玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(*Incorporated in Bermuda with limited liability*)

(Stock Code: 2689)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

- Sales decreased by 5.3% to approximately RMB6.3 billion.
- Gross profit dropped by 49.6% to approximately RMB795.0 million.
- Gross profit margin decreased from 23.6% to approximately 12.6%.
- Net profit attributable to shareholders dropped by 69.4% to approximately RMB323.4 million.
- Net profit margin decreased from 15.8% to approximately 5.1%.
- Basic earnings per share decreased by 72.0% from RMB0.25 to approximately RMB0.07.

FINANCIAL RESULTS

The Board of directors ("Board") of Nine Dragons Paper (Holdings) Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group" or "ND Paper") for the six months ended 31 December 2008 (the "Period"), together with the comparative figures for the corresponding period of the previous year:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	**Unaudited Six months ended 31 December 2008** *RMB'000*	2007 *RMB'000*
Sales	*3*	**6,333,264**	6,690,409
Cost of goods sold	*4*	**(5,538,235)**	(5,114,195)
Gross profit		**795,029**	1,576,214
Other gains (net)	*5*	**137,906**	125,142
Selling and marketing costs	*4*	**(164,260)**	(144,419)
Administrative expenses	*4*	**(146,991)**	(287,241)
Operating profit		**621,684**	1,269,696
Finance costs	*6*	**(230,504)**	(64,562)
Profit before income tax		**391,180**	1,205,134
Income tax expense	*7*	**(70,333)**	(126,452)
Profit for the Period		**320,847**	1,078,682
Profit attributable to:			
Equity holders of the Company		**323,448**	1,056,163
Minority interests		**(2,601)**	22,519
		320,847	1,078,682
Earnings per share for profit attributable to equity holders of the Company *(expressed in RMB per share)*			
– basic	*8*	**0.07**	0.25
– diluted	*8*	**0.07**	0.24
Dividend	*9*	**–**	72,140

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**31 December 2008 Unaudited** *RMB'000*	30 June 2008 Audited *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**26,170,576**	23,536,557
Land use rights	*10*	**1,171,214**	1,185,424
Intangible assets	*11*	**238,001**	238,284
Derivative financial instruments		**–**	25,923
Total non-current assets		**27,579,791**	24,986,188
Current assets			
Inventories		**1,334,591**	2,818,476
Trade and other receivables	*12*	**2,355,812**	2,852,233
Derivative financial instruments		**15,206**	–
Restricted cash		**108,930**	393,175
Bank and cash balances		**914,504**	1,562,873
Total current assets		**4,729,043**	7,626,757
Total assets		**32,308,834**	32,612,945
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	*13*	**6,527,934**	6,526,986
Other reserves	*14*	**1,189,440**	1,233,201
Retained earnings			
Proposed dividend		**–**	151,580
Unappropriated retained earnings		**5,683,183**	5,359,735
		13,400,557	13,271,502
Minority interests		**168,115**	273,648
Total equity		**13,568,672**	13,545,150
LIABILITIES			
Non-current liabilities			
Deferred government grants		**14,634**	17,039
Borrowings	*15*	**13,758,846**	12,389,923
Deferred income tax liabilities		**507,855**	452,421
Total non-current liabilities		**14,281,335**	12,859,383

	Note	31 December 2008 Unaudited *RMB'000*	30 June 2008 Audited *RMB'000*
Current liabilities			
Derivative financial instruments		**19,394**	1,730
Trade and other payables	*16*	**3,128,927**	3,838,793
Current income tax liabilities		**107,455**	72,374
Borrowings	*15*	**1,203,051**	2,295,515
Total current liabilities		**4,458,827**	6,208,412
Total liabilities		**18,740,162**	19,067,795
Total equity and liabilities		**32,308,834**	32,612,945
Net current assets		**270,216**	1,418,345
Total assets less current liabilities		**27,850,007**	26,404,533

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Cash flows from operating activities		
Profit for the Period	**320,847**	1,078,682
Adjustments for non-cash items/ income tax expense/finance costs	**444,727**	513,828
Working capital changes	**1,735,336**	(822,985)
Cash generated from operations	**2,500,910**	769,525
Income tax paid	**(35,637)**	(42,490)
Receipt of prepaid income tax	**55,488**	–
Interest paid	**(565,673)**	(251,126)
Net cash generated from operating activities	**1,955,088**	475,909
Net cash used in investing activities	**(2,853,026)**	(3,626,333)
Net cash generated from financing activities	**257,290**	2,126,718
Net decrease in bank and cash balances	**(640,648)**	(1,023,706)
Bank and cash balances at beginning of the period	**1,562,873**	1,748,224
Exchange losses on bank and cash balances	**(7,721)**	(32,865)
Bank and cash balances at end of the Period	**914,504**	691,653

Notes:

1. **General information and basis of preparation**

Nine Dragons Paper (Holdings) Limited was incorporated in Bermuda on 17 August 2005 under the Companies Act 1981 as an exempt company with limited liability. The Group is principally engaged in the manufacture and sales of paper.

This condensed consolidated interim financial information for the Period has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. **Accounting policies**

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2008, as described in those annual financial statements.

(a) The following new interpretations are mandatory for the first time for the financial year beginning 1 July 2008 but are not currently relevant for the Group.

- HK(IFRIC) – Int 12 – Service Concession Arrangements
- HK(IFRIC) – Int 13 – Customer Loyalty Programmes
- HK(IFRIC) – Int 14 – HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 July 2008 and have not been early adopted.

- HKAS 1 (Revised) – Presentation of Financial Statements (effective for annual period beginning on or after 1 January 2009). The Group will apply HKAS 1 (Revised) from 1 July 2009.
- HKAS 23 (Revised) – Borrowing Costs (effective for annual period beginning on or after 1 January 2009). The Group will apply HKAS 23 (Revised) from 1 July 2009, but it is not expected to have any material impact on the Group's consolidated financial statements.
- HKAS 27 (Revised) – Consolidated and Separate Financial Statements (effective for annual period beginning on or after 1 July 2009). The Group will apply HKAS 27 (Revised) from 1 July 2009.
- HKAS 39 (Amendment) – Financial Instruments: Recognition and Measurement – Eligible hedged items (effective for annual period beginning on or after 1 July 2009). The Group will apply HKAS 39 (Amendment) from 1 July 2009, but it is not expected to have any material impact on the Group's consolidated financial statements.

- HKFRS 2 (Amendment) – Share-based Payment Vesting Conditions and Cancellations (effective for annual period beginning on or after 1 January 2009). The Group will apply HKFRS 2 (Amendment) from 1 July 2009, but it is not expected to have any material impact on the Group's consolidated financial statements.

- HKFRS 3 (Revised) – Business Combination (effective for annual period beginning on or after 1 July 2009). The Group will apply HKFRS 3 (Revised) from 1 July 2009 prospectively.

- HKFRS 8 – Operating Segments (effective for annual period beginning on or after 1 January 2009). The Group will apply HKFRS 8 from 1 July 2009. The expected impact is still being assessed in detail by management.

(c) The following new interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 July 2008 and not relevant for the Group.

- HKAS 32 (Amendment) and HKAS 1 (Amendment) – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual period beginning on or after 1 January 2009).

- HKFRS 1 (Amendment) – First-time adoption of HKFRS and HKAS 27 – Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for annual period beginning on or after 1 July 2009).

- HK(IFRIC) – Int 15 – Agreements for the Construction of Real Estate (effective for annual period beginning on or after 1 January 2009).

- HK(IFRIC) – Int 16 – Hedges of a Net Investment in a Foreign Operation (effective for annual period beginning on or after 1 October 2008).

- HK(IFRIC) – Int 17 – Distributions of non-cash assets to owners (effective for annual period beginning on or after 1 July 2009).

3. Sales

Sales recognised during the Period are as follows:

	Six months ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Sales of paper	**6,217,976**	6,546,213
Sales of pulp	**115,288**	144,196
	6,333,264	6,690,409

4. Expenses by nature

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Depreciation of fixed assets *(note 10)*	**301,365**	218,634
Less: amount charged to other gains – net	**(96)**	(3,903)
amount charged to construction in progress	**(10,114)**	–
	291,155	214,731
Employee benefit expense *(note (a))*	**184,333**	419,075
Changes in finished goods	**465,660**	(97,369)
Raw materials and consumables used (net of claims)	**4,540,089**	4,567,148
Transportation	**69,004**	61,934
Operating leases		
– land use rights *(note 10)*	**12,290**	11,085
– buildings	**1,904**	1,079
Non-deductible value added tax for export sales	**84,512**	178,588
Reversal of impairment charge for receivables	**(20,923)**	–
Other expenses	**221,462**	189,584
	5,849,486	5,545,855

(a) Performance conditions are attached to share options granted on 17 November 2006 under the 2006 Share Options Scheme. As the directors consider that performance targets attached to the remaining three tranches of the share options would not be met in future periods, share option expense of approximately RMB94,091,000 related to these share options that previously charged to income statement was reversed during the Period (six months ended 31 December 2007: Nil).

5. Other gains (net)

	Six months ended 31 December 2008 *RMB'000*	2007 *RMB'000*
Transportation fee received	**959**	1,965
Sales of scrap materials	**64,619**	51,328
Sales of electricity and coals	**8,450**	11,734
Interest income	**7,519**	4,138
Net foreign exchange (loss)/gain on operating activities	**(16,472)**	20,766
Negative goodwill recognised	**–**	56,840
Net loss arising from change in fair value of derivative financial instruments	**(2,458)**	(19,750)
Loss arising from termination of swap contracts	**(10,735)**	–
Gain arising from repurchase of senior notes	**86,024**	–
Loss on partial disposal of equity interests in certain subsidiaries to minority shareholders	**–**	(1,879)
	137,906	125,142

6. Finance costs

	Six months ended 31 December 2008 *RMB'000*	2007 *RMB'000*
Interest on bank borrowings	**504,103**	187,818
Less: interest capitalised	**(331,541)**	(17,398)
	172,562	170,420
Bills discount charge	**41,108**	42,896
Other incidental borrowing cost	**23,260**	3,474
Exchange gains on borrowings	**(429)**	(152,228)
Fair value gain on cash flow hedge transferred from equity *(note 14)*	**(5,997)**	–
	230,504	64,562

The capitalisation rate applied to funds borrowed generally and used for the development of construction in progress is approximately 6.562% for the Period (six months ended 31 December 2007: 5.660%).

7. Income tax expense

	Six months ended 31 December 2008 *RMB'000*	2007 *RMB'000*
Current tax		
– Hong Kong profits tax	**–**	–
– PRC enterprise income tax	**14,512**	68,111
	14,512	68,111
Deferred income tax	**55,821**	58,341
	70,333	126,452

Hong Kong profits tax has not been provided as the Group did not have any assessable profits during the Period. PRC enterprise income tax has been calculated on the estimated assessable profit for the Period at the rates of taxation applicable to the respective subsidiaries.

8. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Period.

	Six months ended 31 December 2008	2007
Profit attributable to equity holders of the Company *(RMB'000)*	**323,448**	1,056,163
Weighted average number of ordinary shares in issue *(shares in thousands)*	**4,330,970**	4,291,792
Basic earnings per share *(RMB per share)*	**0.07**	0.25

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 31 December	
	2008	2007
Profit attributable to equity holders of the Company *(RMB'000)*	**323,448**	1,056,163
Weighted average number of ordinary shares in issue *(shares in thousands)*	**4,330,970**	4,291,792
Adjustments for share options *(shares in thousands)*	**7,626**	135,490
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	**4,338,596**	4,427,282
Diluted earnings per share *(RMB per share)*	**0.07**	0.24

9. Dividend

	Six months ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Interim dividend *(note (b))*	**–**	72,140

(a) A 2008 final dividend of RMB3.50 cents (2007 final: RMB10.00 cents) per ordinary share, totaling approximately RMB151,580,000 (2007 final: RMB429,065,000) has been declared in the Company's Annual General Meeting on 27 November 2008 and paid in the six months ended 31 December 2008.

(b) The Board does not recommend the payment of an interim dividend for the Period. An interim dividend for the six months ended 31 December 2007 of RMB1.68 cents per ordinary share, totaling approximately RMB72,140,000 has been approved and paid.

10. Capital expenditure

	Land use rights	Property, plant and equipment
	RMB'000	*RMB'000*
Six months ended 31 December 2007		
Opening net book amount as at 1 July 2007	949,259	13,802,727
Optimization on construction in progress	–	115,558
Additions	93,454	3,624,624
Acquisition of a subsidiary	63,130	270
Disposals	–	(3,337)
Amortisation/depreciation charges *(note 4)*	(11,085)	(218,634)
Closing net book amount as at 31 December 2007	1,094,758	17,321,208
Six months ended 31 December 2008		
Opening net book amount as at 1 July 2008	**1,185,424**	**23,536,557**
Optimization on construction in progress	**–**	**381,368**
Additions	**–**	**2,565,474**
Disposals	**–**	**(3,649)**
Exchange difference	**(1,920)**	**(7,809)**
Amortisation/depreciation charges *(note 4)*	**(12,290)**	**(301,365)**
Closing net book amount as at 31 December 2008	**1,171,214**	**26,170,576**

11. Intangible assets

	RMB'000
Six months ended 31 December 2007	
Opening and closing net book amount as at 1 July 2007 and 31 December 2007	146,694
Six months ended 31 December 2008	
Opening net book amount as at 1 July 2008	238,284
Amortisation	(283)
Closing net book amount as at 31 December 2008	**238,001**

12. Trade receivables

The Group's sales to corporate customers are entered into on credit terms around 30 to 60 days. As at 31 December 2008, the ageing analysis of total trade receivables is as follows:

	31 December 2008	30 June 2008
	RMB'000	*RMB'000*
0-30 days	**961,836**	1,139,493
31-60 days	**210,477**	394,480
61-90 days	**85,757**	97,610
Over 90 days	**42,006**	39,756
	1,300,076	1,671,339

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, which are widely dispersed within the PRC.

13. Share capital

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**	**Share premium**	**Total**
	Shares in thousands	*HK$'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 31 December 2007					
Balances as at 1 July 2007	4,290,652	429,065	445,059	5,734,102	6,179,161
Exercise of share options	3,383	338	328	12,278	12,606
Balances as at 31 December 2007	4,294,035	429,403	445,387	5,746,380	6,191,767
Six months ended 31 December 2008					
Balances as at 1 July 2008	4,330,862	433,086	448,822	6,078,164	6,526,986
Exercise of share options	1,030	103	91	857	948
Balances as at 31 December 2008	4,331,892	433,189	448,913	6,079,021	6,527,934

14. Other reserves

	RMB'000
Six months ended 31 December 2007	
Opening balance as at 1 July 2007	1,056,189
Transfer from net profit	37,289
Share options granted to directors and employees	103,531
Exercise of share options	(2,573)
Currency translation differences	(4,325)
Closing balance as at 31 December 2007	1,190,111
Six months ended 31 December 2008	
Opening balance as at 1 July 2008	1,233,201
Share option expense written back *(note 4(a))*	(94,091)
Share options granted to directors and employees	9,019
Exercise of share options	(136)
Currency translation differences	(2,569)
Cash flow hedge reserve *(note (a))*	
– Fair value change	50,013
– Amount released to set off the impact of hedged items that affected income statement	(5,997)
Closing balance as at 31 December 2008	1,189,440

(a) During the Period, cross currency swap contracts were terminated before maturity with counterparties. Fair value change of approximately RMB50,013,000 was resulted during the Period up to the termination date and net gains of approximately RMB75,936,000 were received for the termination. The cash flow hedge accounting was discontinued and cumulative gains existing at the termination date remained in equity. The gains will be recognised when the hedged items that previously designated affected income statement.

15. Borrowings

	31 December 2008	30 June 2008
	RMB'000	*RMB'000*
Non-current		
– Long-term bank borrowings	**9,137,892**	6,463,692
– Syndicated term loans	**2,705,075**	3,903,005
– Senior notes *(Note (a))*	**1,915,879**	2,023,226
	13,758,846	12,389,923
Current		
– Short-term bank borrowings	**938,467**	1,190,768
– Current portion of long-term bank borrowings	**264,584**	64,678
– Current portion of syndicated term loans	**–**	240,069
– Short-term financial bills	**–**	800,000
	1,203,051	2,295,515
Total borrowings	**14,961,897**	14,685,438

As at 31 December 2008, borrowings of RMB13,505,647,000 (30 June 2008: RMB11,630,072,000) are secured by assets of the Group and guarantees given by subsidiaries within the Group which are detailed as follows:

	31 December 2008	30 June 2008
	RMB'000	*RMB'000*
Borrowings secured by certain assets of the Group*	**177,612**	485,172
Borrowings guaranteed by subsidiaries within the Group	**13,328,035**	11,144,900
	13,505,647	11,630,072

* *The above borrowings are secured by the Group's restricted cash and certain property, plant and equipment.*

(a) Movements of senior notes are as follows:

	RMB'000
Carrying amount as at 1 July 2008	2,023,226
Repurchase of senior notes	(111,321)
Amortisation of issue cost	11,324
Exchange difference	(7,350)
Carrying amount as at 31 December 2008	1,915,879

Senior notes with principal amount of US$16,250,000 (equivalent to approximately RMB111,321,000) were repurchased by the Company at discounted prices and net gains of approximately RMB86,024,000 were recognised.

16. Trade payables

The ageing analysis of trade payables as at 31 December 2008 is as follows:

	31 December 2008	30 June 2008
	RMB'000	*RMB'000*
0-90 days	**1,379,187**	2,039,363
91-180 days	**47,586**	41,167
181-365 days	**18,838**	17,149
Over 365 days	**8,387**	18,998
	1,453,998	2,116,677

17. Commitments

(a) Capital commitments

Capital expenditure committed as at 31 December 2008 but not yet incurred is as follows:

	31 December 2008	30 June 2008
	RMB'000	*RMB'000*
Contracted but not provided for:		
– Property, plant and equipment	**2,480,645**	4,514,218
Authorised but not contracted for:		
– Property, plant and equipment	**1,492,819**	835,494
	3,973,464	5,349,712

(b) Operating lease commitments – where the Group is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2008	30 June 2008
	RMB'000	*RMB'000*
Land and buildings		
– Not later than one year	**529**	986
– Later than one year but not later than five years	**2,117**	2,125
– Later than five years	**20,427**	20,721
	23,073	23,832

18. Subsequent event

On 9 February 2009, the Company commenced a tender offer to purchase for cash any and all of its outstanding senior notes due on 29 April 2013 at a discounted price. Based on the tender offer, its tender expiration and settlement dates are 9 March 2009 and 12 March 2009 (New York City time) respectively. For details, please refer to the Company's announcement dated 9 February 2009.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period. (2007: RMB1.68 cents per share for the six-month period ended 31 December 2007)

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Being the largest containerboard producer in Asia and one of the leading players in the world, ND Paper primarily produces a broad variety of high value packaging paperboard products, including linerboard (kraftlinerboard, testlinerboard and white top linerboard), high performance corrugating medium and coated duplex board. Equipped with multiple production lines with flexible configuration, the Group offers its customers a diversified product portfolio with various types, sizes, grades, burst indices, stacking strengths, basis weights, printability and brands in an efficient manner. Currently, five principal packaging paperboard products are available in over 60 different basis weights with over 1,000 different sizes and type specifications.

As at 31 December 2008, the Group had a total of 21 packaging paperboard paper machines in operation in China, with a total design capacity of 7.75 million tonnes per annum ("tpa"), of which 4.15 million tpa are for linerboard, 2.65 million tpa are for high performance corrugating medium and 0.95 million tpa are for coated duplex board. The 21 paper machines are located in Dongguan base (4.45 million tpa), Taicang base (2.50 million tpa) and Chongqing base (0.80 million tpa) respectively.

The third production base of the Group in Chongqing successfully commenced production in August 2008 with a design capacity of 0.45 million tpa of linerboard and 0.35 million tpa of high performance corrugating medium. The construction of the fourth production base in Tianjin is in good progress. The two new paper machines under its phase I plan are expected to commence production in the third quarter of 2009 with a total design capacity of 0.80 million tpa. These two bases will cover the central and south-western parts of China, northern China and the northeastern region of China, mainly targeting at the domestic consumption market. After the commencement of Tianjin production base, the Group can further expand its market penetration and customer base, with a more comprehensive coverage of China's main manufacturing hubs.

With a range of advanced infrastructure and facilities that provide the Group with power, steam, water supplies, piers and logistics supports, the Group can achieve better cost control and higher flexibility in its operations. These features allow the Group to be self sufficient across all key operational aspects, and ensure the highest standards in environmentally friendly paper manufacturing.

The Group's 50,000 tpa wood and bamboo pulp/specialty paper project in Leshan, Sichuan, a market leader in specialty paper, the 0.10 million tpa packaging paperboard project in Vietnam and the 0.12 million tpa unbleached kraft pulp project in Inner Mongolia were all operating satisfactorily. Currently, the Group's total design production capacity amounts to 8.02 million tpa.

Business strategy

In 2008, the global economic downturn has caused a slowdown in the growth of paper manufacturing industry. This, together with large fluctuations in raw materials prices, have resulted in unprecedented challenges and difficulties to the Group. However, owing to its prudent and flexible business strategies, during the Period, ND Paper recorded a growth of 47% in its packaging paperboard annual design capacity from that in the same period last year, enabling the Group to maintain its leading position and advantages in the market.

At a time of economic uncertainties and adversities, the corporate operating environment is expected to remain tough. The Group will actively utilize its resources to strengthen current operations and adopt prudent business strategies in an effort to attain its targets in production volume, profitability, quality and management, driving sustainable growth in the market at a steady and healthy pace and be prepared for the future in an optimal manner.

Prudent capacity expansion to strengthen operations

During the Period, PM22 and PM23 of the phase I construction in Chongqing base commenced operations in August 2008, whereas PM18 and PM19 located at Dongguan base as well as PM20 and PM21 located in Taicang base have completed construction and commenced operations in June 2008. These six paper machines have brought an additional production capacity of 2.40 million tpa to the Group.

Paper machines commenced production in 2008

Paper Machine	Location	Product	Design Capacity
PM18	Dongguan	Light weight high performance corrugating medium	350,000 tpa
PM19	Dongguan	Linerboard	450,000 tpa
PM20	Taicang	Linerboard	450,000 tpa
PM21	Taicang	Light weight high performance corrugating medium	350,000 tpa
PM22	Chongqing	Linerboard	450,000 tpa
PM23	Chongqing	High performance corrugating medium	350,000 tpa

Given the current economic downturn, the Group has prioritized its resources for strengthening the operations of existing paper machines, and revised the original capacity expansion plan. The commencement of operation of PM27, PM28, PM29 and PM30 will be postponed to 2011, in line with the expected demand growth arising from the future economic recovery. Meanwhile, the Group has also cancelled the plan for PM31 in Vietnam. However, due to the huge demand for containerboard products in northern China and the northeastern provinces, PM25 and PM26 located in Tianjin are expected to commence operations in the third quarter of 2009 in order to meet the strong domestic demand from the local market.

Paper machines under construction

Paper machine	Location	Product	Design capacity	Planned date of commencement of production
PM25	Tianjin	Linerboard	450,000 tpa	3rd quarter of 2009
PM26	Tianjin	High performance corrugating medium	350,000 tpa	3rd quarter of 2009
PM27	Dongguan	Linerboard	450,000 tpa	2011
PM28	Dongguan	Light weight high performance corrugating medium	350,000 tpa	2011
PM29	Taicang	Linerboard	450,000 tpa	2011
PM30	Taicang	Light weight high performance corrugating medium	350,000 tpa	2011

Packaging paperboard design capacity in China

Breakdown by product categories

('000 tpa)	12/2007	12/2008	12/2009 (planned)	12/2010 (planned)
Linerboard	2,800	4,150	4,600	4,600
Corrugating medium	1,600	2,650	3,000	3,000
Coated duplex board	950	950	950	950
Total	5,350	7,750	8,550	8,550

Distribution by product categories

	12/2007	12/2008	12/2009 (planned)	12/2010 (planned)
Linerboard	52.3%	53.5%	53.8%	53.8%
Corrugating medium	29.9%	34.2%	35.1%	35.1%
Coated duplex board	17.8%	12.3%	11.1%	11.1%
Total	100.0%	100.0%	100.0%	100.0%

Distribution by location

	12/2007	12/2008	12/2009 (planned)	12/2010 (planned)
Dongguan	68.2%	57.4%	52.0%	52.0%
Taicang	31.8%	32.3%	29.2%	29.2%
Chongqing	–	10.3%	9.4%	9.4%
Tianjin	–	–	9.4%	9.4%
Total	100.0%	100.0%	100.0%	100.0%

No. of packaging paperboard machines in China (Geographical breakdown by location of production base)

	12/2007	12/2008	12/2009 (planned)	12/2010 (planned)
Dongguan	11	13	13	13
Taicang	4	6	6	6
Chongqing	0	2	2	2
Tianjing	0	0	2	2
Total	15	21	23	23

Invest in infrastructure facilities to achieve economies of scale

(1) Power resources

To support large-scale, stable packaging paperboard manufacturing, the Group requires a significant amount of electricity and steam for its daily operations. Accordingly, the Group has set up central coalfired cogeneration power plants in Dongguan, Taicang and Chongqing with an aggregate installed capacity of 855 MW. The Group is also building power generating facilities in Tianjin base with an aggregate installed capacity of 158 MW. These power plants provide stable electric power for all of its paper machines. Simultaneouly, they provide steam for use in the drying process in production. The cogeneration of steam and electricity helps to save on energy costs and valuable land resources. Because of their high thermal efficiency and low coal consumption, by using electric power from the Group's own cogeneration plants, it can effectively reduce costs as compared to purchasing power from third parties.

The Group's sourcing strategy for coal is to purchase from suppliers that provide a stable and reliable supply at the lowest cost. To lower its coal expenses, the Group purchases all of its coal required directly from coal distributors and arranges its own shipping. The Group receives the coal shipments at its self-owned pier in Taicang and Chongqing, and at Xinsha Port in Dongguan. The Group has also invested in a new fully automated and enclosed coal storage dome in Dongguan, which increases efficiency, reduces wastage as well as improves the environmental protection standards of the Group.

All of the Group's power plants are connected with the regional power grids, enabling the Group to sell excess power while providing the Group with a back-up power source.

(2) Land resources

Apart from investing in infrastructure facilities, the Group has sufficient land reserves for its existing operations and future development, a distinctive advantage when economic recovery and completion of industry consolidation takes place. As of 31 December 2008, the Group has secured land use rights for land plots aggregating 8.51 million sq.m.

(3) Transportation infrastructure

In order to reduce port loading and unloading charges, avoid transportation bottlenecks and take advantage of ocean and inland waterway transportation, the Group has constructed a self-owned pier at Taicang and Chongqing.

Currently the pier in Taicang is capable of accommodating oceangoing vessels of up to 50,000 tonnes. The Group has obtained all necessary permits to operate the shipping pier for its own use and to offer loading and unloading services to third parties. The operating berth, with an annual loading and unloading capacity of 2.7 million tonnes, is mainly used for receiving coal deliveries now. Given that the Group can take direct delivery by shipping from the major coal ports on China's coast, unloading charges can be eliminated thus reducing costs significantly.

The Group has finished the construction of the self-owned pier at Chongqing production base. There is also a railway spur connected to the production base. These ancillary facilities have been put into service to enhance the operating efficiency of the Group and increase its flexibility in transportation services.

Monitor market demand and prioritize resources allocation

The Group's six new paper machines which commenced production in 2008 were designed to meet the growing product demand from the domestic market. Chongqing base successfully commenced production in August 2008. Its two new paper machines, PM22 and PM23, went through their optimization in the Period and are now in normal operations. In the Dongguan and Taicang bases, PM18 and PM21, which produce light weight high performance corrugating medium, are high speed paper machines that represent the debut of one of the world's most advanced paper making equipment in China. Together with PM19 and PM20, which produce linerboard using a unique enhanced production process, these new paper machines commenced production in June 2008. Owing to their unique and novelty nature, their optimization had taken 1-2 months longer than the normal optimization period of 3-4 months for other regular types of paper machines. Currently, these paper machines are all in normal operation.

Tianjin base, the fourth production base of the Group, is expected to commence production in the third quarter of 2009 to serve escalating customer needs in northern and northeastern China. By then, the total design production capacity of the Group will reach 8.82 million tpa. Tianjin base has favorable water resources which allow abundant water supply for its future production. In addition, the base is near the Tianjin Port and a railway spur will be built, offering convenient transport and high accessibility. Total capacity of the two new paper machines will be 0.80 million tpa, with PM25 and PM26 producing 0.45 million tpa of linerboard and 0.35 million tpa of high performance corrugating medium respectively.

The Group has prioritized its resources for strengthening the operations of existing paper machines. The commencement of operation of the four paper machines PM27 to PM30 has been postponed from 2009 to 2011, while the plan for PM31 in Vietnam has already been cancelled.

Optimize product and sales mix and strengthen cost control

The Group emphasizes quality management and sets foot in markets of different demands with its diversified (low, medium and high end) product portfolio. It is also involved in the research and development of new product projects, strengthening its sensitivity towards changing market demands and creativity in product design, so as to cater for market needs. In addition, the Group adopts a targeted approach in its pricing strategy by putting more emphasis on the marketing of those more competitive products such as cone paper, heavy weight kraftlinerboard, light weight corrugating medium and white top linerboard. The Group will also continue to keep its inventory at low levels in order to enhance profitability and maintain sound financial status.

Inventory of the Group's principal raw materials is maintained at below 30 days' stock. At present, high-cost raw materials of the Group have already been fully consumed. The prices of raw materials and finished products in 2009 are expected to become relatively stabilized and balanced. The Group also enhances the mechanization of its equipment through technology upgrades and strengthens staff training in order to raise overall productivity.

In line with the trend of slowing exports and booming domestic demand, the Group continues its strategic adjustment, which started in previous years, of further expanding its sales mix in favour of domestic consumption. As domestic demand continues to grow, the proportion of the Group's product sales related to domestic demand has increased to approximately 80% from approximately 55% in the past.

Continue to enhance efficiency and effectiveness and maintain high product quality

The Group has a sizable maintenance team, members of which have undergone training provided by the original equipment vendors. The team is responsible for regular repairs and maintenance of the equipment to ensure that they are in proper working order. The Group upgrades its production equipment concurrently with its repair and maintenance from time to time so as to increase the life span of its production equipment, enhance productivity and ensure product quality. During the Period, the average utilization of the Group's paper machines was approximately 91.8%. Meanwhile, the Group continues to maintain its ISO9001 quality standard accreditation.

Continue to place high emphasis on environmental protection

Given the growing demand for environmental protection, energy saving and discharge reduction among the world's industrial players, the standard of environmental practices has become an important indicator of an enterprise's sustainability in operations. By adhering to the principle of maintaining a strong sense of social responsibility, environmental protection remains a fundamental pre-requisite for the Group's operations and development. The Group has equipped itself with advanced environmental management facilities. It has passed the energy saving assessment by the Economic and Trade Commission of Guangdong Province and attained a series of energy saving targets. Its production bases have also been granted the honors of Green/Environmental Creditable Enterprise by the Guangdong Environmental Protection Bureau and Taicang Environmental Protection Bureau respectively, and continued to obtain ISO14001 certification for its environmental management standards. The Taicang base has successfully passed the annual inspection by the State Ministry of Environmental Protection and has been granted an award under the environmental project fund of the Jiangsu provincial government. Looking ahead, ND Paper will continue to place high emphasis on environmental protection and social responsibility, and regard high standards of environmental practices as a crucial factor for maintaining the enterprise's competitiveness.

Maintain stable supply of raw materials and diversify their sources

Recovered paper and kraft pulp are the Group's principal raw materials during its product manufacturing process. Therefore, the ability to maintain a stable source of high quality raw materials at reasonable prices is crucial to the business operations of the Group.

(1) Recovered Paper Supply

Recovered paper is the largest raw material component. In order to address the highly volatile recovered paper prices in 2008, the Group sourced from vendors capable of offering stable supply. The Group's target is to source large volumes of high-quality recovered paper at competitive prices with consistency in both quantity and quality, through the long-term and stable cooperative relationship established with the vendors.

The Group sources its recovered paper from America Chung Nam, Inc. ("ACN") and other suppliers. The Group has entered into the Renewed ACN Supply Agreement and Further Renewed ACN Supply agreement in relation to the supply of recovered paper from ACN to members of the Group for the 3 years ending 30 June 2011. In selecting other suppliers, the Group's procurement department compares the quality and prices of their recovered paper with those offered by the major suppliers, while also considering their ability to satisfy its volume and delivery requirements. The primary criteria are cost effectiveness and customer needs.

Meanwhile, the Group has a policy in place to diversify its recovered paper sources so as to ensure stability in supply. Apart from purchasing from ACN recovered paper sourced from various countries, the Group also sources recovered paper from suppliers other than ACN for no less than 20% of its aggregate purchase value in recovered paper. In addition, the Group is gradually expanding its procurement market coverage and diversifying its recovered paper sources in order to maintain a stable supply of quality recovered paper to the Group. The Group's strategy is to have a certain proportion of its recovered paper sourcing from the domestic market.

(2) Kraft Pulp Supply

Kraft pulp is another principal raw material of the Group other than recovered paper. The Group uses both bleached and unbleached kraft pulp in the production of some of its products to increase the consistency of product appearance and strength. The Group has acquired a 50,000 tpa wood and bamboo pulp/specialty paper project in Leshan, Sichuan, a market leader in specialty paper. Together with the 0.12 million tpa unbleached kraft pulp project in Inner Mongolia, the two projects can supply kraft pulp to the Group's various paper manufacturing bases. Apart from these projects, the Group will also diversify the sources of kraft pulp supply to meet its needs arising from capacity expansion upon economic recovery in the future.

Emphasize on a people-oriented strategy

The Group adheres to the corporate principle of a "people-oriented" strategy, with the belief that only human resources of excellence can enhance the overall competitiveness and cohesive spirit of the Group. The Group has obtained OHSAS18001 certification for its occupational health and safety management system in March 2005. During the Period, the Group endeavored to implement various continuous staff development programs, such as regular training and promotional opportunities. In addition, the Group actively drove the association between staff and enterprise development, and diversified employee communication channels, in order to increase the staff's satisfaction and sense of belonging towards the enterprise.

As at 31 December 2008, the Group had approximately 11,000 full time staff in China. Expenses related to employees (including directors' emoluments) for the Period amounted to approximately RMB184.3 million. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's remuneration system. Moreover, the Group has adopted a share option scheme for employees and refined its incentive bonus program to attract and retain capable talents.

FINANCIAL REVIEW

The Group recorded a reduction in turnover and net profit for the Period as compared with those in the corresponding period of last year.

Revenue

The Group's revenue for the Period decreased by 5.3% over the corresponding period of the last year to approximately RMB6,333.3 million. The major contributor of the Group's revenue was still from its paper business which accounted for approximately 98.2% of the total group revenue, with the remaining revenue generated from its pulp business.

The Group's revenue for the Period decreased by approximately 5.3% over the corresponding period of last year, as a result of substantial drop on average selling price of its packaging paperboard products while the Group's sales volume maintained slightly increase. Revenue of linerboard, high performance corrugated medium and coated duplex board for the Period accounted for approximately 49.3%, 26.4% and 22.5% respectively of the total revenue, compared to 44.7%, 28.5% and 24.7% respectively in the corresponding period of last year.

The Group's annual design production capacity in packaging paperboard as at 31 December 2008 was 7.85 million tpa, comprising 4.25 million tpa of linerboard, 2.65 million tpa of high performance corrugating medium and 0.95 million tpa of coated duplex board. The Group's sales volume of packaging paperboard products increased by 6.4% to approximately 2.2 million tonnes in the Period from 2.1 million tonnes in the same period of the last year.

Although 6 new paper machines commenced production during 2008, sales volume in the Group's financial statements for the Period did not increase correspondingly reflecting the additional production capacity of 2.4 million tpa, as these 6 new production lines were substantially in the optimization period during the Period. Among these paper machines, PM18 and PM21 are high-speed machines specialized for the production of light weight high performance corrugating medium and represent the debut of one of the world's most advanced paper making equipment in China. PM19 and PM20 use a unique enhanced process to produce linerboard. Owing to their unique and novelty nature, after they commenced production in June 2008, their optimization had taken 1-2 months longer than the normal optimization period of 3-4 months for other regular types of paper machines. Currently, these paper machines, together with PM22 and PM23 in Chongqing which started their optimization period in August 2008, are all in normal operations.

The sales volume of linerboard, high performance corrugated medium and coated duplex board for the Period increased by approximately 20.6%, and decreased by approximately 0.7% and 10.6% respectively which is in line with the change in production mix as compared with the corresponding period of last year.

The decrease of selling price in certain of the Group's products led to the decrease in sales. The average selling prices of linerboard, high performance corrugated medium and coated duplex board for the Period decreased by approximately 14.1%, 10.6% and 3.3% respectively. The majority of the Group's sales continued to be realized from the domestic market, in particular from the corrugating medium and coated duplex board sectors. For the two six-month period ended 31 December 2008 and 2007, sales related to domestic consumption represented approximately 77.9% and 57.7% of the Group's total sales respectively, while the remaining revenue are sales denominated in foreign currencies which primarily represented sales made to foreign invested processing enterprises.

For the Period, sales to the Group's top five customers in aggregate accounted for approximately 4.8% (2007: 8.6%) of the total revenue, with that to the single largest customer accounted for approximately 1.4% (2007: 2.7%).

Gross Profit

The gross profit for the Period was RMB795.0 million, representing a decrease of approximately RMB781.2 million or 49.6% as compared with the RMB1,576.2 million in the same period of the last year. Overall gross profit margin for the Period decreased from 23.6% to approximately 12.6% due to the substantial decrease in selling price while the raw materials (mainly cost of recovered paper and coal cost) maintained at a very high level during the Period.

The average utilization rate of the Group's paper machines for the Period decreased from 94.0% in the corresponding period of the last year to approximately 91.8% in the Period. The decrease in utilization rate was mainly due to increase in shutdown period required for product and basis weight changes as the Group has changed its product mix to increase the production of high performance corrugating medium and more packaging paperboard products with lighter weight to cope with the changes in the market demand.

Other Gains (net)

Other gains (net) of the Group increased by 10.2% to approximately RMB137.9 million in the Period from RMB125.1 million in the same period of the last year. The increase was mainly the net gain on repurchase of the senior notes and the net increase in the sale of scrap materials.

Operating Profit

The operating profit for the Period was approximately RMB621.7 million, representing a decrease of approximately RMB648.0 million or 51.0% over the RMB1,269.7 million of the same period of the last year.

Selling and marketing costs increased by approximately 13.7% from RMB144.4 million in the same period of the last year to approximately RMB164.3 million in the Period. The increase in the selling and marketing costs was due to larger sales volume and more geographical coverage. When counted as a percentage of the Group's revenue, the total amount of selling and marketing costs increased from 2.1% in the same period of last year to approximately 2.6% in the Period.

Administrative expenses decreased from RMB287.2 million in the period of the last year to approximately RMB147.0 million in the Period. The amount of administrative expenses as a percentage of group revenue decreased from 4.3% in the same period of last year to approximately 2.3% in the Period. The decrease during the Period was mainly a result of write-back the share options expenses of approximately RMB94.1 million and optimal level of management and administrative costs incurred after the launch of new paper machines and new production bases. The Group's administrative expenses amounted to approximately RMB241.1 million after deducting the share option expenses written back, representing 3.8% of the Group's revenue.

Net Profit and Dividend

The net profit attributable to the equity holders for the Period was approximately RMB323.4 million, representing a decrease of approximately 69.4% over the same period of the last year.

The Group's finance costs increased by 257.0% to approximately RMB230.5 million in the Period from RMB64.6 million in the same period of the last year. The increase in interest on bank borrowings from RMB187.8 million to approximately RMB504.1 million was mainly due to that the total borrowings increased by approximately RMB6.0 billion from RMB9.0 billion as at 31 December 2007 to approximately RMB15.0 billion as at 31 December 2008.

Basic earnings per share for the six month period ended 31 December 2008 and 2007 were RMB0.07 and RMB0.25 respectively. The Board does not recommend the payment of an interim dividend for the Period.

Working Capital

The level of inventory as at 31 December 2008 decreased by 52.6% to approximately RMB1,334.6 million from RMB2,818.5 million at 30 June 2008. Inventories mainly comprised recovered paper, pulp and other raw materials of approximately RMB803.9 million and finished goods of approximately RMB530.7 million.

The turnover days for raw materials and finished products were approximately 26 days and 17 days respectively during the Period, compared to 42 days and 14 days in the corresponding period of the last year.

The trade receivables and bills receivable as at 31 December 2008 were RMB1,715.7 million, decreased by approximately 13.9% from RMB1,991.8 million as at 30 June 2008. The turnover days for trade debtors were 49 days, compared to 60 days in the corresponding period of the last year. As at 31 December 2008, the trade receivables with age less than 60 days accounted for approximately 90.2% of the total trade receivables.

The trade payables and bills payable decreased by approximately 29.8% to RMB1,604.0 million as compared to the corresponding figure at 30 June 2008. The turnover days for trade payables were approximately 53 days, comparing to 37 days of the same period of the last year.

Liquidity and Financial Resources

The working capital and long-term investment funding requirements of the Group during the Period was primarily satisfied by the Group's operating cash flows and borrowings.

The Group's net cash inflow from operating activities for the Period increased from RMB475.9 million in the same period of the last year to approximately RMB1,955.1 million in the Period. The increase was attributable primarily to the changes in working capital, mainly from the decrease in period end trade receivables and inventories due to effective control on trade receivables and inventories. In terms of the Group's available financial resources as at 31 December 2008, the Group had bank and cash balances of approximately RMB914.5 million (excluding restricted cash of approximately RMB108.9 million) and total undrawn bank loans and overdraft facilities of approximately RMB5,340.8 million.

As at 31 December 2008, the shareholders' funds were approximately RMB13,400.6 million, an increase of RMB129.1 million from that as at 30 June 2008.

The Group had outstanding bank loans and borrowings as at 31 December 2008 of approximately RMB14,961.9 million. The short- term and long-term borrowings amounted to approximately RMB1,203.1 million and RMB13,758.8 million respectively, accounting for approximately 8.0% and 92.0% of the total borrowings respectively. As at the end of the Period, more than approximately 98.8% of the Group's debts were on unsecured basis.

The net borrowings to equity ratio for the Group as at 31 December 2008, expressed as a percentage of net borrowings of RMB13,938.5 million and shareholder's equity of RMB13,568.7 million, was increased to approximately 102.7% from 95.9% as at 30 June 2008.

Treasury Policies

The Group has established treasury policies with the objectives of achieving effective control of treasury operations and of lowering cost of funds. Therefore, funding for all its operations and foreign exchange exposure have been centrally reviewed and monitored at the Group level. To manage the Group's exposure to fluctuations in exchange rates and interest rates on specific transactions and foreign currency borrowings, currency structured instruments and other appropriate financial instruments were used to hedge material exposure. It is the policy of the Group not to enter into any derivative contracts purely for speculative activities.

The treasury policies followed by the Group aim to:

(a) *Minimise interest risk*

This is accomplished by loan re-financing and negotiation. The Board will continue to closely monitor the Group's loan portfolio and compares the loan margin spread under its existing agreements against the current borrowing interest rates under different currencies and new offers from banks.

(b) *Minimise currency risk*

In view of the current volatile currency market, the Board closely monitors the Group's foreign currency borrowings. As at 31 December 2008, total foreign currency borrowings amounted to the equivalent of RMB5,569.7 million and loans denominated in RMB amounted to RMB9,392.2 million, representing approximately 37.2% and 62.8% of the Group's borrowings respectively.

Capital Expenditures

The Group invested approximately RMB2,946.8 million for the construction of factory buildings, purchase of plant and machinery and equipment during the Period, as compared to RMB3,740.2 million in the same period of the last year.

Capital Commitments and Contingencies

The Group made capital expenditure commitments mainly for machinery of approximately RMB2,480.6 million, which were contracted but not provided for and approximately RMB1,492.9 million, which were authorized but not contracted for in the financial statements as at 31 December 2008. These commitments were mainly related to the expansion of the Group's production capacity, and part of these commitments may be postponed accordingly based on the availability of Group's internal financial resources and market conditions in the forthcoming years.

As of 31 December 2008, the Group had no material contingent liabilities.

FUTURE OUTLOOK

Looking into the future, the world economy is to stay grim in 2009 particularly the first half of the year. Shadowed by the uncertain global economic outlook, China's manufacturing sector will be facing a difficult and challenging environment. Nevertheless, ND Paper still boasts solid and strong fundamentals comprising its most advanced production equipment, diversified product mix, an exemplary team of talents and effective cost controls. All these, together with its appropriate direction of development, will bode well for ND Paper to go through the current economic trough and emerge safe and sound from the difficult environment as a more refined enterprise. Furthermore, in view of the State's policy measures targeted at raising domestic demand progressively, the Group will continue to position itself with unremitting efforts to seize market opportunities.

In overcoming economic plights rare even in a century, confidence is the key. Apart from a solid foundation and the appropriate direction of development, the persistent confidence of all staff and management of ND Paper is an integral part of our success formula. It plays a decisive role in the consistent and steady growth of the Group. Our future path of development may remain thorny ahead, but armed with the shared confidence and courage throughout the Group to overcome and conquer, we are poised to act even more diligently and powerfully to prepare for the next global economic recovery, aiming at maximizing our shareholder value and furthering our commitment on social responsibilities.

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 Period.

AUDIT COMMITTEE

The Audit Committee meets at least four times each year with the purpose of monitoring the integrity of the Group's financial statements and to consider the nature and scope of internal and external audit. The Audit Committee, together with the Company's management and its external auditor, PricewaterhouseCoopers, has reviewed the accounting principles and practices adopted by the Company and discussed over and reviewed the auditing and financial matters, including all significant aspects involving financial, operational and compliance controls.

All members of the Audit Committee are independent non-executive directors, namely, Dr. Cheng Chi Pang (Chairman), Ms. Tam Wai Chu, Maria, Mr. Chung Shui Ming, Timpson and Mr. Wang Hong Bo.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial report has been reviewed by the Company's Audit Committee and the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalizing best practices. Throughout the Period, the Company followed the principles and complied with all applicable provisions under the Code on Corporate Governance Practices 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").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code. Specific enquiries have been made with all directors, who have confirmed that, during the Period, they were in compliance with provisions of the Model Code. Senior management who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code.

PUBLICATION OF INTERIM RESULTS

This results announcement is published on the websites of the Company (www.ndpaper.com) and the Stock Exchange (www.hkexnews.hk). The interim report will be dispatched to shareholders of the Company and made available on the above websites as soon as practicable.

APPRECIATION

The results achieved by the Group during the Period are attributable to the hard work, commitment and vision of the management and our staff, who have contributed to the continuous growth of the Group. I would like to take this opportunity to thank the various governments for their continuous support in providing us with a favourable operating environment. I would also like to express my sincere gratitude to all shareholders, investors and business partners for their trust and support to the Group.

On behalf of the Board
Cheung Yan
Chairlady

Hong Kong, 18 February 2009

As at the date of this announcement, the executive directors are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Zhang Yuanfu and Ms. Gao Jing; the non-executive director is Mr. Lau Chun Shun; the independent non-executive directors are Ms. Tam Wai Chu, Maria, Mr. Chung Shui Ming, Timpson, Dr. Cheng Chi Pang and Mr. Wang Hong Bo.

* *For identification purposes only*