

The Group is aware of the seriousness of global warming crisis and has made its full commitment to this challenge by reducing emission and energy usage. ND Paper will continue to invest in energy conservation equipments in new capital investment planning and employ a more comprehensive and upgrade design to ensure higher level of energy efficiency for new PMs.

Commitment to Environmental Protection

ND Paper persists in the concept of “No environment, no paper”. As a leading packaging products manufacturer in the world, we always make environmental protection our top priority and our obligation as a corporate citizen.

The Group has maintained high environmental standards in its operation. An environmentally-friendly operation system is adopted for our paper production. ND Paper has established a special department to set up proven environmental protection systems for managing wastewater treatment, emission, solid waste treatment and noise control. With a mission to respect and protect the environment, our environmental protection department improves the environmental protection practices from time to time as our production systems evolve. Our production facilities, which are of internationally-recognised environmental management standard, implement highly-effective environment management measures through the application of environmentally-friendly equipment and technologies of high quality.

In addition to performing our social obligations, higher operating efficiency is also resulted from our energy conservation and environmental protection system. Our environmental protection system can significantly reduce the risk of violation of environmental laws and regulations in our operations. Our commitment in environmental protection is indeed a valuable asset and competitive edge of the Group. Our goal is to strike a balance between our economic benefits and the well-being of the community while maintaining our precious environment, allowing our future generations to enjoy a much healthier and cleaner environment.

Environmentally-friendly Production Process

The production lines of the Group are all imported from international leading manufacturers. The water produced during the operation of the paper machines can be fully recycled. To achieve our objective to save energy and reduce consumption, we carry out clean production in our production lines, reduce water and electricity consumption of per product unit and control the sources of pollutants.

Wastewater Treatment

Clean water is an important natural resource and an essential element in paper production. Therefore, we strive for minimising pollution to water resources. The Group introduced the anaerobic aerobic two-stage biological treatment, which is the most advanced wastewater treatment technology in the world, and adopted the state-of-the-art automatic programmable logic controller (PLC) systems. An online monitoring system is in place to monitor our wastewater discharge for centralised management. The wastewater treatment rates of such systems are 100%. The level of discharged pollutants is measured based on the



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water quality parameter after treatment. The COD of our discharged water after treatment is less than 80 mg/l, which is better than the grade one national discharge standard of 100 mg/l.

Emission Control

In view of the increasingly serious global warming issue, the Group has a circulation fluidized bed solid waste incinerator which can effectively incinerate a wide range of low-grade fuels, including waste paper pulp, light slag and sewage from the wastewater treatment station. The system has low emission and is effective and environmentally friendly. We believe that ND Paper is one of the few paper manufacturers in China who are using such kind of incinerator. The use of low-grade fuels not only greatly reduces waste discharge but also reduces coal consumption and emission of carbon dioxide.

Our coal-fired power plants in the Dongguan and Taicang production bases are equipped with particulate filtration and desulphurisation equipment, and their emission levels are far better than the approved level under the applicable PRC regulatory requirements.

Solid Wastes Disposal

The solid wastes of the production process of the Company are mainly residual paper pulp, light slag and sewage. The Group installed an incinerator with a daily capacity of 300 tonnes in 2003 and two more incinerators will commence operations this year. By then, we can handle all the wastes produced to eliminate the environmental pressure on the community. Upon completion, each of these two additional incinerators can handle approximately 600 tonnes of wastes every day. These two incinerators apply advanced emission treatment equipment, fabric-bag filters for dust removal and half-dry desulphurisation facilities. Monitoring devices are installed for real-time monitoring.

Noise Control

All of our paper machines comply with the strict standards currently enforced in America and Europe and all international standards for noise control. We have installed noise-insulating enclosures and mufflers to our double-disc refiners and air compressors that produce heavy noises. Noise-insulating control rooms are set up in the paper-making workshops to prevent staff from working long hours under high-level noises. Personal noise protection devices like earplugs are used during inspection patrols.

Law-abiding and Trustworthy Corporate

The Group's manufacturing processes generate solid and liquid wastes, including wastewater and sewage, and emission. In compliance with applicable laws and regulations, the Group has obtained all required permits for wastewater discharge, emissions and solid waste disposal.

The Group has never been charged for material violation of any environmental laws or regulations, or subject to any fine in respect thereof. In addition to ISO 14001 certification for environmental management,

in 2006, Dongguan production base was granted with the honour of Green/Environmental Creditable Enterprise by the Environmental Protection Bureau of Guangdong Province. The Directors believe that the Group's record of environmental compliance in good standing has been a positive factor in obtaining regulatory approvals for its expansion projects.

Discharge Standards:

Projects	Unit	PRC Government approved level	ND Paper Standards	Parameter before treatment		Parameter after treatment	
				2006	2007	2006	2007
COD _{CR}	mg/l	≤100	80	2,500	2,500	<100	80
BOD ₅	mg/l	≤20	20	1,000	1,000	<20	10
SS	mg/l	≤70	30	2,000	2,000	<70	28
PH		6~9	6~9	6~9	6~9	6~9	6~9
SO ₂	mg/m ³	≤400	100	2,360	2,520	<55	60
Dust	mg/m ³	≤50	50	24,600	25,400	<29	30
NO _x	mg/m ³	≤450	450	—	—	<356	339

Sound Human Resources Management

High calibre management and staff teams are crucial to ND Paper's success. As a responsible and considerate employer, the Group adheres to the people-oriented philosophy for human resources management. In addition to providing staff with excellent benefits and comprehensive training, we value highly the importance of production safety for the improvement of the life quality of our staff in every aspect. Currently, we take the following measures to enhance the sense of satisfaction and loyalty of our staff:

- 1) Establish a fair and reasonable system of performance management to realise staff potential.
- 2) Adopt internal transfer and promotion system. Based on staff's performance and competence, we offer each employee opportunities for transfer, job rotation and promotion to improve the overall development of our staff.
- 3) Provide our staff with garden-style staff residences which facilities include track and field playground, football pitch, basketball court, tennis court, swimming pool and supermarket, creating a peaceful and harmonious environment to live and work in ND Paper.
- 4) Apply new staff communication system. All newly-recruited staff have to meet with the management three times during the probation period. These discussions allow the Group to understand how the new staff adapted to the job and to provide necessary assistance.



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- 5) Adopt efficient opinion feedback and handling system. The system ensures strengthened communication between the management and staff, timely collection and handling of advices and complaints from the staff to continuously develop and perfect the management and technologies of the Company.

As for staff management, the Group strictly adheres to its principle of fair appraisal based on staff performance. With a view to boosting staff morale, we also offer competitive remuneration packages and performance-based incentive scheme. Staff salary is adjusted annually with reference to market levels and the Group's performance. Meanwhile, the Group has been assigning positions and tasks based on employees' expertise and encouraging them to initiate internal transfer according to their abilities and interests for fully turning their talents to good account. The Company's regulated internal promotion mechanism helps ensure outstanding performance from and excellent opportunities for talents.

We also encourage all our staff to pursue further studies, and implement a lifelong learning scheme including sending staff to universities for advanced studies which enables them to take advantage of their strengths at work in the future and take on all sorts of changes. The Group has collaborated with Zhongshan University in Guangzhou to launch EMBA and MBA courses as part of our staff incentive scheme for enriching their knowledge. In addition, the Group has helped dropped-out students in the poor regions of China to study in the South China University of Technology, and hired them after their graduation. These initiatives help guarantee the quality of our fast growing human resources for making more contributions to the society.

Apart from investment in personnel trainings, the Group also offers appropriate protection for our staff, so as to ensure a healthy environment for them to work and to live. ND Paper has won due recognition from international markets for our occupational health and safety management system, such as the OHSAS 18001 certification.

Social Responsibility

Apart from actively developing our business, ND Paper has also been devoted to community services. During this financial year, the Group has made donations in the total amount of RMB7 million to different sectors, including substantial subsidies to students from poor regions in China for further studying in the South China University of Technology and to other mainland educational institutions. Besides, the Group donated to local charities for making more contributions to the society.

Summary

ND Paper will continue adhering to the strategy of sustainable development by giving high priority to environmental protection, proactive commitment to social responsibility as a corporate citizen. Looking forward, we are committed to maintaining the harmony between the pursuit of economic achievement and social recognition.