玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2007

FINANCIAL HIGHLIGHTS

- Consolidated revenue increased by 24.5% to a record high of RMB9,837.7 million.
- Gross profit rose by 35.9% to RMB2,528.9 million.
- Gross margin increased from 23.5% to 25.7%.
- Profit for the year grew by 47.2% to RMB2,060.3 million.
- Basic earnings per share climbed from RMB0.41 to RMB0.48.
- Proposed final dividend per share of RMB10.00 cents (equivalent to approximately HK10.31 cents).

FINANCIAL RESULTS

The Board of Directors ("Board") of Nine Dragons Paper (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group" or "ND Paper") for the year ended 30 June 2007, together with the comparative figures for the last year.

CONSOLIDATED INCOME STATEMENT

		Audited	
		For the year ended 30 June	
		2007	2006
	Note	***RMB'000***	*RMB'000*
Sales	2	**9,837,664**	7,902,156
Cost of goods sold	3	**(7,308,753)**	(6,041,282)
Gross profit		**2,528,911**	1,860,874
Other gains — net	4	**311,216**	356,982
Selling and marketing costs	3	**(195,429)**	(172,756)
Administrative expenses	3	**(351,274)**	(233,897)
Operating profit		**2,293,424**	1,811,203
Finance costs	5	**(131,441)**	(294,793)
Profit before income tax		**2,161,983**	1,516,410
Income tax expense	6	**(101,645)**	(116,286)
Profit for the year		**2,060,338**	1,400,124
Profit attributable to:			
Equity holders of the Company		**2,003,408**	1,374,782
Minority interests		**56,930**	25,342
		2,060,338	1,400,124
Earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*			
— basic	7	**0.4794**	0.4072
— diluted	7	**0.4703**	0.4043
Dividend	8	**494,650**	95,450

CONSOLIDATED BALANCE SHEET

		Audited	
		30 June	30 June
		2007	2006
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**13,802,727**	8,625,486
Land use rights	9	**949,259**	592,125
Intangible asset	10	**146,694**	146,694
		14,898,680	9,364,305
Current assets			
Inventories		**1,502,509**	932,031
Trade and other receivables	11	**2,188,107**	1,559,012
Derivative financial instruments		**24,900**	—
Restricted cash		**—**	200,590
Bank and cash balances		**1,748,224**	2,816,660
		5,463,740	5,508,293
Total assets		**20,362,420**	14,872,598
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	**6,179,161**	4,141,291
Other reserves		**1,056,189**	902,006
Retained earnings			
— Proposed final dividend		**429,065**	95,450
— Others		**3,848,519**	2,402,657
		11,512,934	7,541,404
Minority interests		**123,084**	94,913
Total equity		**11,636,018**	7,636,317

LIABILITIES			
Non-current liabilities			
Deferred government grants		**17,215**	27,809
Borrowings	13	**4,088,927**	2,743,901
Deferred income tax liabilities		**281,746**	226,808
		4,387,888	2,998,518
Current liabilities			
Derivative financial instruments		**7,417**	—
Trade and other payables	14	**1,766,599**	1,987,398
Current income tax liabilities		**21,416**	67,440
Dividend payable		**—**	6,050
Borrowings	13	**2,543,082**	2,176,875
		4,338,514	4,237,763
Total liabilities		**8,726,402**	7,236,281
Total equity and liabilities		**20,362,420**	14,872,598
Net current assets		**1,125,226**	1,270,530
Total assets less current liabilities		**16,023,906**	10,634,835

CONSOLIDATED CASH FLOW STATEMENT

	Audited For the year ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Profit for the year	**2,060,338**	1,400,124
Adjustments for non-cash items/income tax/finance costs	**327,386**	285,094
Changes in working capital	**(1,631,633)**	(618,116)
Net cash generated from operating activities	**756,091**	1,067,102
Net cash used in investing activities	**(5,523,978)**	(1,454,088)
Net cash generated from financing activities	**3,726,965**	2,555,956
Net (decrease)/increase in bank and cash balances	**(1,040,922)**	2,168,970
Bank and cash balances at beginning of the year	**2,816,660**	651,587
Exchange losses on bank and cash balances	**(27,514)**	(3,897)
Bank and cash balances at end of the year	**1,748,224**	2,816,660

1. General information and summary of significant accounting policies

The Group mainly engages in the manufacture of packaging paperboard, which include linerboard, high performance corrugating medium and coated duplex board, as well as unbleached kraft pulp.

The Company was incorporated in Bermuda on 17 August 2005 under the Companies Act 1981 as an exempt company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss, which are carried at fair value.

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

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 July 2006 but are not relevant to the Group's operations:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan 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
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6 and HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
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, Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The followings are new standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group:

- HKFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures, effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis for market risk and capital disclosures required by the amendment to HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 July 2007.

- HKFRS 8, Operating Segment, effective for annual periods beginning on or after 1 January 2009. HKFRS 8 will replace HKAS 14, Segment Reporting. HKFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resource to segments and assess its performance.

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment, effective for annual periods beginning on or after 1 November 2006. HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 July 2007, but it is not expected to have any impact on the Group's financial statements.

- HK(IFRIC)-Int 11, HKFRS 2 Group and Treasury Share Transactions, effective for annual periods beginning on or after 1 March 2007. The management does not expect the interpretation to be relevant to the Group.

- HK(IFRIC)-Int 12, Service Concession Arrangements, effective for annual periods beginning on or after 1 January 2008. This interpretation applies to companies that participate in service concession arrangements and provides guidance on the accounting by operations in public-to-private service concession arrangements. The management does not expect the interpretation to be relevant to the Group.

- HKAS 23 (Revised), Borrowing Costs, effective for annual periods beginning on or after 1 January 2009. In accordance with the revised standard, management no longer has an option to expense borrowing costs on qualifying assets. It only applies to qualifying assets measured at cost. Inventories that are routinely manufactured, or otherwise produced in large quantities on a repetitive basis, are outside the scope. Companies that expense borrowing costs under their current accounting policies must identify their qualifying assets. It is not expected to have any impact on the Group's financial statements.

2. Sales

Sales recognised during the year are as follows:

	For the year ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Sales of packaging paper	**9,469,325**	7,675,351
Sales of pulp paper	**368,339**	226,805
	9,837,664	7,902,156

3. Expenses by nature

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

	For the year ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Depreciation	**342,825**	315,016
Employee benefit expense	**503,054**	337,155
Changes in finished goods	**(12,661)**	58,413
Raw materials and consumables used	**6,647,307**	5,432,032
Transportation	**55,134**	45,212
Operating leases		
— Land use rights	**15,711**	21,324
— Buildings	**902**	883
Auditors' remuneration	**4,428**	3,903
Non-deductible value added tax for indirect export sales	**98,793**	39,015
Other expenses	**199,963**	194,982
	7,855,456	6,447,935

4. Other gains — net

	For the year ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Sales of scrap materials	**55,338**	23,450
Sales of electricity	**123,227**	150,118
Interest income	**25,099**	140,347
Net foreign exchange gains	**77,855**	33,222
Transportation	**5,985**	(219)
Net gain arising from change in fair value of derivative financial instruments	**26,423**	—
Loss on partial disposal of equity interests in certain subsidiaries to minority shareholders	**(2,711)**	—
Tax refund of re-investment	**—**	10,064
	311,216	356,982

5. Finance costs

	For the year ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Interest on bank borrowings		
— wholly repayable within five years	**260,404**	293,714
— not wholly repayable within five years	**139**	10,944
	260,543	304,658
Less: interest capitalised	**(86,742)**	(31,880)
	173,801	272,778
Bills discount charge	**35,964**	33,647
Other incidental borrowing cost	**5,827**	4,713
Exchange gains on borrowings	**(84,151)**	(16,345)
	131,441	294,793

6. Income tax expense

	For the year ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Current tax		
— Hong Kong profits tax	**—**	—
— PRC enterprise income tax	**94,368**	59,225
— Reversal of prior years' PRC enterprise income tax	**(47,661)**	—
	46,707	59,225
Deferred income tax	**54,938**	57,061
	101,645	116,286

Hong Kong profits tax has not been provided as the Group did not have any assessable profits for the year ended 30 June 2007 (2006: Nil).

7. Earnings per share

— *Basic*

	For the year ended 30 June	
	2007	2006
Profit attributable to equity holders of the Company *(RMB'000)*	**2,003,408**	1,374,782
Weighted average number of ordinary shares in issue *(shares in thousands)*	**4,179,049**	3,376,027
Basic earnings per share *(RMB per share)*	**0.4794**	0.4072

— *Diluted*

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

	For the year ended 30 June	
	2007	2006
Profit attributable to equity holders of the Company *(RMB'000)*	**2,003,408**	1,374,782
Weighted average number of ordinary shares in issue *(shares in thousands)*	**4,179,049**	3,376,027
Adjustments for share options *(shares in thousands)*	**80,658**	23,980
Weighted average number of ordinary shares for diluted earnings per share *(shares in thousands)*	**4,259,707**	3,400,007
Diluted earnings per share *(RMB per share)*	**0.4703**	0.4043

8. Dividend

	For the year ended 30 June	
	2007	2006
Interim dividend of RMB1.60 cents (2006: Nil) per ordinary share *(Note a)*	**65,585**	—
Proposed final dividend of RMB10.00 cents (2006: RMB2.30 cents) per ordinary share *(Note b)*	**429,065**	95,450
	494,650	95,450

(a) An interim dividend for the six months ended 31 December 2006 of RMB1.60 cents per ordinary share, totalling approximately RMB65,585,000 has been approved in the meeting of board of directors of the Company on 13 February 2007 and paid in the year.

(b) At a meeting held on 20 September 2007, the directors of the Company proposed a final dividend of RMB10.00 cents per share for the year ended 30 June 2007, totalling approximately RMB429,065,000. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 30 June 2008.

9. Capital expenditures

	Land use rights *RMB'000*	Property, plant and equipment *RMB'000*
For the year ended 30 June 2006		
Opening net book amount	607,562	7,639,960
Additions	79,562	1,334,270
Disposals	(73,675)	(16,810)
Amortisation/depreciation expense	(21,324)	(331,934)
Closing net book amount	592,125	8,625,486
For the year ended 30 June 2007		
Opening net book amount	**592,125**	**8,625,486**
Additions	**220,915**	**5,539,183**
Acquisition of a subsidiary	**151,930**	**—**
Disposals	**—**	**(8,724)**
Amortisation/depreciation expense	**(15,711)**	**(353,218)**
Closing net book amount	**949,259**	**13,802,727**

10. Intangible asset

Intangible asset as at 30 June 2006 and 2007 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, the independent valuers, on 1 January 2005. Accordingly, the goodwill is attributed to the expected high profitability of the acquired subsidiaries and significant synergies expected to arise after the acquisitions.

The directors do not consider that a provision for impairment in the carrying amount of the goodwill as at 30 June 2007 is necessary based on the business valuation carried out by Vigers Appraisal & Consulting Limited as at 30 June 2007.

11. Trade and other receivables

The Group's sales to corporate customers are entered into on credit terms around 30 to 60 days. As at 30 June 2007, the ageing analysis of trade receivables is as follows:

	30 June 2007 ***RMB'000***	30 June 2006 *RMB'000*
0–30 days	**1,158,030**	704,567
31–60 days	**269,387**	189,776
61–90 days	**114,214**	44,260
Over 90 days	**1,548**	14,015
	1,543,179	952,618

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.

12. Share capital

Movements were:

	Note	Number of ordinary shares	Nominal value of ordinary shares *HK$'000*	Equivalent nominal value of ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid						
At 1 July 2005		3,000,000,000	300,000	312,000	—	312,000
Issue of shares in connection with IPO		1,150,000,000	115,000	119,152	3,931,999	4,051,151
Listing expenses		—	—	—	(221,860)	(221,860)
At 30 June 2006		4,150,000,000	415,000	431,152	3,710,139	4,141,291
Placement of shares for cash	(a)	125,000,000	12,500	12,353	1,998,695	2,011,048
Placing expenses		—	—	—	(32,358)	(32,358)
Exercise of share options		15,652,029	1,565	1,554	57,626	59,180
At 30 June 2007		4,290,652,029	429,065	445,059	5,734,102	6,179,161

The total authorised number of ordinary shares as at 30 June 2007 is 8 billion shares (2006: 8 billion shares) with a par value of HK$0.1 per share (2006: HK$0.1 per share).

(a) Pursuant to a placing and subscription agreement entered into between Best Result Holdings Limited, the Company and certain placing agents on 16 April 2007, the placing agents have agreed to place, on a fully underwritten basis, 125,000,000 existing shares at a price of HK$16.28 per share on behalf of the Best Result Holdings Limited, and Best Result Holdings Limited has agreed to subscribe for 125,000,000 new shares at the placing price. The gross proceeds to the Company from the placing amounted to HK$2,035,000,000 (equivalent to approximately RMB2,011,048,000).

13. Borrowings

	30 June 2007 ***RMB'000***	30 June 2006 *RMB'000*
Non-current bank borrowings	**4,088,927**	2,743,901
Current		
— Short-term bank borrowings	**2,373,082**	1,737,040
— Current portion of long-term bank borrowings	**170,000**	439,835
	2,543,082	2,176,875
Total borrowings	**6,632,009**	4,920,776

As at 30 June 2007, borrowings of RMB3,276,000 (2006: RMB1,046,901,000) are secured by assets of the Group and guarantees given by related parties, which are detailed as follows:

	30 June 2007	30 June 2006
	RMB'000	*RMB'000*
Borrowings secured by assets of the Group only	**3,276**	420,901
Borrowings secured by both assets of the Group and guarantees given by related parties	**—**	626,000
	3,276	1,046,901

14. Trade and other payables

The ageing analysis of trade payables as at 30 June 2007 is as follows:

	30 June 2007	30 June 2006
	RMB'000	*RMB'000*
0–90 days	**949,693**	1,048,913
91–180 days	**9,536**	23,386
181–365 days	**27,141**	17,949
Over 365 days	**4,843**	1,589
	991,213	1,091,837

15. Commitments

(a) Capital commitments

Capital commitments at the balance sheet date but not yet incurred are as follows:

	30 June 2007	30 June 2006
	RMB'000	*RMB'000*
Contracted but not provided for:		
— Property, plant and equipment	**5,809,540**	2,214,035
Authorised but not contracted for:		
— Property, plant and equipment	**939,222**	1,762,470
	6,748,762	3,976,505

(b) Operating lease commitments — where the Group is the lessee

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

	30 June 2007	30 June 2006
	RMB'000	*RMB'000*
Property, plant and equipment:		
Not later than one year	**2,131**	2,386
Later than one year and not later than five years	**612**	2,574
	2,743	4,960

16. Business combination

On 18 May 2007, the Group acquired 100% of the share capital of Sky Dragon Paper Industries Co., Ltd ("Sky Dragon BVI") from Mr. Zhang Cheng Fei, a director of the Company.

Sky Dragon BVI is an investment holding company and its principal investment is holding 100% equity in Dongguan Sky Dragon Paper Industries Co., Ltd ("Dongguan Sky Dragon"). Dongguan Sky Dragon did not engage in the manufacture of paper but holding of certain land use rights for future paper manufacturing establishment.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount *RMB'000*	**Fair value** *RMB'000*
Bank and cash balances	**669**	**669**
Land use rights	**145,156**	**151,930**
Payables	**(152,597)**	**(152,597)**
Net assets	**(6,772)**	**2**
Purchase consideration settled in cash*		**—**
Negative goodwill		**2**
Purchase consideration settled in cash*		**—**
Cash and cash equivalents in subsidiary acquired		**(669)**
Cash inflow on acquisition		**669**

* *Nominal value of the consideration was RMB1.*

17. Event after balance sheet date

On 18 September 2007, Nine Dragons Worldwide Investment Limited has entered into an agreement with the Government of Ninghe County, Tianjin City in the PRC, for the establishment of a production base at the Ninghe Economic Development Zone. It is estimated the funding commitment is approximately RMB2,300,000,000.

DIVIDENDS

An interim dividend of RMB1.6 cents (equivalent to approximately HK1.6 cents) (2005: Nil) per share, amounting to a total of about RMB65,585,000 (equivalent to approximately HK$66,648,000) (2005: Nil) , was paid to shareholders on 23 March 2007.

The Board has resolved to recommend the payment of a final dividend of RMB10 cents (equivalent to approximately HK10.31 cents) per share for the year ended 30 June 2007, which is expected to be payable on 12 December 2007 subject to the approval of the forthcoming annual general meeting. The dividend will be payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on 21 November 2007. The translation of RMB into Hong Kong dollars is made at the exchange rate of HK$1.00 = RMB0.97 as at 20 September 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 22 November 2007 to 26 November 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 21 November 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS REVIEW

BUSINESS STRATEGY

The Group strives to achieve the status of the world's number one containerboard manufacturer. While operational efficiency will continue to provide benefits of economies of scale as the Group increases its capacity to meet growing demand, it also continuously strives to improve through the implementation of new, more efficient technologies. During financial year 2007, the Group maintained its vigilance in consolidating the Group's market leadership position in Asia, further enhancing operating efficiency, attracting high caliber employees and continuing to emphasize and reward performance excellence.

Consolidating the Group's market leadership position in Asia

The Group has achieved significant growth in production capacity, sales volumes, sales and profit attributable to equity holders of the Company at a compound annual growth rate of 45.6%, 41.7%, 44.7% and 106.3%, respectively, from financial years 2003 to 2007.

The Group will continue to expand its production capacity and market share so as to further strengthen its leading position in Asia. Its annual designed capacity increased by 36.4% to 4.5 million tpa during financial year 2007 and is expected to increase by 72.2% to 7.75 million tpa in financial year 2008. The Group is well-prepared to capture any opportunity for future growth.

Further capacity expansion and investment in infrastructure in Dongguan and Taicang Bases to achieve economies of scale

During financial year 2007, the Group not only commenced production of three paper machines, namely PM11, PM16 and PM17, but also commenced construction of six new paper machines, namely PM12, PM13, PM18, PM19, PM20 and PM21 in Dongguan and Taicang bases. The Group also enlarged the production capacity of PM8 with an additional 50,000 tpa and commenced the operations of PM12 & 13 in August 2007.

To facilitate expanding production capacity and support large-scale containerboard manufacturing, the Group requires a significant amount of electricity and steam for its daily operations. The Group has set up central coal-fired cogeneration plants in both Dongguan and Taicang with aggregate installed capacity of 591 MW, providing both electric power and steam for use in the drying process in the production process to all of its paper machines, thereby saving energy costs and valuable land resources. Because of their high thermal efficiency and low coal consumption, the Group can achieve savings as much as approximately one-third by using electric power from the Group's cogeneration plants compared to the cost of purchasing power from third parties. The Group's sourcing strategy for coal is to purchase from suppliers that can provide a stable and reliable supply at the lowest cost. To lower its coal costs, since September 2005, the Group has started to purchase all of its coal directly from coal distributors and arranged its own shipping.

Apart from investment in infrastructure, the Group has made substantial investments in acquiring land use rights in Dongguan, Taicang and Chongqing for its existing operations to allow for future development and expansion. During financial year 2007, the Group further obtained the land use rights for approximately 2.4 million sq.m. of land in Dongguan and Chongqing bases.

Establishment of the third and fourth production bases to extend market coverage

During financial year 2007, the Group established its third base in Chongqing. Chongqing is a regional hub for the Central-western provinces of Hubei, Yunnan, Guizhou and Sichuan and exports to Southeast Asia. The fast growing domestic demand is brought by strong local consumption and matured formation of a supply chain with support from industrial development in various sectors. The site of Chongqing base is only 40 minutes drive from Chongqing city centre and on the Yangtze River coast with a self-owned pier. It enjoys direct access by a railway spur track and nearby expressway system. The Group commenced the construction of two paper machines with total annual capacity of 800,000 tonnes which are expected to commence operations in mid 2008. The Group has obtained a total land reserve of approximately 2.4 million sq.m. that can accommodate 5 million tonnes of annual production capacity. Besides, the Group has planned the construction of ancillary facilities to support packaging paperboard production. The Group has commenced the construction of a self-owned pier and planned to construct a direct railway access to the Chongqing base.

As disclosed in the Company's 2006 annual report, in addition to the Chongqing base, the Group continued its efforts in expanding geographical reach for a more comprehensive market coverage in central-western and northern China. This will enable the Group to fully cover the major economic regions and provide services to customers throughout the PRC.

The Group's fourth base centres around the Tianjin and Beijing areas and services the northern and north-eastern regions, where the supply chains are well formed with escalating containerboard demand from key sectors such as food, medicine, high-tech and IT products, electronics, textile and various light industries. Current containerboard supply in these regions are still limited, with the largest producer having less than 400,000 tpa in capacity. The rest of the suppliers only have annual production capacity of less than 50,000 tpa each — a segment that is expected to go through fast market consolidation in the foreseeable future. Today customers in these regions have to rely on supplies from other provinces such as Henan, Shandong and Jiangsu.

The Tianjin base in situated next to the Binhai New Area and enjoys investment incentives that are the same as those available from the Binhai New Area. The first phase will consist of one high performance linerboard paper machine of 450,000 tpa and one high performance corrugating medium paper machine of 350,000 tpa. Production is expected to commence by June 2009.

The Tianjin base is located only 30km from the Tianjin port, one of the major port destinations in China that serve ocean bound vessels directly, thus allowing direct access to ocean transportation at lower transportation costs as trans-shipment is not required. The base is also served by a rail spur for direct movement of coal, raw materials and finished products, and is conveniently accessible by the statewide highway network linking the north-eastern and southern provinces in China. There is an abundant supply of good quality water for paper production in the base.

Introduction of new products to expand product offerings

During financial year 2007, the Group developed plans for light weight high performance corrugating medium (70–90 g/m^2) which is expected to be commercially produced by mid 2008 through PM18 and PM21. These will be the first facilities to have industrial scale production of light weight high performance corrugating medium outside Europe. The introduction of such high-end product to the market further demonstrates the Group's leading position in Asia.

The light weight high performance corrugating medium meets customers' increasing demand for lighter weight corrugating medium with the same strength and 3R's strategy "Reduce, Reuse and Recycle".

Committed to environmentally responsible practices

The Group considers the implementation of environmentally responsible practices and the maintenance of high environmental standards as an essential part of being the market leader in the industry. The Group was granted with the honour of Green/Environmental Creditable Enterprise by the Guangdong Environmental Protection Bureau in December 2006 and obtained ISO14001 certification for its environmental management standards in February 2005. It is believed that the Group's record of environmental compliance has been a positive factor in obtaining regulatory approvals for its expansion projects. Approximately 80% to 90% of the fiber in the Group's products on average is derived from recovered paper. To minimise impact on waste resources and the environment, the Group has wastewater treatment facilities in Dongguan and Taicang that incorporate state-of-the-art technologies with automated programmable logic controller (PLC) systems and online monitoring equipment systems that allow the Group to monitor its wastewater discharge. The Group also maintained the water consumption of less than half of the water consumption set forth in the standards governing water consumption in the manufacturing of paper products.

Continuing to enhance operating efficiency

With the expanding production capacity, the Group is able to enjoy better 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 technologically advanced paper machines with automated Distributed Control Systems ("DCSs") and quality control systems. Its fourdrinier kraftlinerboard paper machines are among the largest and fastest in China, and certain machines can shift the production from one type of product to another without halting production or with a very brief pause before resuming production. The Group has designed its product mix both to meet market demand and to meet the target of recycling by redeploying water and scrap fiber byproduct from the production of one product into the production of another product. Leveraging on its technological know-how, the Group has been able to accommodate the use of a broader variety of recovered paper while maintaining product quality and performance standards. This feature provides the Group with increased flexibility in sourcing raw materials at competitive prices. The Group seeks to continue enhancing its operating efficiencies mainly through the following means: optimising and upgrading its production process and equipment to eliminate or minimise impediments to increase production volumes while enhancing production efficiency and product quality, and developing the use of new alternative chemicals with suppliers to improve machine performance and reduce costs.

Adding new production facilities to save time and increase utilisation

The Group has installed three additional paper machines during financial year 2007 to allow the Group to further minimise equipment shutdown period required for product and basis weight changes. With the exception of periodic repair and scheduled maintenance, the Group seeks to maintain uninterrupted operation of its paper machines. PM11, which has an annual production capacity of 500,000 tonnes of coated duplex board and PM16 & 17, which have a total production capacity of 700,000 tpa of high performance corrugating medium, all commenced production in January 2007. The machines achieved the optimal operating efficiency in less than four months, within the historical average optimising time range of three to six months. As of 30 June 2007, the management of the Group has accumulated extensive experience in successful installation of 13 paper machines. In financial year 2007, the average utilisation rate of the Group's paper machines was 94.6%, improved even though there was three new paper machines commenced operation during financial year 2007 as compared with last year. Meanwhile, the optimising time of PM11 and PM16 & 17 was also substantially reduced and the designed capacity and quality were achieved within four months. Therefore, we believe the commencement of new paper machines in the future will not materially and adversely affect the average gross profit margin of the Group.

Sources of high quality and price competitive raw materials

Recovered paper and kraft pulp are the Group's principal raw materials used in the 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 sources the majority of its recovered paper from America Chung Nam, Inc. ("ACN") and the remainder from several trading companies. For financial years 2006 and 2007, the Group's purchases of recovered paper from ACN amounted to RMB2,591.7 million and RMB2,922.4 million, respectively, representing 78.9% and 65.2% of the Group's total purchases of recovered paper. Due to the Group's recurring purchases of recovered paper in large quantities, the Group has been able to secure supplies from ACN at a price lower than the market average. The Group also has a policy to diversify its sources of supply and to maintain not less than 20% of its recovered paper in terms of aggregate value of its purchase of recovered paper from suppliers other than ACN.

To secure a future supply of unbleached kraft pulp, on 16 February 2004, the Group established an equity joint venture, Nine Dragons Xing An Paper Industries (Inner Mongolia) Company Limited ("ND Xing An"), with China Inner Mongolia Forestry Industry Co., Ltd. (中國內蒙古森林工業集團有限責任公司) ("Forestry Industry Group"). The Group holds a 55% interest, with a capital investment of RMB90 million, in ND Xing An while Forestry Industry Group holds the remaining 45%. Up until 30 June 2007, the Group had recorded an ample return on investment of 136.7%.

As at 30 June 2007, ND Xing An had the capacity to produce 120,000 tonnes of long-fibred unbleached kraft pulp annually. The Group plans to further increase ND Xing An's annual production capacity to 300,000 tonnes in the future. During financial year 2007, the Group purchased approximately RMB86.0 million of kraft pulp from ND Xing An. In order to further control raw material costs, the Group has considered developing pulp production and kraft pulp resource. The Group plans to expand its upstream business by building pulp production plants and investing in forestry overseas. As of the date of this report, the Group has several prospects under consideration that provide excellent forestry resources, advanced forestry planting technologies and reasonable growth speed of forestry.

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

The Group has over 800 maintenance personnel who have undergone training provided by the original equipment vendors and are responsible for periodic repair and maintenance of its paper machines. The paper machines are regularly inspected and maintained by the Group's maintenance teams to ensure that they are in proper working order. The Group upgrades its production equipment concurrently with its repair and maintenance from time to time to increase the life span and efficiency of its production equipment.

Use of information technology to optimise resource allocation

The Group is in the process of implementing an enterprise resource planning (ERP) system for its Dongguan and Taicang operations. The system is scheduled to be fully implemented by the end of 2007. All paper machines have DCSs that monitor and control all aspects of production and automated quality control systems. In order to enhance workplace safety, the Group installed an additional protection device in the DCSs of the paper machines for the operating staff to confirm activation of the paper machines. The group also has a fleet of trucks equipped with GPS.

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

The Group is led by an experienced stable and dedicated management team with an average of over 8 years' experience in the field. The Group also retains international talents from overseas with professional qualifications to join its senior management team. Through management's leadership, vision and drive, and their consistent effort to implement international best practices, the Group has become the market leader in Asia within a short period of time. In September 2007, a veteran with 25 years' experience in international paper manufacturing business was recruited from Australia and will head the Group's southern China operations commencing October 2007.

We believe that the quality of the Group's human resources, particularly its management and professional engineers, are critical to its ability to compete effectively. The Group aims to achieve and exceed international standards of performance excellence by following international best practices for management processes and corporate governance. As at 30 June 2007, the Group had approximately 8,600 full time management, administration and production staff in Hong Kong and the PRC. The related employee's costs for the period (including directors' emoluments) amounted to approximately RMB503.0 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's remuneration system. The Group adopted a share option scheme for employees. It also seeks to continue to attract and retain domestic and international management and engineering talent by continued implementation and refinement of its incentive bonus program and through staff development programs such as periodic in-house and overseas training.

FINANCIAL REVIEW

Revenue

The Group achieved a new record revenue of RMB9,837.7 million for financial year 2007, representing an increase of 24.5% as compared with the last financial year's revenue of RMB7,902.2 million.

The major contributor of the revenue growth was the increase of sales volume. In financial year 2007, the Group's total sales volume of packaging paperboard products reached approximately 3,269,000 tonnes, representing an increase of 18.4% as compared to that of the last financial year. The Group's total sales volume of kraft pulp products increased to approximately 88,000 tonnes from approximately 66,000 tonnes in financial year 2006, representing an increase of approximately 33.3%. The increase of sales volume was supported by the full year contribution in financial year 2007 by PM9 and PM10, which commenced operation in January 2006 as well as the newly commenced operation of PM11, PM16 & 17 in January 2007.

The price increment of all the Group's product lines recognised during financial year 2007, particularly during its second half, also bolstered the top line figure and confirmed the Group's industry leadership and the robust market demand.

For financial year 2007, sales to the Group's top five customers in aggregate accounted for approximately 13.4% of the Group's revenue, with that to the single largest customer accounted for 3.8%. The corresponding percentages for financial year 2006 were 7.9% and 2.4% respectively.

Gross profit

The gross profit for financial year 2007 was RMB2,528.9 million, an increase of RMB668.0 million or 35.9% as compared with the RMB1,860.9million recorded in the last financial year. Overall gross margin for the year improved from 23.5% to 25.7%. In financial year 2007, the gross margin of packaging paperboard products and kraft pulp were improved from 23.4% to 25.4% and 27.2% to 34.0% respectively. The increase in gross margin was due to the Group's strong bargaining power in the industry value chain, economies of scale provided by production capacity expansion, further optimisation of the Group's paper machines, further realisation of synergies from the group companies and management's efforts on overhead control.

Other gains — net

Other gains, net, of the Group decreased to RMB311.2 million in financial year 2007 from RMB357.0 million in the last financial year. By excluding the interest income of RMB117.7 million derived from the lock up of subscription funds from over-subscription during the listing of the Company's shares in March 2006, there was an increment of RMB71.9 million over the last financial year. The increment was mainly the net effects of increase in sales of scrap materials and net foreign exchange gains and partly offet by decrease in sales of electricity. The decrease of electricity sales was mainly due to the increase in paper production capacity, which resulted in higher electricity consumption as compared with the last financial year.

Operating profit

The operating profit for financial year 2007 was RMB2,293.4 million, going up by 26.6% over the last financial year. The increase percentage was in line with revenue growth rate.

Selling and marketing costs were RMB195.4million in financial year 2007, compared with RMB172.8 million in financial year 2006. The total amount of selling and distribution costs as a percentage of the Group's revenue decreased from 2.2% in the last financial year to 2.0% in financial year 2007, which was resulted from the Group's continual improvement of management efficiency and strong sales performance.

Administrative expenses increased from RMB233.9 million in the last financial year to RMB351.3 million in financial year 2007. The increase was mainly a result of RMB102.4 million expenses on share options granted under Pre-IPO Option Scheme and 2006 Option Scheme. Additional management and administrative costs were also incurred to support the commencement of new paper machines. The amount of administrative expenses as a percentage of Group revenue increased from 3.0% in the last financial year to 3.6% in financial year 2007. The Group's administrative expenses amounted to RMB248.9 million after deducting the share option expenses, representing 2.5% of the group's revenue. While offsetting the profitability enhancement contributed by lower proportion of selling and marketing costs to revenue, the proactive investment in human resources assures the Group's growth sustainability.

Net profit and dividends

The profit attributable to equity holders for financial year 2007 was RMB2,003.4 million, an increase of RMB628.6 million as compared with the last financial year. The ratios of EBIT and EBITDA to revenue were 23.1% and 26.8% respectively.

The Group's finance costs decreased by 55.4% to RMB131.4 million in financial year 2007 from RMB294.8 million in financial year 2006. The substantial decrease in the Group's finance costs was mainly the result of the upgrade of the Group's credit profile and optimising loan portfolio mix in terms of maturity and currency, which was attributable to the amelioration of the Group's financial position after listing and the exchange gains of foreign currency borrowings attributed by continuous appreciation of RMB during the financial year.

Basic earnings per share for financial year 2007 and the last financial year were RMB0.48 and RMB0.41 respectively. During the year, the Group declared and paid an interim dividend of RMB1.60 cents per share, which amounted to RMB65.6 million. The directors have proposed a final dividend of RMB10.00 cents per share, which will aggregate to RMB429.1 million. The total dividend for the year amounted to RMB11.60 cents per Share, representing an increase of RMB9.30 cents per Share or approximately 4 times from the previous financial year.

Working capital

The inventories increased by approximately RMB570.5 million for financial year 2007 and amounted to approximately RMB1,502.5 million, representing an increase of 61.2% from that of last financial year. Inventories mainly comprise recovered paper and kraft pulp of approximately RMB1,219.4 million and finished goods of approximately RMB283.1 million. During financial year 2007, inventory turnover was approximately 75 days as compared to 56 days for financial year 2006. The longer inventory turnover period during financial year 2007 was primarily the result of storing a stable amount of raw materials for deployment by increased production capacity in financial year 2008.

Trade receivables and bills receivable ("trade receivables") increased by approximately RMB458.0 million for financial year 2007 and amounted to approximately RMB1,770.4 million, representing an increase of 34.9% from that of last financial year. During financial year 2007, the turnover days of trade receivables was approximately 66 days as compared to 61 days for financial year 2006.

Trade payables and bills payable ("trade payables") decreased by approximately RMB448.3 million for financial year 2007 and amounted to approximately RMB1,068.5 million, representing a decrease of 29.6% from that of last financial year. Creditors' turnover days was approximately 53 days for financial year 2007 and was in line with the credit period granted by most suppliers.

Liquidity and financial resources

The working capital and long-term funding required by the Group primarily come from its operating cash flows and borrowings, while the Group's financial resources are used in its capital expenditures, operating activities and repayment of borrowings.

The Group's net cash inflow from operating activities decreased from approximately RMB1,067.1 million in 2006 to approximately RMB756.1 million in 2007, representing a decrease of approximately 29.1%. The decrease was attributable primarily to the changes in working capital, mainly the increase of year end trade receivables and inventories. In terms of available financial resources as at 30 June 2007, the Group had total undrawn borrowing facilities of RMB8,865.5 million and cash and bank balances of RMB1,748.2 million.

As at 30 June 2007, the shareholders' funds were RMB11,512.9 million, an increase of RMB3,971.5 million from that of the last financial year. The shareholders' fund per share increased by 47.3% from RMB1.82 to RMB2.68.

The Group had outstanding bank loans and borrowings as at 30 June 2007 of approximately RMB6,632.0 million of which approximately RMB2,543.1 million shall be repaid within 1 year, approximately RMB1,028.3 million shall be repaid after 1 year but within 2 years, approximately RMB3,057.4 million shall be repaid after 2 years but within 5 years and approximately RMB3.2 million shall be repaid after 5 years. With most of the procedures for the release of securities for borrowings after listing of the Group completed during financial year 2007, the percentage of secured loans decreased from 21.3% in previous financial year to 0.05%.

The net borrowings to equity ratio of the Group as at 30 June 2007 increased from 25.2% to 42.4%, due to draw down of bank loans to fund the capital expenditure requirements of the Group.

Treasury policies

The Group has established a treasury policy with the objective of achieving better control of treasury operations and lowering cost of funds. Therefore, funding for all its operations and foreign exchange exposure have been centrally reviewed and monitored at the Group level. To manage the Group's exposure to fluctuations in foreign currency exchange rates and interest rates on specific transactions, foreign currency borrowings, currency structured instruments and other appropriate financial instruments were used to hedge material exposure. It is the policy of the Group not to enter into any derivative products for speculative activities.

Taking advantage of the liquidity in the Hong Kong banking system and with a view to address the Group's capital commitment requirements for capacity expansion, the Group executed two unsecured sydicated loan agreements, one in US$ and the other in HK$, with financial institutions during financial year 2007 in a total amount of equivalent to US$644.3 million. The US$ unsecured syndicated loan was executed on 19 September 2006 and has a maturity of 4 years with interest cost of 55 basis points over LIBOR. The 5 year unsecured HK$ unsecured syndicated loan was concluded on 18 June 2007 which bears interest rate of 45 basis points over HIBOR. The syndicated loans both received encouraging responses from the market with the support from financial institutions including China Development Bank and Export Development Canada. These new loans have served to push out maturities of loans, reduced the Group's average loan interest margin and have also increased the proportion of non-RMB borrowings considering the appreciation of RMB.

As at 30 June 2007, total foreign currency borrowings amounted to the equivalent of RMB3,406.9 million and RMB loans amounted to RMB3,225.1 million, representing 51.4% and 48.6% of the Group's borrowings respectively. It is the policy of the Group to increase the proportion of foreign currency borrowings in view of the appreciation of RMB.

With the fast development of the bond market in China, Dongguan Nine Dragons Paper Industries Co., Ltd. ("Dongguan Nine Dragons"), a subsidiary of the Company, has issued a RMB short-term corporate bond of RMB400.0 million on 18 September 2007 with annual interest rate of

5.25%. The purpose of the corporate bond is to finance the working capital of Dongguan Nine Dragons. With the issuance of short-term corporate bond, the Group has successfully diversified its funding channel and explored a new fund raising channel, China's bond market, with the benefits of relative lower funding cost, sizeable market and higher efficiency as compared to the traditional short-term bank loans.

Capital expenditures

For financial year 2007, the Group invested approximately RMB5,760.1 million for the construction of factory buildings, purchase of plant and machinery, equipment and land use rights. These capital expenditures were fully financed by internal resources, net proceeds from the issue of new shares and bank borrowings.

Review of lives for depreciation purpose of property, plant and equipment

The long lived assets, consisting primarily of property, plant and equipment, comprise a significant portion of the Group's total assets. The annual depreciation charge depend primarily on the estimated lives of each type of assets and, in certain circumstances, estimates of fair values and residual values. The Directors are reviewing periodically these assets lives and the expected pattern of consumption of the future economic benefits embodied in the assets and change the depreciation method as necessary to reflect current thinking on remaining lives in light of technological change, respective economic utilization and physical conditions of the assets concerned.

Capital commitments and contingencies

The Group expected to invest approximately RMB6,748.8 million on capital expenditures in financial year 2008.

The Group made capital expenditure commitments mainly for machineries of approximately RMB939.2 million which were authorized but not contracted and approximately RMB5,809.6 million were contracted but not provided for in the financial statements as at 30 June 2007. These commitments were mainly related to the expansion of the Group's production capacity.

As of the financial year end date, the Group had no material contingent liabilities.

Use of proceeds from issue of new shares

The net proceeds raised from the successful placing and public offer of the Company's shares on 3 March 2006 amounted to approximately RMB3,829.3 million. During the year, the Group has fully utilised the remaining balance of the net proceeds of RMB1,394.6 million as funding for capital expenditure.

On 16 April 2007, the Group raised proceeds of RMB2,011.0 million by way of subscription for new shares. The proceeds has been applied to supplement the Group's funding of its expansion and growth plan of the paper manufacturing facilities of the Group in China.

Future Plans and Prospects

Looking ahead, we will continue to expand our business in terms of scale, scope and geographic reach to ensure the vitality of ND Paper and a positive return for our shareholders. To successfully capture increasing demand, we aim to expand our annual capacity from the current 5.35 million tpa to 10.15 million tpa by 2009 which would bring our compound annual growth rate to not less than 40%. This would conceivably increase our domestic market share from our current 18% to 35%. Meanwhile, to capitalize on changing demands, we will also expand our product offerings, including the introduction of light weight corrugating medium, light weight linerboard, high-end packaging board and other products that have a sustainable demand while offering attractive returns on investment.

ND Paper will be vigilant regarding strict cost control and the utilization of the highest standard of technology that provides superior results for our shareholders. We will continue to closely monitor market conditions to ensure that our growth is executed in a responsible, prudent manner while simultaneously capturing opportunities to meet the growing demand for packaging paperboard.

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

During the year ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

Currently, the Audit Committee of the company consists of four 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. Dr. Cheng and Mr. Chung are qualified accountants with extensive experience in financial reporting and controls. Ms. Tam is a barrister and practicing in Hong Kong. Mr. Wang has rich experience and expertise in the paper industry in China. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group.

The audit committee has reviewed the accounting principles adopted by the Group and the audited consolidated financial statements of the Group for the year ended 30 June 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2007, the Group was in compliance with the provisions of the Code on Corporate Governance Practices and, where appropriate, the Code of Best Practice, as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange").

DIRECTORS' COMPLIANCE WITH THE MODEL CODE

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

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

APPRECIATION

Our success is a direct result of visionary insight, meticulous planning and the willingness of management and staff to pursue innovative development within a culture that breeds responsible success. In addition to my gratitude to our management and staff, I would like to express my sincere appreciation to governments of various levels for providing a business-friendly environment that has allowed us to prosper and positively influence the lives of our employees while contributing to the success of our industry. I would also like to thank our shareholders, bankers and business partners for their support and look forward to sharing our continued success.

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

Executive Directors:
Ms. Cheung Yan
Mr. Liu Ming Chung
Mr. Zhang Cheng Fei
Ms. Gao Jing

Independent Non-Executive Directors:
Ms. Tam Wai Chu, Maria
Mr. Chung Shui Ming, Timpson
Dr. Cheng Chi Pang
Mr. Wang Hong Bo

Non-Executive Director:
Mr. Lau Chun Shun

By Order of the Board
Cheung Yan
Chairman

Hong Kong, 20 September 2007

* *for identification purposes only*