

Members

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

Terms and Reference

Based on the terms of reference of the Audit Committee, members of the committee shall, among other things, oversee the Group's relationship with its external auditors, review the preliminary results, interim results and annual financial statements, monitor the compliance with statutory requirements and Listing Rules, review the scope, extent and effectiveness of the Group's internal audit functions, and, where necessary, commission independent investigations by legal advisers or other professionals.

Summary of major work done in FY2007

The Audit Committee holds regular meetings at least four times a year and organizes additional meetings if and when necessary. During FY2007, the committee held seven meetings with 100% attendance. The following is a summary of the tasks completed by the Audit Committee during 2006/07:

- reviewed the financial statements for the year ended 30 June 2006 and for the six months ended 31 December 2006;
- reviewed the external auditor's audit plan, 2006 letter of representation and audit engagement letter;
- considered and approved the 2006 external audit fees;
- reviewed the "Connected Transactions" set forth on pages 57 of this Annual Report;
- reviewed the "Continuing Connected Transactions" set forth on pages 57 to 60 of this Annual Report;
- reviewed the purchase terms and the fairness of the Group's basis of selecting its recovered paper suppliers quarterly;
- Reviewed the reports issued by the auditors of the Company on all the transactions conducted between the Group and ACN; and
- reviewed the Company's internal control systems.



The Audit Committee met seven times in FY2007 and meetings attended by each of the members were as follows:

Name of Member	Meetings attended/ eligible to attend
Dr. Cheng Chi Pang (<i>Chairman</i>)	7/7
Ms. Tam Wai Chu, Maria	7/7
Mr. Chung Shui Ming, Timpson	7/7
Mr. Wang Hong Bo	7/7

Financial Reports

The Audit Committee reviewed and considered the reports and statements of the management to ensure that the consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in Hong Kong and Appendix 16 to the Listing Rules. The Committee also met with the external auditor of the Group, PricewaterhouseCoopers, to consider the scope and results of their independent audit in respect of the interim report and consolidated financial statements.

Review of Internal Control and Risk Management Systems

The Audit Committee assisted the Board to perform its duties to maintain an effective internal control system for the Group. The Audit Committee reviewed the Group's procedure and workflow for environmental and risk assessment and its initiatives for business risks management and control.

Re-Appointment of External Auditors

The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, PricewaterhouseCoopers be re-appointed as the Company's external auditors for 2008.

For the year ended 30 June 2007, the external auditor of the Company received approximately RMB4.50 million for audit services and RMB0.07 million for tax and other services.