率計算利息成本。

本集團的庫務政策旨在控制個別交易的外幣匯率波動風險及利率波動風險，並以適當財務工具對沖任何重大風險。本集團的政策為不從事任何投機活動。

FINANCIAL REVIEW (Cont'd)

Liquidity and Financial Resources (Cont'd)

The Group services its debts primarily through strong recurrent cash flow generated from stable paper business. 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.

Treasury Policies

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

As at 31 December 2006, total US dollars borrowings amounted to the equivalence of RMB2,184,181,000 and RMB loans amounted to RMB2,679,770,000. Total non-RMB borrowings represented approximately 44.9% of the Group's total borrowings. The Group's revenue is mainly denominated in Renminbi and HK dollars.

The Group entered into an unsecured syndicated loan agreement on 19 September 2006 for the future capital expenditure requirements and working capital requirements of the Group. The interest rate applied to this facility is London Interbank Offered Rate (LIBOR) plus 55 basis points. This facility enables the Group to increase the proportion of non-RMB loans in the Group's total loans. In addition, the Group can also better utilise 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 brought to the Group.

As at 31 December 2006, 51.0% of the Group's borrowings are based on fixed interest rates, and the interest cost of the remaining borrowings are based on floating rates.

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



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd) 管理層討論與分析(續)

財務回顧(續)

營運資金

存貨及應收貿易賬項及票據於二零零六年十二月三十一日分別為人民幣861,785,000元及人民幣1,064,346,000元，相比於二零零六年六月三十日分別為人民幣932,031,000元及人民幣1,312,378,000元分別減少7.5%及18.9%。存貨及應收賬款周轉日數分別為46日及42日，而上個財年同期分別為56日及48日，原材料存貨及成品存貨周轉日於截至二零零六年十二月三十一日止半年度分別為35天及11天，而上個財年同期分別為40天及16天。流動資金之控制及使用效率相比上個財年同期都有大幅改善。隨著現金週期之縮短，集團亦相應減少佔用供應商之數期，以減少原材料成本。流動比率(流動資產除以流動負債的比率)為1.3。

資本開支

截至二零零六年十二月三十一日止半年度，本集團已投資人民幣2,877,468,000元的資本開支用於興建廠房、購買機械設備及其他有形資產，而上個財政年度同期則為人民幣658,734,000元。該等資本開支全部由內部資源、首次發行新股所得款項淨額及銀行借貸撥付。

上市發行新股所得款項淨額的用途

於二零零六年六月三十日，發行新股所得款項餘額約人民幣1,394,581,000元，計劃用於日後為資本開支提供資金。此餘額已於截至二零零六年十二月三十一日止半年度內相應全數應用。

資本承擔及或然負債

本集團於二零零六年十二月三十一日已訂約但未撥備及已授權但未訂約之未來資本開支約為人民幣4,001,551,000元。

FINANCIAL REVIEW (Cont'd)

Working Capital

The inventory and trade debtors and bills receivable as at 31 December 2006 were RMB861,785,000 and RMB1,064,346,000 respectively, representing a decrease of 7.5% and 18.9% as compared to RMB932,031,000 and RMB1,312,378,000 as at 30 June 2006. The turnover days for inventory and trade debtors were 46 days and 42 days respectively, compared to 56 days and 48 days in the corresponding period of the last financial year. The turnover days for raw materials and finished products were 35 days and 11 days respectively during the half-year ended 31 December 2006, compared to 40 days and 16 days in the corresponding period of the last financial year. The control and utilisation rate of liquidity improved significantly as compared to last financial year. With a shorter cash turnover period, the Group also shortened the credit period from suppliers to reduce the costs of raw materials. The current ratio (current assets divided by current liabilities) was 1.3.

Capital Expenditure

The Group invested RMB2,877,468,000 during the half-year ended 31 December 2006 in capital expenditure for the construction of factory buildings, purchase of plant machinery, equipment and other tangible assets, as compared to RMB658,734,000 in the same period of last financial year. These capital expenditures were fully financed by internal resources, net proceeds from the issue of new shares and bank borrowings.

Use of Net Proceeds of the New Issue for Listing

The balance of the proceeds derived from the new issue of approximately RMB1,394,581,000 as at 30 June 2006, which was planned for funding the future capital expenditure, has been fully applied during the half-year ended 31 December 2006.

Capital Commitments and Contingent Liabilities

Up to 31 December 2006, the future capital expenditure for which the Group had contracted but unprovided for and authorised but not yet contracted for amounted to approximately RMB4,001,551,000.



CORPORATE GOVERNANCE AND OTHER INFORMATION

企業管治及其他資料

企業管治常規

玖龍紙業致力確保高水準企業管治以符合股東利益，並竭力識別及制定最佳管治常規。於截至二零零六年十二月三十一日止半年度整段期間，本公司一直奉行香港聯合交易所有限公司（「聯交所」）《證券上市規則》（「上市規則」）附錄十四所載《企業管治常規守則》的原則，並遵守守則內所有適用的條文。

上市發行人董事進行證券交易的標準守則（「標準守則」）

本公司已採納上市規則附錄十所載標準守則作為其守則。經向全體董事作出具體查詢後，各董事確認於回顧期內一直遵守標準守則所訂的標準。高級管理層因任職於本公司可能擁有未公佈的價格敏感資料，已被要求遵守標準守則的條文。

執行委員會

執行委員會定期開會討論公司運作以及任何按照公司細則條文應由董事會控制和監督的公司正常業務過程中的任何事務。執行委員會需向董事會負責，監察內部制度及向董事會保證其已履行此職責。

執行委員會由執行董事組成，惟執行委員會成員中的執行董事人數於任何時間一律不得超過四名。除經所有董事書面批准外，執行委員會的組成不可改變。董事會主席將擔任執行委員會主席一職。

目前，執行委員會成員包括張茵女士（主席）、劉名中先生及張成飛先生。

CORPORATE GOVERNANCE PRACTICES

ND Paper is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalizing best practices. Throughout the half-year period ended 31 December 2006, 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 Rules Governing the Listing of Securities (“Listing Rules”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code. Specific enquiries have been made with all directors, who have confirmed that, during the period under review, they were in compliance with provisions of the Model Code. Senior management who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code.

EXECUTIVE COMMITTEE

The Executive Committee meets regularly to discuss the operation 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 of the Company. The Executive Committee is accountable to the Board for monitoring the system of internal controls and providing assurance to the Board that it does so.

The members of the Executive Committee shall be executive directors, but the Executive Committee shall not at any time consists 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 includes Ms. Cheung Yan (chairman), Mr. Liu Ming Chung and Mr. Zhang Cheng Fei.



CORPORATE GOVERNANCE AND OTHER INFORMATION (Cont'd) 企業管治及其他資料(續)

薪酬委員會

薪酬委員會工作包括審閱及制訂薪酬政策及常規，向董事會提供建議，建立便於聘請人才的相關制度，此可確保本公司能夠招攬、挽留及激勵優秀員工為本公司作出貢獻及為股東增值。薪酬委員會負責監督董事薪酬福利的釐定工作，並為發展薪酬政策建立正規且具透明度的程序。

此外，薪酬委員會亦會對本公司的上市前購股權計劃及二零零六年購股權計劃進行有效的監察及執行。

目前，薪酬委員會成員包括：譚惠珠女士(主席)、鍾瑞明先生、鄭志鵬博士、劉名中先生及張成飛先生。

審核委員會

審核委員會每年至少舉行四次會議，旨在監督本集團財務報表的完整性及考慮內部及外部審核的性質及範圍。審核委員會與本公司管理層以及外部核數師羅兵咸永道會計師事務所審閱本公司採納的會計原則與慣例，並討論審核及財務事宜，包括對所有重大財務、營運及合規監控情況，並作出檢討。

審核委員會全體成員均為獨立非執行董事，即鄭志鵬博士(主席)、譚惠珠女士、鍾瑞明先生及王宏渤先生。

審閱中期業績

本未經審核簡明綜合中期財務報告已經本公司之審核委員會審閱，並經本公司之核數師羅兵咸永道會計師事務所按照香港會計師公會頒佈之核數準則第700號「審核中期財務報告的委聘」所審閱。

REMUNERATION COMMITTEE

The functions of the Remuneration Committee include assessing and formulating remuneration policy and practices, making recommendations to the Board and establishing recruitment policies that enable the Company to recruit, retain and motivate high-calibre staff to reinforce the success of the Company and create value for our shareholders. The Remuneration Committee is responsible for overseeing the determination of directors' remuneration and benefits as well as for developing a formal and transparent procedure for the remuneration policy.

In addition, the Remuneration Committee also supervises and enforces the Pre-Listing Share Option Scheme and 2006 Share Option Scheme of the Company in an effective manner.

Currently, the Remuneration Committee consists of Ms. Tam Wai Chu, Maria (Chairman), Mr. Chung Shui Ming, Timpson, Dr. Cheng Chi Pang, Mr. Liu Ming Ching and Mr. Zhang Cheng Fei.

AUDIT COMMITTEE

The Audit Committee meets at least four times each year with the purpose of monitoring the integrity of the Group's financial statements and to consider the nature and scope of internal and external audit. The Audit Committee, together with the Company's management and its external auditor PricewaterhouseCoopers, have reviewed the accounting principles and practices adopted by the Company and discussed over and reviewed the auditing and financial matters, including all significant aspects involving financial, operational and compliance controls.

All members of the Audit Committee are independent non-executive directors, namely, Dr. Cheng Chi Pang (chairman), Ms. Tam Wai Chu, Maria, Mr. Chung Shui Ming, Timpson and Mr. Wang Hong Bo.

REVIEW OF INTERIM RESULT

The unaudited condensed consolidated interim financial report has been reviewed by the Company's Audit Committee and the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.



CORPORATE GOVERNANCE AND OTHER INFORMATION (Cont'd) 企業管治及其他資料 (續)

風險管理委員會

風險管理委員會由本集團屬下的監督管理委員會、財務部及內部審計部組成。董事會根據執行委員會的意見制訂各種風險管理策略，以識別、評估及減低風險，包括建設、業務營運、財務、庫務、安全及環境風險。

董事會尋找提高本集團各部門的風險意識。各部門主管負責確保遵守適用於其功能部門的法令及法規。彼等須知悉任何新訂或經修訂法令，以評估該等法令及法規的風險及其對本公司營運的影響。

風險管理委員會亦透過制定適當的政策及程序(包括制訂授權標準)，為風險管理制度的發展奠定堅實基礎。就審閱及申報工作而言，執行董事及董事會負責審閱及批准由管理層編製的詳細經營及財務報告、預算及業務計劃。此外，董事會亦會以預算案與實際成績作比較，並監督風險管理委員會的持續工作情況。執行董事及各核心業務部門的管理團隊將不時進行業務檢討。

RISK CONTROL COMMITTEE

The Risk Control Committee is composed of the Supervision Committee, Finance Department and Internal Audit Department of the Group. Various risks management strategies have been established by the Board as advised by the Executive Committee to identify, assess and reduce risk, including construction, business operations, finance, treasury, security and environmental risks.

The Board seeks to raise the risk awareness of all departments of the Group. All Department Heads are responsible for ensuring the compliance with statutes and regulations applicable to their own functional units. They are required to identify any new or updated statutes, to assess the risk of such statutes and regulations and their impact on the Company's operations.

The Risk Control Committee also works to lay a solid foundation for the development of a risk management system by way of establishing appropriate policies and programmes, including the formulation of authorisation criteria. In respect of the work on review and reporting, the executive directors and the Board are responsible for the review and approval of the detailed operational and financial reports, budgets and business plans prepared by the management. Besides, the Board will compare the budgets with the actual results and oversee the ongoing work of the Risk Control Committee. The executive directors and the management team of all core business departments will carry out business reviews from time to time.



CORPORATE GOVERNANCE AND OTHER INFORMATION (Cont'd) 企業管治及其他資料(續)

中期股息

董事會決定建議派付截至二零零六年十二月三十一日止半年度的中期股息每股人民幣1.60仙(相等於約1.61港仙)，預期約於二零零七年三月二十三日或相近之日以郵寄方式派付予股東。股息將派付予二零零七年三月五日營業時間結束時名列本公司股東名冊的股東。人民幣兌港元於二零零七年二月十二日之匯率為1.00港元兌人民幣0.9935元換算，此僅供說明之用。以港元派付股息所採用的實際匯率將以實際派發股息日的匯率為換算基礎。

暫停辦理股份過戶登記

本公司將由二零零七年三月六日至二零零七年三月九日(包括首尾兩日)暫停辦理股份過戶登記手續，期間將不會辦理股份過戶。為確定有權收取中期股息，所有過戶表格連同有關股票須最遲於二零零七年三月五日送達本公司的香港股份過戶登記分處卓佳證券登記有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

權益披露

董事及主要行政人員於本公司及其相聯法團的股份、相關股份及債券的權益及淡倉

於二零零六年十二月三十一日，本公司董事及主要行政人員及彼等的聯繫人於本公司及其相聯法團(定義見證券及期貨條例第XV部)的股份、相關股份及債券，或根據證券及期貨條例第352條須予存置的登記冊所記錄，或根據上市規則標準守則知會本公司及聯交所的權益及淡倉如下：

INTERIM DIVIDEND

The Board has resolved to recommend payment of an interim dividend of RMB1.60 cents (equivalent to approximately HK\$1.61 cents) per share for the half-year ended 31 December 2006, which is expected to be payable to shareholders by post on or around 23 March 2007. 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 5 March 2007. The translation of RMB into Hong Kong dollars is made at the exchange rate of HK\$1.00 to RMB0.9935 as at 12 February 2007 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 6 March 2007 to 9 March 2007, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 5 March 2007.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation

As at 31 December 2006, the directors and chief executive of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules:



CORPORATE GOVERNANCE AND OTHER INFORMATION (Cont'd)
企業管治及其他資料 (續)

權益披露 (續)

董事及主要行政人員於本公司及其相聯法團的股份、相關股份及債券的權益及淡倉 (續)

(A) 於本公司的權益

下表載列本公司董事及主要行政人員於股份及相關股份的好倉總數。

DISCLOSURE OF INTERESTS (Cont'd)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation (Cont'd)

(A) Interests in the Company

The table below sets out the aggregate long positions in the shares and underlying shares of the directors and the chief executive of the Company.

董事姓名 Name of directors	身份 Capacity	已發行 普通股數目 No. of issued ordinary shares	相關股份 (有關購 股權) 數目 No. of underlying shares (in respect of share options)	佔全部股權的 概約百分比 Approximate percentage of total number of shareholding
張茵女士 (「張女士」) Ms. Cheung Yan ("Ms. Cheung")	於受控制法團 的權益 (附註1) Interest in controlled corporation (Note 1)	2,986,800,000	—	71.97%
	實益擁有人 (附註2) Beneficial owner (Note 2)	—	16,923,315	0.41%
	家族權益 (附註2) Family interest (Note 2)	—	16,914,184	0.41%
	實益擁有人 (附註3) Beneficial owner (Note 3)	—	41,500,000	1.00%
	家族權益 (附註3) Family interest (Note 3)	—	41,500,000	1.00%
劉名中先生 (「劉先生」) Mr. Liu Ming Chung ("Mr. Liu")	於受控制法團 的權益 (附註1) Interest in controlled corporation (Note 1)	2,986,800,000	—	71.97%
	實益擁有人 (附註2) Beneficial owner (Note 2)	—	16,914,184	0.41%
	家族權益 (附註2) Family interest (Note 2)	—	16,932,315	0.41%
	實益擁有人 (附註3) Beneficial owner (Note 3)	—	41,500,000	1.00%
	家族權益 (附註3) Family interest (Note 3)	—	41,500,000	1.00%

CORPORATE GOVERNANCE AND OTHER INFORMATION (Cont'd) 企業管治及其他資料 (續)

權益披露 (續)

董事及主要行政人員於本公司及其相聯法團的股份、相關股份及債券的權益及淡倉 (續)

(A) 於本公司的權益 (續)

DISCLOSURE OF INTERESTS (Cont'd)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation (Cont'd)

(A) Interests in the Company (Cont'd)

董事姓名 Name of directors	身份 Capacity	已發行 普通股數目 No. of issued ordinary shares	相關股份 (有關購 股權) 數目 No. of underlying shares (in respect of share options)	佔全部股權的 概約百分比 Approximate percentage of total number of shareholding
張成飛先生(「張先生」) Mr. Zhang Cheng Fei ("Mr. Zhang")	實益擁有人(附註2) Beneficial owner (Note 2)	—	11,814,821	0.28%
	實益擁有人(附註3) Beneficial owner (Note 3)	—	41,500,000	1.00%
高靜女士(「高女士」) Ms. Gao Jing ("Ms. Gao")	實益擁有人(附註2) Beneficial owner (Note 2)	—	500,000	0.01%
	家族權益(附註4) Family interest (Note 4)	—	2,000,000	0.05%
譚惠珠女士(「譚女士」) Ms. Tam Wai Chu ("Ms. Tam")	實益擁有人(附註2) Beneficial owner (Note 2)	—	1,166,670	0.03%
鍾瑞明先生(「鍾先生」) Mr. Chung Shui Ming, Timpson ("Mr. Chung")	實益擁有人(附註2) Beneficial owner (Note 2)	—	1,166,670	0.03%
鄭志鵬博士(「鄭先生」) Dr. Cheng Chi Pang ("Mr. Cheng")	實益擁有人(附註2) Beneficial owner (Note 2)	—	1,166,670	0.03%

附註：

- Best Result Holdings Limited (「Best Result」) 直接持有2,986,800,000股本公司股份。Best Result已發行股本由張女士以YC 2006 QuickGRAT的信託人身份及由HSBC Bank USA, National Association以行政信託人身份持有約37.1%，由張女士及其配偶劉先生以MCL Living Trust信託人及特別信託人身份擁有。因此，根據證券及期貨條例第XV部，張女士及劉先生視為擁有Best Result所擁有股份的權益。
- 購股權詳情載於「根據上市前購股權計劃授出可認購普通股的購股權」分節。
- 購股權詳情載於「根據二零零六年購股權計劃授出認購普通股的購股權」分節。
- 高女士視為擁有上市前購股權計劃授出其配偶之權益，該權益可予持有人接受2,000,000股股份。

Notes:

- Best Result Holdings Limited ("Best Result") directly held 2,986,800,000 share capital in the Company's shares. The issued share capital of Best Result is held as to approximately 37.1% by Ms. Cheung as the trustee and HSBC Bank USA, National Association as the administrative trustee of YC 2006 QuickGRAT, and as to approximately 37.1% by Ms. Cheung and her spouse, Mr. Liu, as the trustees of and the special trustees of MCL Living Trust. Each of Ms. Cheung and Mr. Liu is therefore deemed to be interested in the shares held by Best Result pursuant to Part XV of the SFO.
- Details of share options are set out in the sub-heading "Options to subscribe for ordinary shares granted under the Pre-Listing Share Option Scheme".
- Details of share options are set out in the sub-heading "Options to subscribe for ordinary shares granted under 2006 Share Option Scheme".
- Ms. Gao is deemed to be held in the interests which granted to her spouse under the Pre-Listing Share Option Scheme, such interests entitle holder to be granted 2,000,000 shares.



CORPORATE GOVERNANCE AND OTHER INFORMATION (Cont'd)

企業管治及其他資料 (續)

權益披露 (續)

董事及主要行政人員於本公司及其相聯法團的股份、相關股份及債券的權益及淡倉 (續)

(A) 於本公司的權益 (續)

根據上市前購股權計劃授出可認購普通股的購股權：

承授人 Grantees		於二零零六年 七月一日的結餘 Balances as at 1 July 2006	購股權數目 Number of share options			於二零零六年 十二月三十一日 的結餘 Balances as at 30 December 2006	持股概約 百分比 Approximate percentage of shareholding
			於期內行使 Exercised during the period	於期內註銷 Cancelled during the period	於期內失效 Lapsed during the period		
(i) 董事	(i) Director						
張女士 (附註4)	Ms. Cheung (Note 4)	16,923,315	—	—	—	16,923,315	0.41%
劉先生 (附註4)	Mr. Liu (Note 4)	16,914,184	—	—	—	16,914,184	0.41%
張先生	Mr. Zhang	11,814,821	—	—	—	11,814,821	0.28%
高女士	Ms. Gao	500,000	—	—	—	500,000	0.01%
譚女士	Ms. Tam	1,166,670	—	—	—	1,166,670	0.03%
鍾先生	Mr. Chung	1,166,670	—	—	—	1,166,670	0.03%
鄭先生	Mr. Cheng	1,166,670	—	—	—	1,166,670	0.03%
		49,652,330	—	—	—	49,652,330	1.20%
(ii) 僱員及其他	(ii) Employees and others	48,933,670	—	—	(1,322,000)	47,611,670	1.15%
合計	Total	98,586,000	—	—	(1,322,000)	97,264,000	2.35%

附註：

- 上市前購股權的行使期為二零零七年一月一日至二零一一年十二月三十一日。
- 授出上市前購股權的日期為二零零六年一月一日，其行使價為每股3.06港元。
- 根據上市前購股權計劃獲得有條件授予購股權的各承授人，可以：
 - 自二零零六年一月一日（「授出日期」）獲授有關購股權後一周年之日起至第二周年當日止，隨時行使所獲購股權認購相關股份不超過20%（約減至最接近的整數）；
 - 自授出日期後第二周年之日起至第三週年當日止，隨時行使所獲購股權認購相關股份不超過40%減去已行使購股權已發行的股份（約減至最接近的整數）；

Notes:

- The exercise period of Pre-Listing Share Options was from 1 January 2007 to 31 December 2011.
- The grant date of Pre-Listing Share Options was on 1 January 2006 and its exercise price was HK\$3.06 per share.
- Each of the grantees to whom options have been conditionally granted under the Pre-Listing Share Option Scheme will be entitled to exercise:
 - up to 20% of the shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing on the 1st anniversary of the date on which the relevant option was so granted to him/her at 1 January 2006 ("Grant Date") and ending on the 2nd anniversary of the Grant Date;
 - up to 40% of the shares that are subject to the option so granted to him/her less the number of shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the expiry of the 2nd anniversary of the Grant Date and ending on the 3rd anniversary of the Grant Date;



CORPORATE GOVERNANCE AND OTHER INFORMATION (Cont'd) 企業管治及其他資料 (續)

權益披露 (續)

董事及主要行政人員於本公司及其相聯法團的股份、相關股份及債券的權益及淡倉 (續)

(A) 於本公司的權益 (續) 附註：(續)

- (iii) 自授出日期後第三周年之日起至第54個月當日止，隨時行使所獲購股權認購相關股份不超過60%減去已行使購股權已發行的股份（約減至最接近的整數）；及
- (iv) 自授出日期後第54個月結束後，直至根據上市前購股前計劃規則視為授出及接納購股權日期後第60個月期間，隨時行使所獲購股權認購相關股份減去已行使購股權已發行的股份（約減至最接近的整數）。

- (4) 張女士及劉先生根據上市前購股權計劃獲授予購股權以分別認購16,923,315股股份及16,914,184股股份。劉先生為張女士的配偶。因此，根據證券及期貨條例第XV部，張女士被視為擁有劉先生所獲授的購股權涉及的股份的權益，而劉先生被視為擁有張女士所獲授的購股權涉及的股份的權益。

根據二零零六年購股權計劃授出認購普通股的購股權：

DISCLOSURE OF INTERESTS (Cont'd)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation (Cont'd)

(A) Interests in the Company (Cont'd) Notes: (Cont'd)

- (iii) up to 60% of the shares that are subject to the option so granted to him/her less the number of shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the expiry of the 3rd anniversary of the Grant Date and ending on the 54th month from the Grant Date; and
- (iv) such number of shares subject to the option so granted to him/her less the number of shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time commencing from the expiry of the 54th month from the Grant Date and ending on the expiration of 60 months from the date upon which such option is deemed to be granted and accepted in accordance with the rules of the Pre-Listing Share Option Scheme.

- (4) Ms. Cheung and Mr. Liu were granted options under the Pre-IPO Share Option Scheme, which may subscribe for 16,923,315 shares and 16,914,184 shares respectively. Mr. Liu is the spouse of Ms. Cheung. Therefore, pursuant to Part XV of the SFO, Ms. Cheung is deemed to be interested in the shares subject to the share options granted to Mr. Liu and Mr. Liu is deemed to be interested in the shares subject to the share options granted to Ms. Cheung.

Options to subscribe for ordinary shares granted under 2006 Share Option Scheme:

購股權數目
Number of share options

承授人 Grantees	授出日期 (日/月/年) Date of Grant (DD/MM/YY)	於期內授出 No. of options granted	於期內行使 Exercised during the period	於期內註銷 Cancelled during the period	於期內失效 Lapsed during the period	於二零零六年 十二月三十一日 的結餘	
						Balances as at 31 December 2006	持股概約 百分比 Approximate percentage of shareholding
董事 Director							
張女士 (附註5) Ms. Cheung (Note 5)	31/12/2006	41,500,000	-	-	-	41,500,000	1%
劉先生 (附註5) Mr. Liu (Note 5)	31/12/2006	41,500,000	-	-	-	41,500,000	1%
張先生 Mr. Zhang	31/12/2006	41,500,000	-	-	-	41,500,000	1%



CORPORATE GOVERNANCE AND OTHER INFORMATION (Cont'd) 企業管治及其他資料 (續)

權益披露 (續)

董事及主要行政人員於本公司及其相聯法團的股份、相關股份及債券的權益及淡倉 (續)

(A) 於本公司的權益 (續)

附註：

- (1) 二零零六年購股權的行使期為二零零八年一月一日至二零一一年十二月三十一日。
- (2) 二零零六年購股權的行使價為每股9.8365港元，較股份於二零零六年十月二十六日(為董事會召開會議審議及建議授出購股權之日)之收市價及緊接二零零六年十月二十六日前五個交易日的平均收市價(以較高者為準)溢價約3%。
- (3) 二零零六年購股權計劃授出的購股權最長年期為五年。
- (4) 購股權之行使，首先要符合盈利表現目標。自二零零七年七月一日起至二零一一年六月三十日止五個財年內(「指定期間」)每年都有不同之盈利表現目標。盈利表現目標按截至二零零六年六月三十日止年度財政年度的淨利潤所計算，此利潤並不包括二零零六年三月股份首次公開發售時因超額認購股份而產生的利息收入(「二零零六年財年淨利潤」)。盈利表現目標按二零零六年財年淨利潤每年35%之增長計算。倘在指定期間達到盈利表現目標，則指定期間之相關購股權將可予行使。

盈利表現目標如下：

截至下列日期止的財年 Financial year ending

二零零七年六月三十日
30 June 2007
二零零八年六月三十日
30 June 2008
二零零九年六月三十日
30 June 2009
二零一零年六月三十日
30 June 2010
二零一一年六月三十日
30 June 2011

本公司的薪酬委員會將負責監察本集團的盈利表現目標或本集團是否達到各有關年度的目標。

DISCLOSURE OF INTERESTS (Cont'd)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation (Cont'd)

(A) Interests in the Company (Cont'd)

Notes:

- (1) The exercisable period of 2006 Share Option Scheme is from 1 January 2008 to 31 December 2011.
- (2) The exercise price of 2006 Share Option Scheme is HK\$9.8365 per share, being about 3% premium to the higher of the closing price of the shares on 26 October 2006, the date of the meeting of the Board to consider and propose the grant of the share options and the average closing price of the shares for the five trading days immediately preceding 26 October 2006.
- (3) The share options granted under 2006 Share Option Scheme will have a maximum term of five years.
- (4) The exercisable of the share options is subject to the achievement of the performance targets of profit. The each of the five financial years during from 1 July 2007 to 30 June 2011 (the "Particular Period") has different performance targets of profit. The performance target of profit is calculated based on the net profit of the Group for the financial year ended 30 June 2006 which excludes the interest income of the Company derived from the over-subscription of the shares during the Pre-Listing Initial Public Offering in March 2006 ("Net Profit FY2006"). The performance targets of profit is calculated based on the 35% growth of the Net Profit FY2006 on the annual basis. If the performance target of profit is met in the Particular Period, the share options associated with the Particular Period will be exercised.

The performance targets for are as follows:

盈利表現目標 Performance target of profit

不少於二零零六年財年淨利潤之135%
Not less than 135% of the Net Profit FY 2006
不少於二零零六年財年淨利潤之170%
Not less than 170% of the Net Profit FY 2006
不少於二零零六年財年淨利潤之205%
Not less than 205% of the Net Profit FY 2006
不少於二零零六年財年淨利潤之240%
Not less than 240% of the Net Profit FY 2006
不少於二零零六年財年淨利潤之275%
Not less than 275% of the Net Profit FY 2006

The remuneration committee of the Company will be responsible for monitoring the performance targets of the profit of the Group and whether or not that the Group has been met the targets for each of the relevant year.



CORPORATE GOVERNANCE AND OTHER INFORMATION (Cont'd) 企業管治及其他資料 (續)

權益披露 (續)

董事及主要行政人員於本公司及其相聯法團的股份、相關股份及債券的權益及淡倉 (續)

(A) 於本公司的權益 (續) 附註：(續)

- (5) 張女士及劉先生各自根據二零零六年購股權計劃獲授予購股權，可分別認購41,500,000股股份。劉先生為張女士的配偶。因此，根據證券及期貨條例第XV部，張女士被視為擁有劉先生所獲授的購股權涉及的股份的權益，而劉先生被視為擁有張女士所獲授的購股權涉及的股份的權益。
- (6) 緊接於二零零六年十二月三十一日授出購股權前一日，本公司股份的收市價為13.40港元。

除上文披露者外，於截至二零零六年十二月三十一日止半年度，概無任何其他購股權獲授出、註銷或失效。

(B) 於相聯法團的權益 – Best Result

董事姓名 Name of directors	身份 Capacity	持有Best Result已發行 普通股數目 No. of issued ordinary shares held in Best Result	佔全部股權的 概約百分比 Approximate percentage of total number shareholding
張女士 Ms. Cheung	信託受益人 Beneficiary of a trust	37,073	37.073%
劉先生 Mr. Liu	信託受益人 Beneficiary of a trust	37,053	37.053%
張先生 Mr. Zhang	信託受益人 Beneficiary of a trust	25,874	25.874%

上文第(A)及(B)節所披露的全部權益均為本公司或其相聯法團股份中的好倉。

除上文所披露者外，於二零零六年十二月三十一日，本公司各董事、主要行政人員或彼等的聯繫人士概無於本公司或其任何相聯法團(定義見證券及期貨條例第XV部)的任何股份、相關股份及債券中擁有任何權益或淡倉而登記於根據證券及期貨條例第352條須予備存的登記冊內，或根據標準守則須知會本公司及聯交所。

DISCLOSURE OF INTERESTS (Cont'd)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation (Cont'd)

(A) Interests in the Company (Cont'd) Notes: (Cont'd)

- (5) Each of Ms. Cheung and Mr. Liu was granted options, under 2006 Share Option Scheme, which may subscribe for 41,500,000 shares. Mr. Liu is the spouse of Ms. Cheung. Therefore, pursuant to Part XV of the SFO, Ms. Cheung is deemed to be interested in the shares subject to the share options granted to Mr. Liu and Mr. Liu is deemed to be interested in the shares subject to the share options granted to Ms. Cheung.
- (6) The closing price of the shares of the Company immediately before the date which granted options on 31 December 2006 was HK\$13.40.

Save as disclosed above, no any other options were granted, cancelled or lapsed during the half-year ended 31 December 2006.

(B) Interests in the Associated Corporation – Best Result

All the interests disclosed in sections (A) and (B) above represent long positions in the shares of the Company or the associated corporation.

Save as disclosed above, none of the directors or chief executive of the Company or any of their associates (within the meaning of Part XV of SFO) had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation as at 31 December 2006, as recorded in the register required to be kept under 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



CORPORATE GOVERNANCE AND OTHER INFORMATION (Cont'd) 企業管治及其他資料 (續)

權益披露 (續)

根據證券及期貨條例須予披露的主要股東權益及淡倉

於二零零六年十二月三十一日，根據證券及期貨條例第336條須予備存的登記冊所載，下列人士(本公司董事或主要行政人員除外)為本公司主要股東(定義見上市規則)，並於本公司的股份及相關股份中擁有權益或淡倉：

名稱 Name	身份 Capacity	所持本公司已發行 普通股數目 (附註1) No. of issued ordinary shares of the Company held (Note 1)	概約持股 百分比 Approximate percentage of shareholding
Best Result (附註2) (Note 2)	實益擁有人 Beneficiary owner	2,986,800,000	71.97%
HSBC Bank USA, National Association (附註2) (Note 2)	YC 2006 QuickGRAT 的信託人 Trustee of YC 2006 QuickGRAT	2,986,800,000	71.97%
Bank of The West (附註2) (Note 2)	MCL Living Trust的信託人 Trustee of MCL Living Trust	2,986,800,000	71.97%

附註：

- (1) 上述所有權益均為好倉。
- (2) Best Result直接持有2,986,800,000股本公司股份。Best Result已發行股本由張女士以YC 2006 QuickGRAT的信託人身份及由HSBC Bank USA, National Association以行政信託人身份持有約37.1%，由張女士及其配偶劉先生以MCL Living Trust信託人及特別信託人身份擁有。

除上文所披露者外，於二零零六年十二月三十一日，本公司並無獲悉有任何其他人士(本公司任何董事或主要行政人員除外)於本公司股份及相關股份中擁有權益或淡倉而登記於根據證券及期貨條例第336條所需備存的登記冊內。

購買、出售或贖回上市證券

截至二零零六年十二月三十一日止半年度，本公司或其任何附屬公司概無購買、出售或贖回本公司的上市證券。

DISCLOSURE OF INTERESTS (Cont'd)

Interests and Short Positions of Substantial Shareholders Discloseable under the SFO

As at 31 December 2006, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons, other than the directors or chief executives of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests or short positions in the shares or underlying shares of the Company:

名稱 Name	身份 Capacity	所持本公司已發行 普通股數目 (附註1) No. of issued ordinary shares of the Company held (Note 1)	概約持股 百分比 Approximate percentage of shareholding
Best Result (附註2) (Note 2)	實益擁有人 Beneficiary owner	2,986,800,000	71.97%
HSBC Bank USA, National Association (附註2) (Note 2)	YC 2006 QuickGRAT 的信託人 Trustee of YC 2006 QuickGRAT	2,986,800,000	71.97%
Bank of The West (附註2) (Note 2)	MCL Living Trust的信託人 Trustee of MCL Living Trust	2,986,800,000	71.97%

Notes:

- (1) All of the above interests are long positions.
- (2) Best Result directly held 2,986,800,000 shares in the Company's shares. The issued share capital of Best Result is held as to approximately 37.1% by Ms. Cheung as the trustee and HSBC Bank USA, National Association as the administrative trustee of YC 2006 QuickGRAT, and as to approximately 37.1% by Ms. Cheung and her spouse, Mr. Liu, as the trustees and the special trustees of MCL Living Trust.

Save as disclosed above, as at 31 December 2006, as far as the Company is aware of, there was no other person (other than any directors or the chief executives of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the half-year ended 31 December 2006.



CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

簡明綜合中期資產負債表

			二零零六年 十二月三十一日 31 December 2006 (未經審核) (Unaudited) 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 (經審核) (Audited) 人民幣千元 RMB'000
資產	ASSETS			
非流動資產	Non-current assets			
物業、廠房及設備	Property, plant and equipment	5	11,333,366	8,625,486
土地使用權	Land use rights	5	692,095	592,125
無形資產	Intangible asset	6	146,694	146,694
非流動資產合計	Total non-current assets		12,172,155	9,364,305
流動資產	Current assets			
存貨	Inventories	7	861,785	932,031
應收貿易賬款 及其他應收款項	Trade and other receivables	8	1,482,543	1,559,012
受限制現金	Restricted cash		—	200,590
銀行及現金結餘	Bank and cash balances		848,427	2,816,660
流動資產合計	Total current assets		3,192,755	5,508,293
總資產	Total assets		15,364,910	14,872,598
權益	EQUITY			
本公司權益持有人應佔 股本及儲備	Capital and reserves attributable to equity holders of the Company			
股本	Share capital	9	4,141,291	4,141,291
其他儲備	Other reserves	10	967,335	902,006
保留盈利	Retained earnings			
— 擬派末期股息	— Proposed final dividend		—	95,450
— 未分配保留盈利	— Unappropriated retained earnings		3,302,322	2,402,657
			8,410,948	7,541,404
少數股東權益	Minority interests		122,102	94,913
總權益	Total equity		8,533,050	7,636,317
負債	LIABILITIES			
非流動負債	Non-current liabilities			
其他應付款項	Other payables	11	23,838	27,809
貸款	Borrowings	12	4,168,162	2,743,901
遞延所得稅負債	Deferred income tax liabilities		254,711	226,808
非流動負債合計	Total non-current liabilities		4,446,711	2,998,518
流動負債	Current liabilities			
應付貿易賬款 及其他應付款項	Trade and other payables	11	1,622,264	1,987,398
應付即期所得稅	Current income tax liabilities		66,046	67,440
應付股息	Dividend payable		1,050	6,050
貸款	Borrowings	12	695,789	2,176,875
流動負債合計	Total current liabilities		2,385,149	4,237,763
總負債	Total liabilities		6,831,860	7,236,281
總權益及負債	Total equity and liabilities		15,364,910	14,872,598
流動資產淨額	Net current assets		807,606	1,270,530
總資產減流動負債	Total assets less current liabilities		12,979,761	10,634,835



CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

簡明綜合中期損益表

		未經審核 Unaudited	
		截至十二月三十一日止 半年度	
		Half-year ended 31 December	
		二零零六年 2006	二零零五年 2005
		人民幣千元 RMB'000	人民幣千元 RMB'000
		附註 Note	
銷售額	Sales	4	4,638,469
已售貨品成本	Cost of goods sold		(3,434,528)
			3,774,314
			(2,945,696)
毛利	Gross profit		1,203,941
其他收益(淨額)	Other gains (net)	13	148,913
銷售及市場推廣成本	Selling and marketing costs		(96,847)
行政開支	Administrative expenses		(140,523)
			104,015
			(69,905)
			(82,749)
經營盈利	Operating profit		1,115,484
融資成本	Finance costs	15	(85,278)
			(156,424)
除所得稅前盈利	Profit before income tax		1,030,206
所得稅開支	Income tax expense	16	(54,955)
			(47,064)
半年度盈利	Profit for the half-year		975,251
以下人士應佔：	Profit attributable to:		
本公司權益持有人	Equity holders of the Company		948,062
少數股東權益	Minority interests		27,189
			560,216
			16,275
			975,251
			576,491
本公司權益持有人應佔 盈利的每股盈利 (以每股人民幣計)	Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)		
— 基本	— basic	17	0.23
			0.19
— 攤薄	— diluted	17	0.22
			N/A
股息	Dividend	18	94,937
			—



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY 簡明綜合中期權益變動表

		未經審核 Unaudited				
		本公司權益持有人應佔 Attributable to equity holders of the Company				
		股本 Share capital	其他儲備 Other reserves	保留盈利 Retained earnings	少數股東權益 Minority interests	合計 Total
		人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
於二零零五年 七月一日的結餘	Balance as at 1 July 2005	312,000	828,330	1,181,624	85,622	2,407,576
半年度盈利	Profit for the half-year	—	—	560,216	16,275	576,491
轉撥	Transfer	—	51,164	(51,164)	—	—
股份發行成本	Share issuance cost	—	(19,394)	—	—	(19,394)
貨幣換算差額	Currency translation differences	—	(1,420)	—	—	(1,420)
於二零零五年 十二月三十一日 的結餘	Balance as at 31 December 2005	312,000	858,680	1,690,676	101,897	2,963,253
於二零零六年 七月一日的結餘	Balance as at 1 July 2006	4,141,291	902,006	2,498,107	94,913	7,636,317
半年度盈利	Profit for the half-year	—	—	948,062	27,189	975,251
轉撥	Transfer	—	48,910	(48,910)	—	—
股息	Dividend	—	—	(94,937)	—	(94,937)
授予董事及僱員 的購股權	Share options granted to directors and employees	—	16,419	—	—	16,419
於二零零六年 十二月三十一日 的結餘	Balance as at 31 December 2006	4,141,291	967,335	3,302,322	122,102	8,533,050



CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT 簡明綜合中期現金流量表

		未經審核 Unaudited 截至十二月三十一日止 半年度 Half-year ended 31 December	
		二零零六年 2006	二零零五年 2005
		人民幣千元 RMB'000	人民幣千元 RMB'000
	附註 Note		
經營活動的現金流量	Cash flows from operating activities		
半年度盈利	Profit for the half-year	975,251	576,491
就下列各項作出調整：	Adjustments for:		
所得稅開支	Income tax expense	16 54,955	47,064
折舊	Depreciation	14 169,370	158,043
攤銷	Amortisation	5 6,529	6,577
授予董事及僱員的購股權	Share options granted to directors and employees	10(b) 16,419	—
出售物業、廠房及設備虧損	Loss on disposal of property, plant and equipment	6,332	4,988
利息收入	Interest income	13 (13,918)	(8,185)
融資成本	Finance costs	96,578	156,424
營運資金變動前經營盈利	Operating profit before working capital changes	1,311,516	941,402
存貨	Inventories	64,557	97,941
應收貿易賬款 及其他應收款項	Trade and other receivables	233,376	(278,177)
應付貿易賬款 及其他應付款項	Trade and other payables	(622,517)	(276,743)
經營業務所得現金	Cash generated from operations	986,932	484,423
已付所得稅	Income tax paid	(5,021)	(11,330)
已付利息費用	Interest paid	(96,571)	(176,209)
經營活動所得現金淨額	Net cash generated from operating activities	885,340	296,884
來自投資活動的現金流量	Cash flows from investing activities		
購置物業、廠房及設備	Purchase of property, plant and equipment	(2,591,916)	(649,518)
支付土地使用權	Payment for land use rights	(163,312)	(90,577)
處置物業、廠房及設備	Disposal of property, plant and equipment	(425)	—
處置土地使用權所得款項	Proceeds from disposal of land use rights	26,981	—
向董事墊付現金	Cash advances made to directors	—	(2,211)
向有關連人士墊付現金	Cash advances made to related parties	(10)	(35,536)
董事償還現金墊款 所得現金收入	Cash receipts from repayments of cash advances to directors	2,191	500
有關連人士償還現金墊款 所得現金收入	Cash receipts from repayments of cash advances to related parties	—	7,556
已收利息	Interest received	13,918	8,185
投資活動所用現金淨額	Net cash used in investing activities	(2,712,573)	(761,601)



CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (Cont'd)
簡明綜合中期現金流量表(續)

		未經審核 Unaudited 截至十二月三十一日止 半年度 Half-year ended 31 December	
		二零零六年 2006	二零零五年 2005
		人民幣千元 RMB'000	人民幣千元 RMB'000
	附註 Note		
來自融資活動的現金流量	Cash flows from financing activities		
應付新借貸款	New loans payable	4,068,071	2,211,676
償還貸款	Repayments of borrowings	(4,097,834)	(2,137,596)
已收政府補助金	Government grants received	-	49,459
已付權益持有人股息	Dividend paid to equity holders of the Company	(94,937)	-
已付少數股東股息	Dividend paid to a minority shareholder	(5,000)	-
股份發行費用	Share issue cost	-	(19,394)
有關連人士墊付現金	Cash advances from related parties	-	8,172
董事墊付現金	Cash advances from a director	-	35,595
融資活動(所用)/ 所得現金淨額	Net cash (used in)/generated from financing activities	(129,700)	147,912
銀行及現金結餘減少淨額	Net decrease in bank and cash balances	(1,956,933)	(316,805)
期初銀行及現金結餘	Bank and cash balances at beginning of the period	2,816,660	651,587
銀行及現金結餘的匯兌損失	Exchange losses on bank and cash balances	(11,300)	(1,420)
期末銀行及現金結餘	Bank and cash balances at end of the period	848,427	333,362



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 簡明綜合中期財務報表附註

1. 一般資料

玖龍紙業(控股)有限公司(「本公司」)於二零零五年八月十七日根據百慕達一九八一年公司法在百慕達註冊成立為獲豁免有限公司。本公司及其附屬公司(「本集團」)主要從事紙張產銷。本公司的註冊辦事處位於 Clarendon House, 2 Church Street, Hamilton HM11, Bermuda。

本公司的股份已在香港聯合交易所有限公司上市。

本簡明綜合中期財務資料已經在二零零七年二月十三日批准刊發。

2. 編製基準

截至二零零六年十二月三十一日止半年度簡明綜合中期財務資料已根據香港會計準則 34「中期財務報告」編製。本中期簡明財務報告應與截至二零零六年六月三十日止年度的年度財務報表一併閱讀。

3. 會計政策

編製本簡明綜合中期財務資料所採用之會計政策與截至二零零六年六月三十日止年度之年度財務報表所採用的會計政策一致，除以下自本集團二零零六年七月一日起財政年度生效並採納的新訂準則、對準則的修訂和詮釋：

香港會計準則 第19號(經修訂)	精算盈虧、團體 界定福利計劃 和披露
香港會計準則 第21號(經修訂)	海外業務投資 淨額
香港會計準則 第39號(經修訂)	預測集團內公司間 交易之現金流量 對沖會計處理
香港會計準則 第39號(經修訂)	公平值選擇權

1. GENERAL INFORMATION

Nine Dragons Paper (Holdings) Limited (the "Company") was incorporated in Bermuda on 17 August 2005 under the Companies Act 1981 as an exempt company with limited liability. The Company and its subsidiaries (together the "Group") are principally engaged in the manufacture and sales of paper. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's shares has its listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved for issue on 13 February 2007.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the half-year ended 31 December 2006 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 30 June 2006.

3. ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 30 June 2006, except for changes in accounting policies made thereafter in adopting the following new standards, amendments and interpretations to existing standards which are effective for the Group's financial years beginning on or after 1 July 2006:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Cont'd)

簡明綜合中期財務報表附註(續)

3. 會計政策(續)

香港會計準則 第39號 (經修訂)及 香港財務報告 準則第4號 (經修訂)	財務擔保合約
香港財務報告 準則第6號	礦物資源的開採 和評估
香港財務報告準則 — 詮釋第3號	排放權
香港財務報告準則 — 詮釋第4號	釐定安排是否 包含租賃
香港財務報告準則 — 詮釋第5號	復原及環境修復 基金權益的權利
香港(國際財務報告 解釋委員會) — 詮釋第6號	因參與特定市場 產生之負債 — 廢置電力 及電子設備
香港(國際財務報告 解釋委員會) — 詮釋第7號	根據香港會計準 則第29號採用 重列法
香港(國際財務報告 解釋委員會) — 詮釋第8號	香港財務報告準則 第2號大綱
香港(國際財務報告 解釋委員會) — 詮釋第9號	重估內含衍生工具

該等會計政策之採納對本集團經營業績並無影響。

3. ACCOUNTING POLICIES (Cont'd)

HKAS 39 (Amendment) and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 3	Emission Rights
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The adoption of these accounting standards has no impact on the Group's results of operations.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Cont'd)

簡明綜合中期財務報表附註 (續)

3. 會計政策 (續)

下列已發出但在二零零七年一月一日起財政年度生效的新訂準則、對準則的修訂和詮釋並無提早採納：

香港(國際財務報告 解釋委員會) — 詮釋第10號	中期財務報告 及資產減值
香港會計準則 第1號(經修訂)	資本披露的修訂
香港財務報告準則 第7號	金融工具：確認 及計量

管理層正在評估在首個適用期間採納該等新訂及經修訂準則或詮釋對本集團財務報表的影響。

4. 銷售額

本集團主要從事紙張產銷。由於本集團的公司所提供之產品及服務全與產銷紙張有關，所承擔之業務風險相類，故此本集團並無編製業務分部資料。

本集團之主要市場為中國，對海外客戶之銷售額佔本集團收入、業績及資產不足10%，因此並無呈列地區分部資料。

截至二零零六年十二月三十一日止半年度確認之營業額如下：

3. ACCOUNTING POLICIES (Cont'd)

The following new standards have been issued but effective for financial years beginning on or after 1 January 2007 and have not been early adopted by the Group:

HK(IFRIC)-Int 10	Interim Reporting and Impairment
HKAS 1 (Amendment)	Amendments to Capital Disclosures
HKFRS 7	Financial Instruments: Recognition and Measurement

The management is currently in the process of assessing the impact of application of these new standards, amendments or interpretations that will have on the Group's financial statements in the period of initial application.

4. 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.

The Group's principal market is the People's Republic of China (the "PRC") and its sales to overseas customers contributed less than 10% of the revenues, results and assets of the Group. Accordingly, no geographical segment is presented.

Sales recognised during the half-year ended 31 December 2006 are as follows:

		截至十二月三十一日止 半年度	
		Half-year ended 31 December	
		二零零六年 2006	二零零五年 2005
		人民幣千元 RMB'000	人民幣千元 RMB'000
銷售紙張	Sales of paper	4,494,570	3,652,542
銷售本色木漿	Sales of unbleached kraft pulp	143,899	121,772
		4,638,469	3,774,314

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

5. 資本開支

5. CAPITAL EXPENDITURE

		土地使用權 Land use rights 人民幣千元 RMB'000	物業、 廠房及設備 Property, plant and equipment 人民幣千元 RMB'000
截至二零零五年十二月三十一日止半年度	Half-year ended 31 December 2005		
二零零五年七月一日 期初賬面值	Opening net book amount as at 1 July 2005	607,562	7,639,960
添置	Additions	49,459	658,734
出售	Disposals	—	(4,988)
攤銷/折舊開支(附註14)	Amortisation/depreciation charges (note 14)	(6,577)	(159,715)
二零零五年十二月三十一日 期終賬面值	Closing net book amount as at 31 December 2005	650,444	8,133,991
截至二零零六年十二月三十一日止半年度	Half-year ended 31 December 2006		
二零零六年七月一日 期初賬面值	Opening net book amount as at 1 July 2006	592,125	8,625,486
添置	Additions	106,499	2,877,468
出售	Disposals	—	(5,907)
攤銷/折舊開支(附註14)	Amortisation/depreciation charges (note 14)	(6,529)	(163,681)
二零零六年十二月三十一日 期終賬面值	Closing net book amount as at 31 December 2006	692,095	11,333,366

(a) 於二零零六年十二月三十一日，本集團將賬面值約人民幣2,168,335,000元(二零零六年六月三十日：人民幣2,157,234,000元)的若干物業、廠房及設備，用作抵押本集團所借入的銀行貸款(附註12)。

(a) Certain properties, plants and equipments of the Group with carrying values of approximately RMB2,168,335,000 as at 31 December 2006 (30 June 2006: RMB2,157,234,000) had been pledged for bank borrowings of the Group (note 12).

(b) 於二零零六年十二月三十一日，本集團並未將土地用作抵押本集團所借入的銀行貸款(二零零六年六月三十日：人民幣151,520,000元)(附註12)。

(b) No lands of the Group as at 31 December 2006 had been pledged for bank borrowings of the Group (30 June 2006: RMB151,520,000) (note 12).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Cont'd)

簡明綜合中期財務報表附註(續)

5. 資本開支(續)

- (c) 於二零零六年十二月三十一日，本集團以成本人民幣25,621,000元(二零零六年六月三十日：人民幣21,650,000元)興建若干樓宇，並已收取以現金形式發放的相關政府補助金，且已從上述樓宇添置成本中扣除有關政府補助金(附註11(b))。
- (d) 截至二零零六年十二月三十一日止半年度，本集團因購買了在中國製造的特定機器設備而獲得抵免企業所得稅人民幣23,693,000元(截至二零零五年十二月三十一日止半年度：無)。該等抵免金額已於有關機器設備的添置成本中扣除。

6. 無形資產

於二零零六年十二月三十一日的無形資產為商譽，亦即張氏企業有限公司(「張氏」)作為收購代價所發行股份的公平價值超出本集團於二零零五年一月一日分佔所收購附屬公司可識別淨資產公平價值的差額。

張氏的股份公平價值及本集團所收購附屬公司可識別淨資產公平價值，乃按照獨立估值師威格斯資產評估顧問有限公司(「威格斯」)於二零零五年一月一日所進行的業務評估釐定。因此，商譽乃因預期所收購附屬公司的盈利能力較高，以及進行收購事項後預期會有相當協同效益而支付的代價。

根據威格斯於二零零六年六月三十日的業務評估，董事認為毋須就於二零零六年十二月三十一日的商譽賬面值計提減值撥備。

5. CAPITAL EXPENDITURE (Cont'd)

- (c) As at 31 December 2006, the Group has constructed certain buildings at cost of RMB25,621,000 (30 June 2006: RMB21,650,000) and relevant government grants in form of cash has been received and deducted from the cost of additions to buildings above (note 11(b)).
- (d) During the half-year ended 31 December 2006, the Group has received enterprise income tax credit of RMB23,693,000 (half-year ended 31 December 2005: Nil) relating to the purchase of qualified equipment manufactured in the PRC. The amount of credit has been deducted from the cost of additions of the plant and equipment.

6. INTANGIBLE ASSET

Intangible asset as at 31 December 2006 represents goodwill, being the excess of the fair value of the shares of Zhang's Enterprises Company Limited ("Zhang's") issued in consideration of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries on 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 ("Vigers"), 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 31 December 2006 is necessary based on the business valuation carried out by Vigers as at 30 June 2006.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

7. 存貨

7. INVENTORIES

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
按成本：	At cost:		
原料	Raw materials	663,039	661,582
成品	Finished goods	198,746	270,449
		861,785	932,031

8. 應收貿易賬款及其他應收款項

8. TRADE AND OTHER RECEIVABLES

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
應收下列各方之貿易賬款：	Trade receivables due from:		
– 第三方	– third parties	909,832	945,260
– 有關連人士(附註20(d))	– related parties (note 20(d))	32,766	7,358
		942,598	952,618
應收票據	Bills receivable	121,748	359,760
預付款項	Prepayments	319,049	146,555
應收關連人士款項 (附註(a)及20(d))	Amounts due from related parties (notes (a) & 20(d))	65	2,246
其他應收款項	Other receivables	99,083	97,833
		1,482,543	1,559,012



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Cont'd)

簡明綜合中期財務報表附註(續)

8. 應收貿易賬款及其他應收款項(續)

- (a) 該款項為無抵押、免息及須按要求償還。
- (b) 本集團向企業客戶銷售所給予之信貸期介乎30至60日不等。

於二零零六年十二月三十一日，應收貿易款項之賬齡分析如下：

8. TRADE AND OTHER RECEIVABLES (Cont'd)

- (a) The amounts due are unsecured, interest free and repayable on demand.
- (b) The Group's sales to corporate customers are entered into on credit terms around 30 to 60 days.

As at 31 December 2006, the ageing analysis of trade receivables is as follows:

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
0至30日	0-30 days	686,870	704,567
31至60日	31-60 days	214,925	189,776
61至90日	61-90 days	31,036	44,260
逾90日	Over 90 days	9,767	14,015
		942,598	952,618

鑒於本集團客戶眾多，遍佈全中國，因此應收貿易賬款之信貸風險並不集中。

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, which are widely dispersed within the PRC.

9. 股本

9. SHARE CAPITAL

		普通股數目 Number of ordinary shares 千股 Share in thousand	普通股面值 Nominal value of ordinary shares 港元千元 HK\$'000	普通股 面值等值 Equivalent nominal value of ordinary shares 人民幣千元 RMB'000	股本溢價 Share premium 人民幣千元 RMB'000	合計 Total 人民幣千元 RMB'000
截至二零零五年 十二月三十一日止 半年度	Half-year ended 31 December 2005					
於二零零五年七月一日 及於二零零五年 十二月三十一日	As at 1 July 2005 and 31 December 2005	3,000,000	300,000	312,000	—	312,000
截至二零零六年 十二月三十一日止 半年度	Half-year ended 31 December 2006					
於二零零六年七月一日 及於二零零六年 十二月三十一日	As at 1 July 2006 and 31 December 2006	4,150,000	415,000	431,600	3,709,691	4,141,291

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

10. 其他儲備

10. OTHER RESERVES

		繳納盈餘 Contributed surplus 人民幣千元 RMB'000 (附註(a)) (note (a))	購股權 計劃儲備 Share options reserve 人民幣千元 RMB'000 (附註(b)) (note (b))	資本儲備 Capital reserve 人民幣千元 RMB'000 (附註(c)) (note (c))	法定儲備及 企業發展基金 Statutory reserve and enterprise expansion fund 人民幣千元 RMB'000 (附註(c)) (note (c))	換算 Translation 人民幣千元 RMB'000	合計 Total 人民幣千元 RMB'000
截至二零零五年 十二月三十一日止 半年度	Half-year ended 31 December 2005						
於二零零五年七月一日	As at 1 July 2005	660,542	—	98,980	67,388	1,420	828,330
轉撥自淨利潤	Transfer from net profit	—	—	—	51,164	—	51,164
股份發行成本	Share issuance cost	(19,394)	—	—	—	—	(19,394)
貨幣換算差額	Currency translation differences	—	—	—	—	(1,420)	(1,420)
於二零零五年 十二月三十一日	As at 31 December 2005	641,148	—	98,980	118,552	—	858,680
截至二零零六年 十二月三十一日止 半年度	Half-year ended 31 December 2006						
於二零零六年七月一日	As at 1 July 2006	660,542	16,797	98,980	125,687	—	902,006
轉撥自淨利潤	Transfer from net profit	—	—	—	48,910	—	48,910
授予董事及僱員 的購股權	Share options granted to directors and employees	—	16,419	—	—	—	16,419
於二零零六年 十二月三十一日	As at 31 December 2006	660,542	33,216	98,980	174,597	—	967,335



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Cont'd)

簡明綜合中期財務報表附註(續)

10. 其他儲備(續)

- (a) 本集團繳納盈餘指根據重組所收購附屬公司的股本與本公司作為交換所發行股本面值的差額。
- (b) 購股權計劃之摘要及本公司購股權於半年度內之變動詳情載於第32至35頁。
- (c) 法定儲備及企業發展基金

根據在中國的相關規則及法規及本集團部分中國公司的公司章程，部分中國公司均須將按照中國會計規則及法規計算的10%除稅後利潤轉撥至法定盈餘公積金，直至該公積金累計總額達註冊資本50%為止。法定儲備基金在相關主管部門的批准下，僅用於彌補公司以前年度損失或轉增資本。企業發展基金的計提由各中國公司的董事會決定。企業發展基金在相關主管部門的批准下僅用於轉增各公司股本或擴大生產規模。

10. OTHER RESERVES (Cont'd)

- (a) Contributed surplus of the Group represents the difference between the share capital of subsidiaries acquired pursuant to the Group's reorganisation over the nominal value of the share capital of the Company issued in exchange therefore.
- (b) A summary of the share option schemes and details of the movement in share options of the Company during the half-year are set out on pages 32 to 35.
- (c) Statutory reserve and enterprise expansion fund

In accordance with relevant rules and regulations in the PRC and the articles of association of certain PRC companies within the Group, certain PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of respective companies. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC companies. The enterprise expansion fund can only be used to increase capital of respective companies or to expand their production operations upon approval by the relevant authority.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

11. 應付貿易賬款及其他應付款項

11. TRADE AND OTHER PAYABLES

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
應付下列各方之貿易賬款：	Trade payables due to:		
— 第三方	— third parties	410,644	474,279
— 有關連人士	— related parties		
(附註(a)及20(d))	(notes (a) & 20(d))	350,761	617,558
		761,405	1,091,837
應付票據(有抵押)	Bills payable, secured	102,904	425,000
向客戶收取的按金	Deposits from customers	91,056	64,281
其他應付款項	Other payables	644,054	378,599
應付員工福利	Staff welfare benefit payable	23,984	32,953
應計費用	Accrued expenses	22,699	22,537
		1,646,102	2,015,207
減：計入非流動負債的其他 應付款項	Less: Other payables included in non-current liabilities		
遞延政府補助金(附註(b))	Deferred government grants (note (b))	(23,838)	(27,809)
		1,622,264	1,987,398

(a) 該款項為無抵押、免息及須按要求償還。

(a) The amounts due are unsecured, interest free and repayable upon demand.

(b) 本集團已收取政府機關撥支作為資助本集團購置、興建或以其他方式收購廠房及樓宇的補助金，為數人民幣49,459,000元。於二零零六年十二月三十一日，本集團已動用人民幣25,621,000元購建廠房(附註5(c))。

(b) The Group has received grants amounted to RMB49,459,000 from the government authority as assistance to the Group for purchases, constructs or otherwise acquisitions of plants and buildings. As at 31 December 2006, the Group has utilised an amount of RMB25,621,000 to acquire certain buildings (note 5(c)).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

11. 應付貿易賬款及其他應付款項(續)

於二零零六年十二月三十一日，應付貿易賬款之賬齡分析如下：

11. TRADE AND OTHER PAYABLES (Cont'd)

The ageing analysis of trade payables as at 31 December 2006 is as follows:

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
0至90日	0 – 90 days	743,878	1,048,913
91至180日	91 – 180 days	3,365	23,386
181至365日	181 – 365 days	4,229	17,949
逾365日	Over 365 days	9,933	1,589
		761,405	1,091,837

12. 貸款

12. BORROWINGS

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
非流動	Non-current	4,168,162	2,743,901
流動	Current		
– 短期銀行貸款	– Short-term bank borrowings	380,789	1,737,040
– 長期銀行貸款即期部分	– Current portion of long-term bank borrowings	315,000	439,835
		695,789	2,176,875
總貸款	Total borrowings	4,863,951	4,920,776

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

12. 貸款(續)

貸款的變動分析如下:

12. BORROWINGS (Cont'd)

Movements in borrowings is analysed as follows:

		人民幣千元 RMB'000
截至二零零五年	Half-year ended	
十二月三十一日止半年度	31 December 2005	
二零零五年七月一日期初結餘	Opening amount as at 1 July 2005	6,248,851
新借貸款	New borrowings	2,211,676
償還貸款	Repayments of borrowings	(2,137,596)
二零零五年十二月三十一日	Closing amount as at	
期終結餘	31 December 2005	6,322,931
截至二零零六年	Half-year ended	
十二月三十一日止半年度	31 December 2006	
二零零六年七月一日期初結餘	Opening amount as at 1 July 2006	4,920,776
新借貸款	New borrowings	4,068,071
償還貸款	Repayments of borrowings	(4,124,896)
二零零六年十二月三十一日	Closing amount as at	
期終結餘	31 December 2006	4,863,951

於二零零六年十二月三十一日，以本集團的資產及有關連人士所發出擔保作抵押的貸款為人民幣751,908,000元(二零零六年六月三十日：人民幣1,046,901,000元)，詳情如下：

As at 31 December 2006, borrowings of RMB751,908,000 (30 June 2006: RMB1,046,901,000) are secured by assets of the Group and guarantees given by related parties, which are detailed as follows:

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
僅以本集團的資產作抵押的貸款(附註(a))	Borrowings secured by assets of the Group only (note (a))	751,908	420,901
兼以本集團的資產及有關連人士所發出擔保作抵押的貸款(附註(a)及20(e))	Borrowings secured by both assets of the Group and guarantees given by related parties (notes (a) & 20(e))	-	626,000
		751,908	1,046,901



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

12. 貸款(續)

- (a) 有關本集團質押作為貸款抵押品之資產詳情於附註5披露。

貸款到期日如下：

12. BORROWINGS (Cont'd)

- (a) Details of the Group's assets pledged as securities for borrowings are disclosed in note 5.

The maturity of the borrowings is as follows:

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
一年內	Within 1 year	695,789	2,176,875
一年至兩年	Between 1 and 2 years	1,735,857	1,537,000
兩年至五年	Between 2 and 5 years	2,368,853	1,016,901
須於五年內悉數償還	Wholly repayable within 5 years	4,800,499	4,730,776
逾五年	Over 5 years	63,452	190,000
		4,863,951	4,920,776

於二零零六年十二月三十一日之實際利率如下：

The effective interest rates as at 31 December 2006 are as follows:

		二零零六年 十二月三十一日 31 December 2006	二零零六年 六月三十日 30 June 2006
長期銀行貸款	Long-term bank borrowings	5.908%	5.665%
短期銀行貸款	Short-term bank borrowings	5.191%	5.453%

短期銀行貸款及長期銀行貸款之賬面值與其公平值相若。

The carrying amounts of short-term bank borrowings and long-term bank borrowings approximate their fair values.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Cont'd)

簡明綜合中期財務報表附註(續)

12. 貸款(續)

截至二零零六年十二月三十一日，本集團所有貸款之賬面值均以下列貨幣計值：

12. BORROWINGS (Cont'd)

The carrying amounts of all the Group's borrowings as at 31 December 2006 are denominated in the following currencies:

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
人民幣	RMB	2,679,770	2,771,318
美元	US Dollars	2,184,181	502,418
港元	HK Dollars	—	1,647,040
		4,863,951	4,920,776

本集團尚未提取之貸款融通額如下：

The Group has the following undrawn borrowing facilities:

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
浮動利率：	Floating rate:		
— 一年內到期	— maturity within one year	3,504,370	4,376,497
— 一年後到期	— maturity beyond one year	1,216,803	1,066,898
		4,721,173	5,443,395



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

13. 其他收益(淨額)

13. OTHER GAINS (NET)

		截至十二月三十一日止 半年度	
		Half-year ended 31 December	
		二零零六年 2006	二零零五年 2005
		人民幣千元 RMB'000	人民幣千元 RMB'000
運輸	Transportation	2,136	(293)
銷售碎料	Sales of scrap materials	15,881	14,221
銷售電力	Sales of electricity	93,166	81,902
利息收入	Interest income	13,918	8,185
淨匯兌收益	Net foreign exchange gains	23,812	—
		148,913	104,015

14. 按性質劃分的開支

14. EXPENSES BY NATURE

計入已售貨品成本、銷售及市場推廣
成本和行政開支的支出分析如下：

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

		截至十二月三十一日止 半年度	
		Half-year ended 31 December	
		二零零六年 2006	二零零五年 2005
		人民幣千元 RMB'000	人民幣千元 RMB'000
固定資產折舊(附註5)	Depreciation of fixed assets (note 5)	163,681	159,715
加：已計入期初存貨的數額	Add: amount absorbed in opening inventories	11,907	11,302
減：已計入期終存貨的數額	Less: amount absorbed in closing inventories	(6,218)	(12,974)
		169,370	158,043
僱員福利開支	Employee benefit expense	197,412	146,882
成品變動	Changes in finished goods	(71,703)	(77,748)
已耗用原料及耐用用品	Raw materials and consumables used	3,078,119	2,701,434
經營租賃	Operating leases		
— 土地使用權(附註5)	— land use rights (note 5)	6,529	6,577
— 樓宇	— buildings	1,205	108

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

15. 融資成本

15. FINANCE COSTS

		截至十二月三十一日止 半年度	
		Half-year ended 31 December	
		二零零六年 2006	二零零五年 2005
		人民幣千元 RMB'000	人民幣千元 RMB'000
銀行貸款利息	Interest on bank borrowings	104,455	169,101
減：已資本化利息	Less: interest capitalised	(11,625)	(19,785)
		92,830	149,316
票據貼現費用	Bills discount charge	17,474	16,219
其他附帶貸款成本	Other incidental borrowing cost	2,036	2,246
貸款的匯兌收益	Exchange gains on borrowings	(27,062)	(11,357)
		85,278	156,424

截至二零零六年十二月三十一日止半年度，用作發展在建工程而借入及運用之資金所適用之資本化比率，約為5.870%（截至二零零五年十二月三十一日止半年度：5.642%）。

The capitalisation rate applied to funds borrowed generally and used for the development of construction in progress is 5.870% for the half-year ended 31 December 2006 (half-year ended 31 December 2005: 5.642%).

16. 所得稅開支

16. INCOME TAX EXPENSE

		截至十二月三十一日止 半年度	
		Half-year ended 31 December	
		二零零六年 2006	二零零五年 2005
		人民幣千元 RMB'000	人民幣千元 RMB'000
即期稅項	Current tax		
— 香港利得稅	— Hong Kong profits tax	—	—
— 中國企業所得稅	— PRC enterprise income tax	27,052	22,636
		27,052	22,636
遞延所得稅	Deferred income tax	27,903	24,428
		54,955	47,064

由於張氏於截至二零零六年十二月三十一日止半年度並無任何應課稅利潤，故此並未為香港利得稅計提撥備。中國企業所得稅乃以期內估計應課稅溢利按適用於相關附屬公司的稅率計算。

Hong Kong profits tax has not been provided as Zhang's did not have any assessable profits during half-year ended 31 December 2006. PRC enterprise income tax has been calculated on the estimated assessable profit for the period at the rates of taxation applicable to the respective subsidiaries.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Cont'd)

簡明綜合中期財務報表附註(續)

17. 每股盈利

— 基本

每股基本盈利乃以期內本公司權益持有人應佔盈利除以已發行普通股的加權平均數。

17. 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 period.

		截至十二月三十一日止 半年度	
		Half-year ended 31 December	
		二零零六年	二零零五年
		2006	2005
本公司權益持有人 應佔盈利(人民幣千元)	Profit attributable to equity holders of the Company (RMB'000)	948,062	560,216
已發行普通股數目的 加權平均數(千計)	Number of ordinary shares in issue (shares in thousands)	4,150,000	3,000,000
每股基本盈利(每股人民幣)	Basic earnings per share (RMB per share)	0.23	0.19

— 攤薄

每股攤薄盈利假設所有可攤薄的潛在普通股被兌換後，根據已發行普通股的加權平均股數計算。本公司有可攤薄的潛在普通股為購股權。購股權根據未行使購股權所附的認購權的貨幣價值，釐定按公平值(釐定為本公司股份於本期間的平均市價)可購入的股份數目，按以上方式計算的股份數目，與假設購股權行使而應已發行的股份數目作出比較。

— 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 market share price of the Company's shares during the period) 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.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

17. 每股盈利(續)

– 攤薄(續)

17. EARNINGS PER SHARE (Cont'd)

– Diluted (Cont'd)

截至二零零六年
十二月三十一日止
半年度
Half-year ended
31 December 2006

本公司權益持有人應佔盈利 (人民幣千元)	Profit attributable to equity holders of the Company (RMB'000)	948,062
已發行普通股的加權平均數(千計)	Weighted average number of ordinary shares in issue (shares in thousands)	4,150,000
調整 – 購股權(千計)	Adjustments for share options (shares in thousands)	65,033
計算每股攤薄盈利的普通股 的加權平均數(千計)	Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	4,215,033
每股攤薄盈利(每股人民幣)	Diluted earnings per share (RMB per share)	0.22

18. 股息

二零零六年末期股息為每普通股人民幣2.30仙(相等於約2.26港仙)(二零零五年末期:無),合計人民幣94,937,000元已於截至二零零六年十二月三十一日止半年度內派發(截至二零零五年十二月三十一日止半年度:無)。

18. DIVIDEND

A 2006 final dividend of RMB2.30 cents (equivalent to approximately HK\$2.26 cents) (2005 final: Nil) per ordinary share, totalling RMB94,937,000 was paid in the half-year ended 31 December 2006 (half-year ended 31 December 2005: Nil).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

19. 承擔

(a) 資本承擔

於二零零六年十二月三十一日尚
未產生的資本開支如下：

19. COMMITMENTS

(a) Capital commitments

Capital expenditure as at 31 December 2006 but
not yet incurred is as follows:

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零五年 六月三十日 30 June 2006 人民幣千元 RMB'000
已訂約但未撥備：	Contracted but not provided for:		
– 物業、廠房及設備	– Property, plant and equipment	3,013,894	2,214,035
已授權但未訂約：	Authorised but not contracted for:		
– 物業、廠房及設備	– Property, plant and equipment	987,657	1,762,470
		4,001,551	3,976,505

(b) 經營租賃承擔 – 本集團為承租人

根據不可撤銷經營租賃支付的未
來最低總租金如下：

(b) Operating lease commitments – the Group as
lessee

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

		二零零六年 十二月三十一日 31 December 2006 人民幣千元 RMB'000	二零零六年 六月三十日 30 June 2006 人民幣千元 RMB'000
物業、廠房及設備：	Property, plant and equipment:		
– 不多於一年	– Not later than one year	2,336	2,386
– 多於一年但在五年內	– Later than one year and not later than five years	1,474	2,574
		3,810	4,960

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

20. 有關連人士交易

(a) 有關連人士之名稱及關係

名稱 Name	關係 Relationship
美國中南有限公司 (「美國中南」) America Chung Nam Inc. ("ACN")	張茵女士(「張女士」)及劉名中先生(「劉先生」) 實益擁有的公司 Company beneficially owned by Ms. Cheung Yan ("Ms. Cheung") and Mr. Liu Ming Chung ("Mr. Liu")
玖龍包裝(太倉)有限公司 (「太倉包裝」) Nine Dragons Packaging (Taicang) Company Limited ("Taicang Packaging")	張成飛先生(「張先生」)實益擁有的公司 Company beneficially owned by Mr. Zhang Chengfei ("Mr. Zhang")

(b) 與有關連人士進行之交易

截至二零零六年十二月三十一日止半年度內，本集團曾與有關連人士進行以下重大交易。與有關連人士進行之買賣交易乃在正常業務過程中進行，利潤率的釐定基準與非有關連人士者相同。

20. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
America Chung Nam Inc. ("ACN")	Company beneficially owned by Ms. Cheung Yan ("Ms. Cheung") and Mr. Liu Ming Chung ("Mr. Liu")
Nine Dragons Packaging (Taicang) Company Limited ("Taicang Packaging")	Company beneficially owned by Mr. Zhang Chengfei ("Mr. Zhang")

(b) Transactions with related parties

During the half-year ended 31 December 2006, the Group had the following significant transactions with related parties. Sales and purchase transactions are negotiated with related parties in the normal course of business with a margin on the same basis with non-related parties.

		截至十二月三十一日止 半年度 Half-year ended 31 December	
		二零零六年 2006 人民幣千元 RMB'000	二零零五年 2005 人民幣千元 RMB'000
銷售產品： - 太倉包裝	Sales of goods: - Taicang Packaging	90,612	48,369
銷售能源： - 太倉包裝	Sales of utilities: - Taicang Packaging	1,727	—
採購直接原料： - 美國中南 - 廢紙 - 木漿	Purchases of direct materials: - ACN - Recovered paper - Kraft pulp	1,203,375 —	1,273,009 135,498
		1,203,375	1,408,507
- 太倉包裝 - 廢紙	- Taicang Packaging - Recovered paper	3,188	2,498
		1,206,563	1,411,005



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Cont'd)

簡明綜合中期財務報表附註(續)

20. 有關連人士交易(續)

(c) 主要管理層薪酬

		截至十二月三十一日止 半年度	
		Half-year ended 31 December	
		二零零六年 2006	二零零五年 2005
		人民幣千元 RMB'000	人民幣千元 RMB'000
薪金	Salaries	9,639	6,614
終止僱用後福利	Post-employment benefits	—	27
購股權	Share options	4,734	—
		14,373	6,641

20. RELATED PARTY TRANSACTIONS (Cont'd)

(c) Key management compensation

(d) 有關連人士之結餘

		二零零六年 十二月三十一日 31 December 2006	二零零六年 六月三十日 30 June 2006
		人民幣千元 RMB'000	人民幣千元 RMB'000
應收下列各方之 貿易結餘：	Trade balances due from:		
有關連人士：	Related parties:		
— 太倉包裝	— Taicang Packaging	32,766	7,358
應收下列各方之 非貿易結餘：	Non-trade balances due from:		
有關連人士：	Related parties:		
— 太倉包裝	— Taicang Packaging	65	55
董事：	Directors:		
— 張女士	— Ms. Cheung	—	867
— 劉先生	— Mr. Liu	—	869
— 張先生	— Mr. Zhang	—	455
		65	2,246
應付下列各方之 貿易結餘：	Trade balances due to:		
有關連人士：	Related parties:		
— 美國中南	— ACN	350,517	616,850
— 太倉包裝	— Taicang Packaging	244	708
		350,761	617,558



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Cont'd)

簡明綜合中期財務報表附註(續)

20. 有關連人士交易(續)

(e) 擔保

美國中南於二零零六年六月三十日就一家銀行向本集團作出的貸款提供擔保合計人民幣626,000,000元。此擔保已於截至二零零六年十二月三十一日止半年度內被該銀行解除。

20. RELATED PARTY TRANSACTIONS (Cont'd)

(e) Guarantees

Guarantees of RMB626,000,000 given by ACN, for bank borrowings and credit facilities granted to the Group from a bank as at 30 June 2006 has been released by relevant lending banks during the half-year ended 31 December 2006.



INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS 投資者關係及股東通訊

與機構投資者的溝通

我們致力提高公司管治與披露水平，並憑著其積極發展投資者關係的努力，使我們在短時間內，成為區內最廣為人知的公司之一。目前有超過十家本地及國際研究機構，定期編撰有關玖龍紙業的報告，而我們亦是廣泛機構投資者的研究對象。

管理層繼續竭力與投資界開展直接溝通渠道，以確保他們對玖龍紙業及其業務、策略及未來發展有透徹的瞭解。於截至二零零六年十二月三十一日止半年度內，管理層除在美國、歐洲及亞洲廣泛開展投資者關係活動外，我們亦參與信譽卓著的證券行所舉辦的多項區內及全球性的投資者研討會。

為配合即時披露公司經營及財務資料的策略，我們採用最新資訊科技，以進一步改善資料發佈。

公司網站，尤其在投資者資料部分，為投資界提供了獲取公司最新業務發展、經營及財務表現資料的有效渠道。

股東

於二零零六年十二月三十一日，公司的非機構性股東人數逾7,000人。

為確保所有股東均能及時地獲得公司的重要資料，玖龍紙業充份利用公司網站發放投資者資料，其中包括業績公告、年報和中期報告等。

股息政策

視乎公司財務狀況及業務發展需要，我們預計於每一財政年度向股東派發不少於20%的當年可分派利潤。

COMMUNICATING WITH INSTITUTIONAL INVESTORS

We have been firmly adhering to a high standard of corporate governance and disclosure. Our proactive approach to investor relations has made us one of the most widely known companies in the region. Currently, more than 10 local and international research institutions publish reports on ND Paper on a regular basis. We are also closely followed by analysts from a wide range of institutional investors.

The management remains dedicated to developing direct communications with the investment community to ensure their thorough understanding of ND Paper and its business, strategies and future development. During the half-year ended 31 December 2006, in addition to a range of investor relations activities in the US, Europe and Asia to engage in dialogues with institutional investors, we have also participated in a significant number of regional and global investor conferences organized by reputable securities houses.

In line with our strategy to make timely disclosure of information about the Company's operations and financial position, we exploit the latest information technology to further improve information dissemination.

Our corporate website, particularly the investor information section, provides the investor community with an efficient channel to obtain information about the Company's latest business developments, operational and financial performance.

SHAREHOLDERS

As at 31 December 2006, the Company had over 7,000 non-institutional shareholders.

To ensure all shareholders have timely access to important corporate information, ND Paper utilizes its corporate website to disseminate to investors information such as results announcements, annual and interim reports.

DIVIDEND POLICY

Subject to the financial performance and business development requirements of the Company, we expect to distribute no less than 20% of distributable profit to our shareholders in each financial year.



INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS (Cont'd) 投資者關係及股東通訊(續)

財政紀要

二零零七年財政年度 中期業績公佈	二零零七年 二月十三日
二零零七年財政年度 年度業績公佈(暫定)	二零零七年九月
暫停辦理股份過戶登記	二零零七年 三月六日至九日
派付二零零七年財政 年度中期股息	二零零七年 三月二十三日
財政年度結算日	六月三十日

FINANCIAL CALENDAR

FY2007 interim results announcement	13 February 2007
FY2007 annual results announcement (tentatively)	September 2007
Closure of register of members	6 to 9 March 2007
Distribution of FY2007 interim dividend	23 March 2007
Financial year end	30 June

股份資料

股份上市

玖龍紙業(控股)有限公司的股份於二零零六年三月三日在香港聯合交易所有限公司主板上市(股份代號: 2689)。

SHARE INFORMATION

Shares listing

The shares of Nine Dragons Paper (Holdings) Limited are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 2689).

普通股

面值:	每股0.1港元
每手買賣單位:	1,000股股份
已發行股份 (於二零零六年 十二月三十一日):	4,150,000,000股
市值(於二零零六年 十二月三十一日):	55,610,000,000港元

Ordinary shares

Nominal value:	HK\$0.1 per share
Broad lot:	1,000 shares
Shares in issue (as at 31 December 2006):	4,150,000,000 shares
Market Capitalisation (as at 31 December 2006):	HK\$55,610,000,000



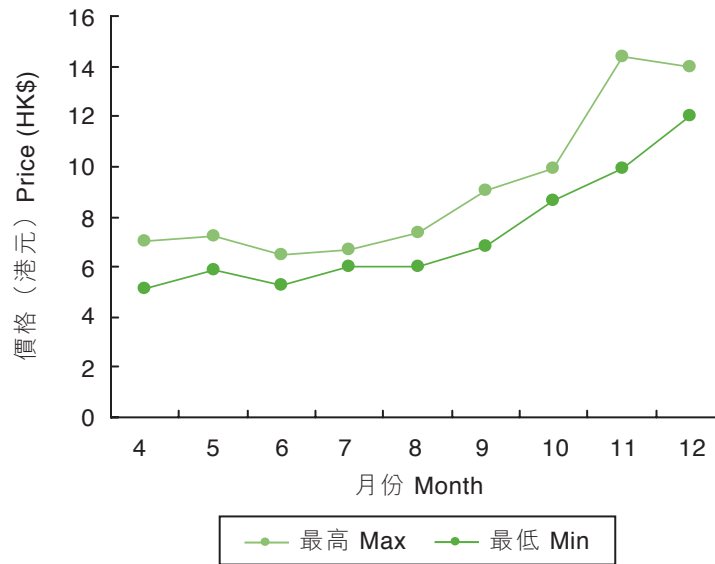
INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS (Cont'd)
投資者關係及股東通訊 (續)

股價表現

過往股價表現

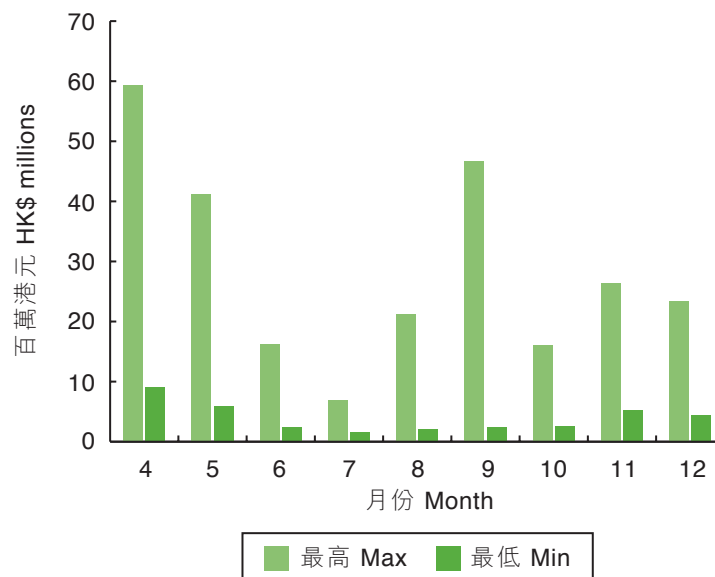
SHARE PRICE PERFORMANCE

Share Price Range



每月成交額

Monthly Turnover





INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS (Cont'd) 投資者關係及股東通訊(續)

註冊辦事處

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

香港辦事處

香港灣仔港灣道30號
新鴻基中心31樓3129室
電話：(852) 2511 6338
傳真：(852) 2511 6778

HONG KONG HEAD OFFICE

Room 3129, 31/F, Sun Hung Kai Centre
30 Harbour Road, Wanchai, Hong Kong
Tel: (852) 2511 6338
Fax: (852) 2511 6778

股份過戶登記總處

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08 Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08 Bermuda

香港股份過戶登記分處

卓佳證券登記有限公司
香港灣仔皇后大道東28號
金鐘匯中心26樓
電話：(852) 2980 1333
傳真：(852) 2810 8185

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

投資者關係

香港灣仔港灣道30號
新鴻基中心31樓3129室
玖龍紙業(控股)有限公司
企業傳訊部
電話：(852) 2511 6338
傳真：(852) 2511 6778
電郵地址：ir@ndpaper.com

INVESTOR RELATIONS CONTACT

Corporate Communications Department
Nine Dragons Paper (Holdings) Limited
Room 3129, 31/F, Sun Hung Kai Centre,
30 Harbour Road, Wanchai, Hong Kong
Tel: (852) 2511 6338
Fax: (852) 2511 6778
Email address: ir@ndpaper.com



INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS (Cont'd) 投資者關係及股東通訊 (續)

網址

www.ndpaper.com

股份代號

香港聯合交易所：2689

路透社：2689.HK

彭博：2689 HK

指數成份股

玖龍紙業(控股)有限公司為下列

指數的成份股：

恒生綜合指數系列

摩根士丹利資本國際公司

(「MSCI」)標準指數系列

MSCI全球增長指數系列

WEBSITE

www.ndpaper.com

STOCK CODE

The Stock Exchange of Hong Kong: 2689

Reuters: 2689.HK

Bloomberg: 2689 HK

INDEX CONSTITUENT

Nine Dragons Paper (Holdings) Limited is a
constituent of the following indices:

Hang Seng Composite Index Series

Morgan Stanley Capital International (「MSCI」)

Standard Index Series

MSCI Global Value and Growth Index Series



玖龍紙業(控股)有限公司

NINE DRAGONS PAPER (HOLDINGS) LIMITED

