

Comprehensive Staff Facilities





Directors' Report

The Directors are pleased to present the audited consolidated financial statements of ND Holdings for the year ended 30 June 2007.

Principal Businesses

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

Results and Appropriations

The results of the Group for the year ended 30 June 2007 are set out in the accompanying financial statements on page 83.

An interim dividend of RMB1.60 cents (equivalent to approximately HK1.60 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 Directors recommend the payment of a final dividend of RMB10.00 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 2007 AGM. 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.

Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 38 to page 40.

Subsidiaries

Particulars of the Company's principal subsidiaries as at 30 June 2007 are set out in note 9 to the financial statements.

Fixed Assets

Details of the movements in the property, plant and equipment, and land use rights of the Group during the year are set out in notes 6 and 7 to the financial statements.

Borrowings

Details of the borrowings of the Group are set out in note 17 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 14 to the financial statements.

Reserves

Details of the change in reserves of the Group and the Company during the year are set out in note 15 to the financial statements.

Major Customers and Suppliers

For the year ended 30 June 2007, the five largest customers of the Group accounted for approximately 13.4% of its aggregate turnover, while the total purchases attributable to the five largest suppliers of the Group account for less than 55.4% of its aggregate purchases.

Directors

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Ms. Cheung
Mr. Liu
Mr. Zhang
Ms. Gao Jing (appointed on 6 July 2006)
Mr. Wang Hai Ying (resigned on 28 February 2007)

Non-Executive Director

Mr. Lau Chun Shun

Independent non-executive Directors

Ms. Tam Wai Chu, Maria
Mr. Chung Shui Ming, Timpson
Dr. Cheng Chi Pang
Mr. Wang Hong Bo



Directors' Report

In accordance with Clause 87 of the Company's Bye-laws, all directors should retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation

As at 30 June 2007, the directors and chief executive of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

The Company

(A) Interests in the Company

The table below sets out the aggregate long positions in the shares and underlying shares of the directors and the chief executive of the Company.

Name of directors	Number of ordinary shares			Number of underlying shares (in respect of share options)		Total	Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests	Personal Interests	Family Interests		
Ms. Cheung	3,384,663	—	2,986,800,000	55,038,652	58,414,184	3,103,637,499	72.33%
Mr. Liu	—	3,384,663	2,986,800,000	58,414,184	55,038,652	3,103,637,499	72.33%
Mr. Zhang	2,362,964	—	—	50,951,857	—	53,314,821	1.24%
Ms. Gao Jing	100,000	60,000	—	400,000	1,600,000	2,160,000	0.05%
Ms. Tam Wai Chu, Maria	233,334	—	—	933,336	—	1,166,670	0.03%
Mr. Chung Shui Ming, Timpson	40,334	—	—	933,336	—	973,670	0.02%
Dr. Cheng Chi Pang	—	—	—	1,166,670	—	1,166,670	0.03%

Notes:

- (1) Best Result directly held 2,986,800,000 shares in the Company. The issued share capital of Best Result is held as to approximately 34.516% by Ms. Cheung as the trustee and HSBC Bank USA, National Association as the administrative trustee of YC 2006 QuickGRAT, as to approximately 2.557% by Ms. Cheung and as to approximately 37.053% by Ms. Cheung and her spouse, Mr. Liu, as the trustees and the special trustees and Bank of The West as a trustee of MCL Living Trust. Each of Ms. Cheung and Mr. Liu is therefore deemed to be interested in the shares held by Best Result by virtue of her or his interests in Best Result pursuant to Part XV of the SFO.
- (2) Details of the share options granted under the Pre-Listing Share Option Scheme and 2006 Share Option Scheme are set out on pages 48 to 52 in the section of Remuneration Committee.

(B) *Interests in the Associated Corporation — Best Result*

Name of directors	Capacity	No. of issued ordinary shares held in Best Result	Approximate percentage of shareholding
Ms. Cheung	Beneficiary of a trust	34,516	34.516%
	Beneficiary Owner	2,557	2.557%
Mr. Liu	Beneficiary of a trust	37,053	37.053%
Mr. Zhang	Beneficiary of a trust	25,874	25.874%

All the interests disclosed in sections (A) and (B) above represent long positions in the shares of the Company or the associated corporation.

Save as disclosed above, none of the directors or chief executive of the Company or any of their associates (within the meaning of Part XV of SFO) had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation as at 30 June 2007, as recorded in the register required to be kept under 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders Discloseable under the SFO

As at 30 June 2007, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executives of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests or short positions in the shares or underlying shares of the Company:

Name	Capacity	Number of issued ordinary shares held	Approximate percentage of shareholding
Best Result (<i>Note 2</i>)	Beneficial Owner	2,986,800,000	69.61%
HSBC Bank USA, National Association	Trustee of YC 2006 QuickGRAT	2,986,800,000	69.61%
Bank of the West (<i>Note 2</i>)	Trustee of MCL Living Trust	2,986,800,000	69.61%

Notes:

- (1) All of the above interests are long positions.
- (2) Best Result directly held 2,986,800,000 shares in the Company. The issued share capital of Best Result is held as to approximately 34.516% by Ms. Cheung as the trustee and HSBC Bank USA, National Association as the administrative trustee of YC 2006 QuickGRAT, and as to approximately 2.557% by Ms. Cheung and as to approximately 37.053% by Ms. Cheung and her spouse, Mr. Liu, as the trustees and the special trustees and Bank of The West as a trustee of MCL Living Trust.

Save as disclosed above, as at 30 June 2007, as far as the Company is aware of, there was no other person (other than any Director or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Material Contracts

There was no contract of significance connected to the business of the Group (within the meaning of the Listing Rules), to which the Company, its subsidiaries, or its holding company or any of its fellow subsidiaries was a party and in which any director of the Company had a direct or indirect material interest, subsisting at the end of the year or at any time during the year.

Donations

During the year, the Group donated a total of RMB7.3 million for charitable purposes.

Post Balance Sheet Date Event

Details of post balance sheet date event of a material nature are set out in note 32 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance. Throughout the year, the Company was in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

For further information on the corporate governance policy of the Company, please refer to the following sections:

- (a) "Corporate Governance" on page 42, in which the details of the Company's corporate governance compliance are set out;
- (b) "Remuneration Committee" on page 47, in which the scope of duties and activities of the Remuneration Committee during the year are set out;
- (c) "Audit Committee" on page 53, in which the scope of duties and activities of the Audit Committee during the year are set out;
- (d) "Internal Control and Risk Management" on page 55, in which the structure and policy of the Company in respect of internal control and risk management are set out;
- (e) "Connected Transactions" on page 57, in which the details of the connected transactions of the Group are set out; and
- (f) "Corporate Social Responsibility" on page 61, in which the details of the Company's environmental protection policy and contributions to society are set out;

Related Party Transactions

Details of related party transactions conducted during the ordinary course of business, which cover all transactions with related parties which constitute connected transactions as defined under the Listing Rules, are set out in note 31 to the consolidated financial statements. Such transactions all complied with the applicable provisions under the Listing Rules.



Directors' Report

Public Float

Based on the information which is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

Auditors

The Group's financial statements for the year ended 30 June 2007 were audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Cheung Yan

Chairman

Hong Kong, 20 September 2007