



Innovation

Corporate Governance

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

Corporate Governance Practices

Throughout the year ended 30 June 2006, the Company followed the principles and complied with all applicable provisions under the Code on Corporate Governance Practices ("CG Code") 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").

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its code.

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

Corporate Governance Structure

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

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

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

Board

Currently, the Company has ten directors, including five executive directors, one non-executive director and four non-executive independent directors. Ms. Cheung Yan, Chairman of the Company, is the spouse of Mr. Liu Ming Chung, Deputy Chairman and Chief Executive Officer of the Company. Besides, Mr. Zhang Cheng Fei, Deputy Chief Executive Officer of the Company, is a brother of Ms. Cheung Yan, and Mr. Lau Chun Shun is the son of Ms. Cheung Yan and Mr. Liu Ming Chung, and a cousin of Mr. Zhang Cheng Fei.

The posts of Chairman and the Deputy Chairman cum Chief Executive Officer are distinct and separate. The Chairman is responsible for supervising the functions and performance of the Board, while the Deputy Chairman cum Chief Executive Officer is responsible for the management of the businesses of the Group.

Corporate Governance

The directors are responsible for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, profitability and cash flows of the Group in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. In preparing the financial statements of the Group for the year ended 30 June 2006, the directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movements of the Group at any time. The statement of reporting responsibilities of the Company's external auditors in connection with the financial statements of the Company is set out in the Auditors' Report on page 80.

More than one third of the members of the Board are independent non-executive directors, which exceeds the minimum requirement of the Listing Rules. The Company has received confirmation from each of the independent non-executive directors about his/her independence and therefore considers each of them to be independent.

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

The Company was listed on 3 March 2006. During the financial year 2006, three Board meetings, two Audit Committee meetings and one Remuneration Committee meeting were held, with details as follows:

Director	Attendance out of total		
	Board Meetings	Meetings of Audit Committee	Meetings of Remuneration Committee
Executive Directors			
Ms. Cheung Yan	3/3	–	–
Mr. Liu Ming Chung	3/3	–	1/1
Mr. Zhang Cheng Fei	2/3	–	1/1
Ms. Wang Hai Ying	2/3	–	–
Ms. Gao Jing*	–	–	–
Non-executive Director			
Mr. Lau Chun Shun	1/3	–	–
Independent Non-executive Directors			
Ms. Tam Wai Chu, Maria	3/3	2/2	1/1
Mr. Chung Shui Ming, Timpson	3/3	2/2	1/1
Dr. Cheng Chi Pang	3/3	2/2	1/1
Mr. Wang Hong Bo	1/3	2/2	1/1

* Appointed on 6 July 2006

Corporate Governance

Executive Committee

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

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

Currently, the members of the Executive Committee include:

Ms. Cheung Yan (Chairman)

Mr. Liu Ming Chung

Mr. Zhang Cheng Fei

Remuneration Committee

The Remuneration Committee has been established mainly for the purpose of ensuring that the Company can recruit, retain and motivate high-calibre staff in order 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 and establishing a formal and transparent procedure for developing policy on remuneration.

In addition, the Remuneration Committee also supervises and enforces the share option schemes of the Company in an effective manner. Details of the authority and duties of the committee are clearly set out in its terms of reference, which also specify that the committee shall consist of at least three members and the majority shall be independent non-executive Members.

Currently, the members of the Remuneration Committee include:

Ms. Tam Wai Chu, Maria (Chairman)

Mr. Chung Shui Ming, Timpson

Dr. Cheng Chi Pang

Mr. Liu Ming Ching

Mr. Zhang Cheng Fei

Auditors' Remuneration

The analysis of auditors' remuneration in respect of audit and non-audit services provided by the auditors of the Company since they were appointed as auditors is as follows:

RMB'000

Audit services	3,811
Non-audit services	—

Corporate Governance

Audit Committee

The scope of duties of the Audit Committee mainly covers overseeing the Company's relationship with its external auditors, reviewing the preliminary results, interim results and annual financial statements, monitoring the compliance with statutory requirements and Listing Rules, reviewing the scope, extent and effectiveness of the Group's internal audit functions, and, where necessary, commissioning independent investigations by legal advisers or other professionals.

Currently, the members of the Audit Committee include:

Dr. Cheng Chi Pang (Chairman)

Ms. Tam Wai Chu, Maria

Mr. Chung Shui Ming, Timpson

Mr. Wang Hong Bo

Risk Control Committee

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

Investors' Relations and Shareholders' Interests

The Company actively develops investors' relations and communicates with the investment community throughout the year, particularly after announcement of its interim and annual results. It also addresses the enquiries of investors (including institutional shareholders, analysts and the media) by way of regular corporate presentations, telephone conferences and forums. The details are set out on page 41 to 43 in this annual report.

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

The Company encourages participation of its shareholders at every annual general meeting, and it is our policy to dispatch the relevant notice at least 21 days before the meeting is to be held. The Chairman and directors of the Company will attend the meeting to answer questions about the business of the Group. Besides, each shareholder is legally entitled to demand that a special general meeting be convened and propose an agenda of such a meeting to be considered by other shareholders. In this circumstance, such shareholder is only required to notify in writing the Company Secretary at our registered office in Hong Kong in respect of the demand for convening a general meeting and the agenda for matters to be transacted at such meeting.