

Connected Transactions

The Board, including the independent non-executive directors of the Company, has reviewed and confirmed that the continuing connected transactions set out below have been entered into:

- (i) in the ordinary and usual course of the business of the Group;
- (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditors of the Company confirmed to the Board in writing in respect of the continuing connected transactions set out below for the year ended 30 June 2006:

- (i) were approved by the Board;
- (ii) were in accordance with the pricing policies of the Group if the continuing connected transactions involve provision of goods or services by the Group;
- (iii) were entered into in accordance with the relevant agreements governing the continuing connected transactions; and
- (iv) did not exceed the respective annual caps for the relevant continuing connected transactions disclosed in the IPO Prospectus dated 20 February 2006.

Details of the continuing connected transactions of the Company are as follows:

(1) Continuing connected transactions exempt from the independent shareholders' approval requirements

The transactions set out in (i), (ii) and (iii) below are each of sizes that exceed HK\$1,000,000 and less than 2.5% of each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, and constitute continuing connected transactions exempt from the independent shareholders' approval requirement but subject to the reporting and announcement requirements of the Listing Rules. Conditional waivers have been granted by the Stock Exchange from strict compliance by the Company with the disclosure requirements for the period from 3 March 2006 to 30 June 2008 for these transactions.

(i) **Purchase agreement with Dongguan Longteng Paper Co., Ltd. (東莞龍騰紙業有限公司) ("Dongguan Longteng") (the "Longteng Purchase Agreement")**

Date of agreement: 12 February 2006

Covenant parties:

- (i) Zhang's Enterprise Company Limited ("Zhang's"), an indirect subsidiary of the Company
- (ii) Dongguan Longteng, which is held as to 70% by Mr. Zhang Cheng Ming, a brother of Mr. Zhang Cheng Fei ("Mr. Zhang") and Ms. Cheung Yan ("Ms. Cheung"), who are directors and substantial shareholders of the Company

Term: 3 March 2006 – 30 June 2008

Connected Transactions

Object: Pursuant to the Longteng Purchase Agreement, Dongguan Longteng agreed to purchase packaging paperboard products manufactured by the Group from time to time

Waiver granted by the RMB65,400,000*
 Stock Exchange in respect
 of the annual cap for the year
 ended 30 June 2006:

Actual amount of transactions RMB64,829,000*
 for the year ended
 30 June 2006:

* before tax

(ii) Supply agreement with Dongguan Longteng (the "Longteng Supply Agreement")

Date of agreement: 12 February 2006

Covenant parties: (i) Zhang's
 (ii) Dongguan Longteng

Term: 3 March 2006 – 30 June 2008

Object: Pursuant to the Longteng Supply Agreement, Dongguan Longteng agreed to supply packaging materials and chemicals for production of paperboard products to members of the Group from time to time

Waiver granted by the RMB29,600,000*
 Stock Exchange in respect
 of the annual cap for the year
 ended 30 June 2006:

Actual amount of the RMB22,041,000*
 transactions for the year
 ended 30 June 2006:

* before tax

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(iii) Supply agreement 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 “Forestry Supply Agreement”)

Date of agreement:	12 February 2006
Covenant parties:	<p>(i) Nine Dragons Xing An Paper Industries (Inner Mongolia) Co., Ltd. (玖龍興安漿紙(內蒙古)有限公司 (“ND Xing An”), a subsidiary of the Company which is owned as to 55% by the Company and 45% owned by Forestry Industry Group</p> <p>(ii) Forestry Industry Group, which is a substantial shareholder of ND Xing An</p>
Term:	3 March 2006 – 30 June 2008
Object:	Pursuant to the Forestry Supply Agreement, Forestry Industry Group agreed to procure its wholly owned subsidiaries to supply wood logs and wood chips to members of the Group from time to time
Waiver granted by the Stock Exchange in respect of the annual cap for the year ended 30 June 2006:	RMB98,800,000*
Actual amount of transactions for the year ended 30 June 2006:	RMB86,711,000*

* before tax

(2) Non-exempt continuing connected transactions

(i) Purchase agreement with Nine Dragons Packaging (Taicang) Company Limited (玖龍包裝(太倉)有限公司) (“Taicang Packaging”) (the “Taicang Purchase Agreement”)

Date of agreement:	12 February 2006
Covenant parties:	<p>(i) Zhang’s</p> <p>(ii) Taicang Packaging, which is held as to 100% by Mr. Zhang, a director and substantial shareholder of the Company</p>
Term:	3 March 2006 – 30 June 2008
Object:	Pursuant to the Taicang Purchase Agreement, Taicang Packaging agreed to purchase packaging paperboard products manufactured by the Group from time to time

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Waiver granted by the
 Stock Exchange in respect
 of the annual cap for the year
 ended 30 June 2006: RMB88,200,000*

Actual amount of transactions
 for the year ended
 30 June 2006: RMB78,043,000*

* before tax

(ii) Supply agreement with America Chung Nam, Inc. ("ACN") (the "ACN Supply Agreement")

Date of agreement: 12 February 2006

Covenant parties: (i) the Company
 (ii) ACN, which is indirectly wholly-owned by Ms. Cheung and Mr. Liu, the directors and substantial shareholders of the Company

Term: 3 March 2006 – 30 June 2008

Object: Pursuant to the ACN Supply Agreement, ACN agreed to supply recovered paper to members of the Group from time to time.

The Company has also been granted an option to renew the ACN Supply Agreement for a further term of three years, and for each exercise of a renewal option by the Company, ACN will be deemed to have granted a new option for a further extension of three years, on terms to be negotiated between the parties on a fair and reasonable basis and subject to compliance with the disclosure and/or other requirements under the Listing Rules then in force. As the Group is ACN's largest customer, ACN agreed to supply recovered paper to members of the Group on a priority basis.

Waiver granted by the
 Stock Exchange in respect
 of the annual cap for the year
 ended 30 June 2006: RMB3,099,000,000*

Actual amount of transactions
 for the year ended
 30 June 2006: RMB2,591,692,000*

* before tax

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The Group will purchase not less than 20% of its requirements of recovered paper in terms of aggregate value from suppliers other than the ACN Group.

Pursuant to the conditions of the waiver granted by the Stock Exchange in relation to the ACN Supply Agreement, the independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that:

- (a) the prices and terms offered by ACN to the Group are no less favourable than those offered to other customers of ACN in respect of the same period and for the same product type; and
- (b) the Group sourced not less than 20% of its recovered paper in terms of aggregate value of its purchases of recovered paper from suppliers other than ACN for the period from 3 March 2006 to 30 June 2006.

For the purposes of the conditions of the waiver granted by the Stock Exchange in relation to the ACN Supply Agreement, the auditors of the Company have performed certain agreed-upon procedures on the above continuing connected transactions for the period from 3 March 2006 to 30 June 2006 in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants.

The transactions under the Taicang Purchase Agreement and the ACN Supply Agreement constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules and will normally be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders' approval requirement set out in Rule 14A.48 of the Listing Rules. Conditional waivers have been granted by the Stock Exchange to the Company from strict compliance with the disclosure and independent shareholders' approval requirements under the Listing Rules for the period from 3 March 2006 to 30 June 2008 for these transactions.