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 2009

FINANCIAL HIGHLIGHTS

- Sales increased by 37.4% to approximately RMB8.7 billion.
- Gross profit rose by 114.0% to approximately RMB1,839.4 million.
- Gross profit margin increased from 13.6% to approximately 21.1%.
- Profit for the period increased by 230.0% to approximately RMB1,058.7 million.
- Net profit margin increased from 5.1% to approximately 12.2%.
- Basic earnings per share increased from RMB0.07 to RMB0.23.
- Interim dividend per share of RMB2.0 cents (equivalent to approximately HK2.27 cents).

FINANCIAL RESULTS

The Board of Directors (the "Board") of Nine Dragons Paper (Holdings) Limited (the "Company") announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group" or "ND Paper") for the six months ended 31 December 2009 (the "Period"), together with the comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 31 December	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Sales	*5*	**8,700,136**	6,333,264
Cost of goods sold	*6*	**(6,860,698)**	(5,473,616)
Gross profit		**1,839,438**	859,648
Other losses (net)	*7*	**(2,862)**	(12,737)
Selling and marketing costs	*6*	**(155,772)**	(164,260)
Administrative expenses	*6*	**(237,549)**	(146,991)
Operating profit		**1,443,255**	535,660
Gain on repurchase of senior notes		**—**	86,024
Finance costs (net)	*8*	**(236,766)**	(230,504)
Profit before income tax		**1,206,489**	391,180
Income tax expense	*9*	**(147,769)**	(70,333)
Profit for the period		**1,058,720**	320,847
Profit attributable to:			
Equity holders of the Company		**1,037,287**	323,448
Minority interests		**21,433**	(2,601)
		1,058,720	320,847
Earnings per share for profit attributable to equity holders of the Company *(expressed in RMB per share)*			
— basic	*10*	**0.23**	0.07
— diluted	*10*	**0.23**	0.07
Dividend	*11*	**92,244**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit for the period	**1,058,720**	320,847
Other comprehensive income		
Currency translation differences	**(7,365)**	(4,659)
Cash flow hedges, net of tax	**(17,630)**	44,016
Total comprehensive income for the period	**1,033,725**	360,204
Total comprehensive income attributable to:		
— equity holders of the Company	**1,015,061**	364,895
— minority interests	**18,664**	(4,691)
	1,033,725	360,204

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31 December 2009 Unaudited *RMB'000*	30 June 2009 Audited *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**28,181,492**	27,011,394
Land use rights	*12*	**1,292,473**	1,185,815
Intangible assets	*13*	**241,698**	234,647
Total non-current assets		**29,715,663**	28,431,856
Current assets			
Inventories		**1,836,846**	1,500,869
Trade and other receivables	*14*	**2,680,855**	2,040,339
Derivative financial instruments		**—**	441
Restricted cash		**82,213**	44,171
Bank and cash balances		**1,786,495**	1,508,542
Total current assets		**6,386,409**	5,094,362
Total assets		**36,102,072**	33,526,218
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*15*	**9,032,922**	6,539,269
Other reserves	*16*	**1,233,743**	1,250,050
Retained earnings			
Proposed dividend		**92,244**	151,736
Unappropriated retained earnings		**7,684,714**	6,752,267
		18,043,623	14,693,322
Minority interests		**217,707**	199,043
Total equity		**18,261,330**	14,892,365

	Note	**31 December 2009 Unaudited** *RMB'000*	30 June 2009 Audited *RMB'000*
LIABILITIES			
Non-current liabilities			
Other payables		**—**	397,905
Deferred government grants		**7,258**	13,870
Borrowings	*17*	**10,975,753**	12,724,507
Deferred income tax liabilities		**630,796**	558,695
Total non-current liabilities		**11,613,807**	13,694,977
Current liabilities			
Derivative financial instruments		**7,740**	—
Trade and other payables	*18*	**4,207,391**	3,674,389
Current income tax liabilities		**147,193**	161,246
Borrowings	*17*	**1,864,611**	1,103,241
Total current liabilities		**6,226,935**	4,938,876
Total liabilities		**17,840,742**	18,633,853
Total equity and liabilities		**36,102,072**	33,526,218
Net current assets		**159,474**	155,486
Total assets less current liabilities		**29,875,137**	28,587,342

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Cash flows from operating activities		
Profit for the period	**1,058,720**	320,847
Adjustments for:		
non-cash items/income tax expense/finance costs	**812,044**	444,727
Working capital changes	**(853,354)**	1,735,336
Cash generated from operations	**1,017,410**	2,500,910
Income tax paid	**(41,142)**	(35,637)
Receipt of prepaid income tax	**—**	55,488
Interest paid	**(363,958)**	(565,673)
Net cash generated from operating activities	**612,310**	1,955,088
Net cash used in investing activities	**(1,732,839)**	(2,853,026)
Net cash generated from financing activities	**1,397,379**	257,290
Net increase/(decrease) in bank and cash balances	**276,850**	(640,648)
Bank and cash balances at beginning of the period	**1,508,542**	1,562,873
Exchange gain/(loss) on bank and cash balances	**1,103**	(7,721)
Bank and cash balances at end of the period	**1,786,495**	914,504

Notes:

1. General information

Nine Dragons Paper (Holdings) Limited (the "Company") was incorporated in Bermuda on 17 August 2005 under the Companies Act 1981 as an exempt company with limited liability. The Company and its subsidiaries (together the "Group") are principally engaged in the manufacture and sales of packaging paperboard products and unbleached kraft pulp in the People's Republic of China (the "PRC"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its listing on the main board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of units of Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board on 30 March 2010.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 31 December 2009 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. Significant 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 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2009 and relevant for the Group.

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires operating segments to be reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM has been identified as the Board of Directors. The adoption of this standard does not have material impact to the Group as it manages its business in a single segment.

- Amendment to HKFRS 7, "Financial instruments: disclosure". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 30 June 2010.

(b) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2009, but are not currently relevant for the Group.

- HKAS 23 (amendment), “Borrowing costs”
- HKAS 27 (amendment), “Consolidated and separate financial statements”
- HKAS 32 (amendment), “Financial instruments: presentation”
- HKAS 39 (amendment), “Financial instruments: Recognition and measurement” — “Eligible hedged items”
- HKFRS 1 (amendment), “First time adoption of HKFRS” and HKAS 27 “Consolidated and separate financial statements”
- HKFRS 2 (amendment), “Share-based payment”
- HKFRS 3 (amendment), “Business combinations”
- HK(IFRIC) 9 (amendment), “Reassessment of embedded derivatives” and HKAS 39 (amendment), “Financial instrument: Recognition and measurement”
- HK(IFRIC) 15, “Agreements for the construction of real estate”
- HK(IFRIC) 16, “Hedges of a net investment in a foreign operation”
- HK(IFRIC) 17, “Distributions of non-cash assets to owners”
- HK(IFRIC) 18, “Transfers of assets from customers”
- Improvements to HKFRS by Hong Kong Institute of Certified Public Accountants (“HKICPA”)

➢ Amendment to HKAS 38, “Intangible assets”
➢ Amendment to HKFRS 2, “Share-based payments”
➢ Amendment to HK(IFRIC) 9, “Reassessment of embedded derivatives”
➢ Amendment to HK(IFRIC) 16, “Hedges of a net investment in a foreign operation”

(c) The following amendments to standards have been issued but are not effective for the financial year beginning 1 July 2009 and have not been early adopted.

- HKFRS 2 (amendments). “Group cash-settled share-based payment transactions” (effective from 1 January 2010)
- Improvements to HKFRS by HKICPA

➢ Amendment to HKFRS 5, “Non-current assets held for sale and discontinued operations” (effective from 1 January 2010)
➢ Amendment to HKFRS 8, “Operating segments” (effective from 1 January 2010)
➢ Amendment to HKAS 1, “Presentation of financial statements” (effective from 1 January 2010)
➢ Amendment to HKAS 7, “Statement of cash flows” (effective from 1 January 2010)
➢ Amendment to HKAS 17, “Leases” (effective from 1 January 2010)
➢ Amendment to HKAS 36, “Impairment of assets” (effective from 1 January 2010)
➢ Amendment to HKAS 39, “Financial instruments: recognition and measurement” (effective from 1 January 2010)

4. Segment information

HKFRS 8 requires segment disclosure to be based on the way that the CODM regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the CODM for the purposes of assessing segment performance and making decisions about operating matters.

The Group is principally engaged in the manufacture and sales of packaging paperboard and unbleached kraft pulp. The CODM assesses performance and allocates resources on a group basis. Accordingly, no segment information is presented.

The Group’s principal market is the “PRC” and its sales to overseas customers contributed less than 10% of the revenues, results and total assets of the Group. Accordingly, no information about geographical area is presented.

5. Sales

Sales recognised during the Period are as follows:

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Sales of packaging paper	**8,429,439**	6,059,565
Sales of pulp	**159,610**	169,755
Sales of high value specialty board products	**111,087**	103,944
	8,700,136	6,333,264

6. 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	
	2009	2008
	RMB'000	*RMB'000*
Depreciation of fixed assets (note 12)	**432,137**	301,365
Less: amount charged to other losses — net	**(2,596)**	(96)
amount charged to construction in progress	**(1,238)**	(10,114)
	428,303	291,155
Employee benefit expense	**277,076**	184,333
Amortisation of intangible assets (note 13)	**2,113**	283
Changes in finished goods	**(8,418)**	465,660
Raw materials and consumables used (net of claims)	**6,284,557**	4,475,470
Transportation	**78,037**	69,004
Operating leases		
— land use rights (note 12)	**12,480**	12,290
— buildings	**1,238**	1,904
Non-deductible value added tax for export sales	**48,374**	84,512
Reversal of impairment charge for receivables	**(30,024)**	(20,923)
Other expenses	**160,283**	221,179
	7,254,019	5,784,867

7. Other losses (net)

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Transportation service	**(2,755)**	(959)
Sales of electricity and coals	**(1,203)**	(8,450)
Interest income	**(3,923)**	(7,519)
Net foreign exchange losses on operating activities	**2,562**	16,472
Net loss arising from change in fair value of derivative financial instruments	**8,181**	2,458
Loss on disposal of derivative financial instruments	**—**	10,735
	2,862	12,737

8. Finance costs (net)

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Interest expense	**215,410**	172,562
Bills discount charge	**29,659**	41,108
Other incidental borrowing cost	**8,622**	23,260
Exchange loss/(gain) on borrowings	**705**	(429)
Hedge reserve released (note 16)	**(17,630)**	(5,997)
	236,766	230,504

The capitalisation rate applied to funds borrowed generally and used for the development of construction in progress is approximately 4.809% for the Period (Six months ended 31 December 2008: 6.562%).

9. Income tax expense

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Current tax		
— Hong Kong profits tax	**—**	—
— PRC corporate income tax	**75,456**	14,512
	75,456	14,512
Deferred income tax	**72,313**	55,821
	147,769	70,333

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

10. 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	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**1,037,287**	323,448
Weighted average number of ordinary shares in issue (shares in thousands)	**4,423,976**	4,330,970
Basic earnings per share (RMB per share)	**0.23**	0.07

— Diluted

Diluted earnings per share is calculated by 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	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**1,037,287**	323,448
Weighted average number of ordinary shares in issue (shares in thousands)	**4,423,976**	4,330,970
Adjustments for share options (shares in thousands)	**47,446**	7,626
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	**4,471,422**	4,338,596
Diluted earnings per share (RMB per share)	**0.23**	0.07

11. Dividend

	Six months ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Interim dividend (note (b))	**92,244**	—

(a) A 2009 final dividend of RMB3.50 cents (2008 final: RMB3.50 cents) per ordinary share, totaling approximately RMB161,295,000 (2008 final: RMB151,580,000) has been declared in the Company's Annual General Meeting on 3 December 2009 and paid in the Period.

(b) The directors recommend the payment of an interim dividend of RMB2.00 cents per ordinary share totalling approximately RMB92,244,000 for the Period (Six months ended 31 December 2008: nil). Such interim dividend has been approved in the meeting of board of directors of the Company on 30 March 2010. This interim financial information does not reflect this interim dividend payable.

12. Capital expenditure

	Land use rights *RMB'000*	Property, plant and equipment *RMB'000*
Six months ended 31 December 2008		
Opening net book amount as at 1 July 2008	1,185,424	23,536,557
Optimisation on construction in progress (note (a))	—	381,368
Additions	—	2,565,474
Disposals	—	(3,649)
Exchange difference	(1,920)	(7,809)
Amorisation/depreciation charges (note 6)	(12,290)	(301,365)
Closing net book amount as at 31 December 2008	1,171,214	26,170,576
Six months ended 31 December 2009		
Opening net book amount as at 1 July 2009	**1,185,815**	**27,011,394**
Optimisation on construction in progress (note (a))	**—**	**89,179**
Additions	**120,162**	**1,530,110**
Disposals	**—**	**(8,152)**
Exchange difference	**(1,024)**	**(8,902)**
Amorisation/depreciation charges (note 6)	**(12,480)**	**(432,137)**
Closing net book amount as at 31 December 2009	**1,292,473**	**28,181,492**

(a) The amount represents cost of testing for the plant and machinery under construction after deducting the net proceeds from selling items produced during the testing period.

13. Intangible assets

	RMB'000
Six months ended 31 December 2008	
Opening net book amount as at 1 July 2008	238,284
Amorisation (note 6)	(283)
Closing net book amount as at 31 December 2008	238,001
Six months ended 31 December 2009	
Opening net book amount as at 1 July 2009	**234,647**
Additions	**9,164**
Amorisation (note 6)	**(2,113)**
Closing net book amount as at 31 December 2009	**241,698**

14. Trade receivables

As at 31 December 2009, the ageing analysis of total trade receivables is as follows:

	31 December 2009 *RMB'000*	30 June 2009 *RMB'000*
0–30 days	**1,254,009**	738,405
31–60 days	**346,276**	279,940
61–90 days	**15,451**	11,883
Over 90 days	**6,616**	2,926
	1,622,352	1,033,154

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.

15. Share capital

	Number of ordinary shares *Shares in thousands*	**Nominal value of ordinary shares** *HK$'000*	**Equivalent nominal value of ordinary shares** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
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
Six months ended 31 December 2009					
Balances as at 1 July 2009	**4,335,305**	**433,530**	**449,214**	**6,090,055**	**6,539,269**
Placement of shares	**264,285**	**26,429**	**23,285**	**2,503,090**	**2,526,375**
Placing expenses	**—**	**—**	**—**	**(50,891)**	**(50,891)**
Exercise of share options	**12,608**	**1,261**	**1,110**	**17,059**	**18,169**
Balances as at 31 December 2009	**4,612,198**	**461,220**	**473,609**	**8,559,313**	**9,032,922**

16. Other reserves

	Total
	RMB'000
Six months ended 31 December 2008	
Balances as at 1 July 2008	1,233,201
Share option expense written back	(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	
— Fair value change	50,013
— Amount released to set off the impact of hedged items that affected consolidated income statement (note 8)	(5,997)
Balances as at 31 December 2008	1,189,440
Six months ended 31 December 2009	
Balances as at 1 July 2009	**1,250,050**
Share options granted to directors and employees	**6,631**
Transfers	**3,037**
Exercise of share options	**(3,749)**
Currency translation differences	**(4,596)**
Cash flow hedge reserve	
— Amount released to set off the impact of hedged items that affected consolidated income statement (note 8)	**(17,630)**
Balances as at 31 December 2009	**1,233,743**

17. Borrowings

	31 December 2009	30 June 2009
	RMB'000	*RMB'000*
Non-current		
— Long-term bank borrowings	**9,603,653**	9,549,560
— Syndicated term loans	**1,051,681**	2,373,276
— Senior notes	**320,419**	801,671
	10,975,753	12,724,507
Current		
— Short-term bank borrowings	**114,879**	132,581
— Current portion of long-term bank borrowings	**94,581**	637,373
— Current portion of syndicated term loans	**1,655,151**	333,287
	1,864,611	1,103,241
Total borrowings	**12,840,364**	13,827,748

(a) Movements of total borrowings are as follows:

	RMB'000
Six months ended 31 December 2008	
Balances as at 1 July 2008	14,685,438
New borrowings	7,311,375
Repayments of borrowings	(7,040,861)
Amortisation of issue cost	13,904
Exchange difference	(7,959)
Balances as at 31 December 2008	14,961,897
Six months ended 31 December 2009	
Balances as at 1 July 2009	**13,827,748**
New borrowings	**5,315,685**
Repayments of borrowings	**(6,302,694)**
Amortisation of issue cost	**7,472**
Exchange difference	**(7,847)**
Balances as at 31 December 2009	**12,840,364**

18. Trade payables

The ageing analysis of trade payables as at 31 December 2009 is as follows:

	31 December 2009 *RMB'000*	30 June 2009 *RMB'000*
0–90 days	**1,639,672**	1,638,160
91–180 days	**62,309**	75,846
181–365 days	**16,276**	25,081
Over 365 days	**1,518**	29,870
	1,719,775	1,768,957

19. Commitments

(a) *Capital commitments*

Capital expenditure committed as at 31 December 2009 but not yet incurred is as follows:

	31 December 2009 *RMB'000*	30 June 2009 *RMB'000*
Contracted but not provided for:		
— Property, plant and equipment	**5,161,418**	2,393,265
Authorised but not contracted for:		
— Property, plant and equipment	**825,039**	2,095,318
	5,986,457	4,488,583

(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 2009 *RMB'000*	30 June 2009 *RMB'000*
Land and buildings		
— Not later than one year	**2,853**	2,929
— Later than one year but not later than five years	**4,053**	3,117
— Later than five years	**19,877**	20,153
	26,783	26,199

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Being the largest containerboard manufacturer in Asia and one of the leading producers in the world, ND Paper primarily produces a broad variety of 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, our five principal categories of packaging paperboard products are available in a wide range of various basis weights, sizes and type specifications.

As at the end of 2009, the Group had 23 production lines of advanced international standards operating in China. Tianjin base, its fourth main production base, commenced production in September 2009. This enabled the Group's overall design production capacity to reach 8.82 million tpa, which represents an approximately 10% increase compared to the total production capacity as at the end of 2008.

Currently, the Group has four main paper production bases — Dongguan base in Pearl River Delta, Taicang base in Yangtze River Delta, Chongqing base in western China and the new Tianjin base in Bohai economic zone. These have given the Group a China market coverage far ahead of its peers. Apart from the four main paper production bases, the Group's unbleached kraft pulp project in Inner Mongolia, speciality paper project in Leshan, Sichuan (a market leader) and the packaging paperboard project in Vietnam are all operating satisfactorily.

Business Strategy

Under the impact of the global financial crisis in recent years, ND Paper had faced unprecedented challenges. However, by means of cautious but flexible business strategies, the Group sailed through the difficult times with both stability and changes, adhering to a well-defined direction of development. The Group implemented timely changes to capacity expansion plans, optimized the product mix, improved productivity and sales efficiency and set clear and precise targets for its financial management. In a predicament ND Paper perfected its experience in the process of building a solid foundation for an "enterprise of a hundred years". Furthermore, under the guidelines of "centred around profit, steered by sales, led by production and supported by other teams", the Group has made steady developments and continues to maintain leading competence within the industry, enabling it to capture opportunities arising in the currently fast growing market and increase its future profit potential.

Optimization of Resources Allocation and Increase of Production Capabilities

The Group has always targeted at a scale and effectiveness that are at international standards. Right from the first production line, the Group has brought in first class manufacturing technology by adopting the world's most advanced paper-making equipment and intelligent control systems, providing solid guarantee for high quality and stable production. In September 2009, paper machines PM25 and PM26 commenced production in the Tianjin base, contributing to the Group an additional 800,000 tpa in containerboard production capacity as compared to the same period last year. Meanwhile, in order to achieve product diversification, move towards more high-end products and enhance profit margins, the Group continuously make improvements and adjustments on its product mix flexibly according to the different supply and demand situations for various products in the market of each base. In 2010, the Group has several projects in progress for the construction of new machines and upgrading of existing machines. This will keep the Group abreast of market trends and further reinforce its leadership position in the industry.

Among the new paper machines being built, Dongguan's PM27 and Tianjin's PM34 will produce coated duplex board, de-inked recycled duplex board with white back, and food grade and pharmaceutical grade white board, with an annual design capacity of 550,000 tpa each. Both are planned to commence production during 2011. With the Group's many years of production experience and established sales networks in this product category, these new paper machines will further enhance the Group's market share and economies of scale in these products, reinforcing its leadership position superior to its competitors. PM29 and PM30 at Taicang base will have an annual design capacity of 400,000 tpa (linerboard) and 300,000 tpa (light weight high performance corrugating medium) respectively, and will commence production before the end of 2010 as planned. In addition to bringing more economies of scale and cost effectiveness to the Taicang base, thus enhancing its competitiveness, it also allows more flexibility in sales, production and product specification offers.

The production and business development of Tianjin base went smoothly after it commenced production in September 2009. The Group plans to build a new linerboard production machine at the base (PM32), with an annual design capacity of 400,000 tpa. It is planned to commence production in the first quarter of 2011, supplying to the fast growing local markets and the northern China region.

As for the upgrading of paper machines for product mix optimization, the existing paper machines PM3 in Dongguan and PM20 in Taicang will be modified to specialize in the production of the more profitable light coated white top linerboard. It is planned that upgrading will be completed and production of the two paper machines will commence successively between the 4th quarter 2010 and April 2011. Their annual design capacities are 400,000 tpa and 430,000 tpa respectively.

Riding on its solid foundation as a leader in the containerboard market and recovered paper based paper manufacturing, the Group will progressively launch new products to accomplish the long-term goal of product diversification outside of the containerboard sector. Its plan includes the construction of PM28 in Dongguan and upgrading of the existing PM21 in Taicang for the production of recycled printing and writing paper (including uncoated woodfree paper, copy paper, etc). Their design capacities will be 250,000 tpa and 200,000 tpa respectively, with a target production commencement date in early 2011.

The abovementioned projects will allow the Group to make optimal use of its financial and management resources to accomplish all three long-term goals of scale expansion, business diversification and more high-end products. In addition to savings on capital expenditures and production costs, these plans enable the Group to increase the proportion of high-end products in its product mix, addressing the market demand for these products while enhancing potential profit in future. The Group believes that by offering more choices to its customers in product categories manufactured with more or even all recovered paper, the Group will be able to capitalize on the opportunities emerging along the global environmental trends, thus increasing the Group's market share and expanding its sources of revenue. These will allow the Group to consolidate its future business development upon the existing foundation, increase cost effectiveness and bring higher value to its shareholders.

Paper machines planned for completion of construction or upgrading and production commencement in 2010

Paper machine	Location	Product	Design Capacity	Completion Date
PM20 (upgrade)	Taicang	Light coated white top linerboard	430,000 tpa	Oct
PM29 (new)	Taicang	Linerboard	400,000 tpa	Before end of Dec
PM30 (new)	Taicang	Light weight high performance corrugating medium	300,000 tpa	Before end of Dec

Paper machines planned for completion of construction or upgrading and production commencement in 2011

Paper machine	Location	Product	Design Capacity	Completion Date
PM21 (upgrade)	Taicang	Recycled printing and writing paper (including uncoated woodfree paper, copy paper, etc.)	200,000 tpa	Before end of Jan
PM27 (new)	Dongguan	Coated duplex board, de-inked recycled duplex board with white back, food grade and pharmaceutical grade white board	550,000 tpa	Before end of Feb
PM28 (new)	Dongguan	Recycled printing and writing paper (including uncoated woodfree paper, copy paper, etc.)	250,000 tpa	Before end of Feb
PM32 (new)	Tianjin	Linerboard	400,000 tpa	Before end of Mar
PM3 (upgrade)	Dongguan	Light coated white top linerboard	400,000 tpa	Before end of Apr
PM34 (new)	Tianjin	Coated duplex board, de-inked recycled duplex board with white back, food grade and pharmaceutical grade white board	550,000 tpa	Before end of Oct

Design Capacities of the Group's Four Main Bases in China

(Breakdown by product category)

(million tpa)	**Dec 2008**	**Dec 2009**	**Dec 2010**	**Dec 2011**
Linerboard	4.15	4.60	4.55	4.55
Light coated white top linerboard	0	0	0.43	0.83
Corrugating medium	2.65	3.00	3.30	2.95
Coated duplex board	0.95	0.95	0.95	2.05
Recycled printing and writing paper	0	0	0	0.45
Total	7.75	8.55	9.23	10.83

(Distribution by product category)

	Dec 2008	**Dec 2009**	**Dec 2010**	**Dec 2011**
Linerboard	53.5%	53.8%	49.2%	42.0%
Light coated white top linerboard*	0%	0%	4.7%	7.7%
Corrugating medium	34.2%	35.1%	35.8%	27.2%
Coated duplex board*	12.3%	11.1%	10.3%	18.9%
Recycled printing and writing paper*	0%	0%	0%	4.2%
Total	100%	100%	100%	100%
*High margin products sub-total	12.3%	11.1%	15.0%	30.8%

(Distribution by location)

	Dec 2008	**Dec 2009**	**Dec 2010**	**Dec 2011**
Dongguan	57.4%	52.0%	48.1%	48.4%
Taicang	32.3%	29.2%	34.5%	28.0%
Chongqing	10.3%	9.4%	8.7%	7.4%
Tianjin	0%	9.4%	8.7%	16.2%
Total	100.0%	100.0%	100.0%	100.0%

No. of Paper Machines in the Group's four main bases in China (Distribution by location)

(No. of machines)	Dec 2008	Dec 2009	Dec 2010	Dec 2011
Dongguan	13	13	13	15
Taicang	6	6	8	8
Chongqing	2	2	2	2
Tianjin	0	2	2	4
Total	21	23	25	29

Standardizing the Group's management systems

In order to further improve on its management system standards, in 2009 the Group has formally engaged SAP, the world's largest enterprise management software and collaborative business solutions supplier, to drive the implementation of an integrated business management system comprising financial management, supply chain management, project management and customer relations management, in order to standardize the procurement, production, sales, inventory management/control and human resources functions in each base and improve the Group's management efficiency. At the same time, Dongguan base was the first base to carry out a major management reform by adopting the "management by plant group" system, setting key targets on "costs, performance, management and quality of fixed assets" and relating rewards to performance, thus inspiring staff initiative and work efficiency. During the Period, the Group continued to obtain ISO9001 certification on its quality management system.

Controlling costs and diversifying sources of supplies

The Group actively promotes the close interaction of procurement and warehousing functions by means of scientific inventory management, while maintaining close collaboration with the finance function in stock counts and monitoring. As more reusable items are identified, resources utilization can be maximized, bringing not just higher effectiveness to the Group, but also helping to promote environmental consciousness.

Owing to the slow recovery in consumption in the western countries in 2009, paper manufacturers faced an extremely severe international recovered paper supply market. The Group is rapidly expanding its quality recovered paper procurement channels in response to a market environment of progressively increasing imported recovered paper prices. In addition to sourcing from major markets such as USA, Europe, Japan and Australia, the Group has increased the proportion of domestic recovered paper purchase. This has effectively eased the tight raw materials supply situation, assuring adequate support for its production needs while also reducing the pressure of increasing selling prices sharply. In 2010, the Group will further expand its procurement of domestic recovered paper, with the proportion adjusted according to the relative price trends of recovered paper in the domestic and international markets. The Group aims to increase its proportion of domestic recovered paper procurement from the current approximately 20% to at least 30 % by the end of the year.

Invest in infrastructure facilities to achieve economies of scale

(1) Power Resources

To support large-scale and stable packaging paperboard manufacturing, the Group requires a significant amount of electricity and steam for its daily operations. Accordingly, the Group has set up its own central coal-fired cogeneration power plants in its Dongguan, Taicang, Chongqing and Tianjin bases with an aggregate installed capacity of 1,014MW to provide adequate and stable electric power for the Group. Simultaneously, these plants can provide steam for use in the drying process in production. Ancillary facilities of the paper machines for cogeneration of steam and electricity help to save on energy costs and valuable land resources. Given its high thermal efficiency and low coal consumption, using electric power produced from the Group's own power plants can effectively reduce costs as compared to purchasing power from third parties.

As one of the major materials to the Group, the sourcing of coal becomes one of the key determining factors for profits. The Group puts high emphasis on its coal procurement, with a sourcing strategy of purchasing from suppliers that provide a stable and reliable supply at the lowest prices, in order to optimize cost control, whilst actively lowering its coal costs by purchasing the required coal directly from coal distributors and arranging for its own transportation of coal using larger vessels. In the Taicang and Chongqing bases, the Group receives the coal shipments directly at its self-owned piers. It has also invested in the construction of fully automated and enclosed coal storage domes across its bases, which help increase efficiency, reduce wastage as well as greatly enhance the environmental standards of the Group.

(2) Land resources

The Group must have adequate land reserves to meet the needs of its existing operations and future business development, and to tap opportunities arising from economic growth and industry consolidation. As of 31 December 2009, the Group has secured the land use rights for land plots aggregating 8.53 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 each of Taicang and Chongqing. Currently the pier in the Taicang base is capable of accommodating oceangoing vessels of up to 50,000 tonnes. The Group has obtained all necessary permits to operate the pier for its own use and to offer loading and unloading services to third parties. The pier at Taicang is mainly used for receiving coal deliveries now, with an annual loading/unloading capacity of 2.7 million tonnes. In addition, the Chongqing production base has a container pier and a bulk cargo wharf with an annual throughput capacity of 4 million tonnes, ensuring logistics support for the production base. There is also a railway spur connected to the production base, which helps enhance the operating efficiency of the base and provide more flexibility to its transportation services.

Stress on technological research to create economic benefits for the enterprise

The Group stresses on scientific and technological research and development. Whilst cutting-edge technology and equipment are being brought in, it also emphasizes the building of the enterprise's own capabilities in technological research. Since 2008, the Group has filed applications in respect of 17 utility model patents and 16 invention patents with the respective patent authorities. All of these applications have been accepted for processing and among them 8 have already been duly approved.

Continue to place high emphasis on environmental protection

The Group attaches great importance to environmental protection, energy saving and emission reduction, and has been well ahead of its industry peers in accomplishing the targets set by the government. In this respect, it has received government awards and endorsements many times. Moreover, the Group was recognized as a Green/Environmental Creditable Enterprise by environmental protection bureaus for many consecutive years. Currently, environmental protection requirements have been increasingly stringent around the world. The Chinese government has also placed great emphasis on environmental protection, energy saving and emission reduction by setting a clear goal of reducing carbon emission by 40%–45% by 2020. It is also carrying out a series of measures to encourage the larger enterprises to grow in size and strength, while closing down those non-compliant medium and small scale paper-making factories, so as to improve overall disciplines of the industry. Under such a favourable macro-environment, the Group regards environmental protection as an important factor in maintaining and reinforcing its enterprise competitive edges. It will adhere to the philosophy of "no environment, no paper" and achieve its energy saving and emission reduction targets with excellence. During the Period, the Group continued to obtain ISO14001 environmental management certification.

Emphasis on a people-oriented strategy

The Group adheres to the corporate philosophy of "people-oriented, fair and just", with the belief that only human resources of excellence can enhance the overall competitiveness and cohesive spirit of the Group. The Group obtained OHSAS 18001 certification for its occupational health and safety management system in March 2005. As at 31 December 2009, the Group had approximately 11,000 full-time staff in Hong Kong and mainland China. Expenses related to employees (including directors' emoluments) for the Period amounted to approximately RMB277.1 million. The Group ensures that the pay levels of its employees are competitive. It has also adopted a share option scheme for employees and comprehensive performance-linked incentive bonus programs. Moreover, the Group aspires to render its staff a stable workplace, living and recreational environment, and endeavors to implement various continuous staff development programs, such as training and promotion opportunities which allow them to explore their full potentials, increase staff satisfaction and sense of belonging towards the enterprise.

The Group actively attracts management personnel who can think globally from a range of different industrial sectors, and bring in international business disciplines to further improve on the Group's management standards and practices. With a more diversified product offering, more production bases and a steadily growing customer network, the Group continues to develop its talent pipelines to cater for its increasing need for human resources. Apart from facilitating the Group to become ready for investing in more new projects, it also provides vast career development prospects to promote workforce stability and drive the ambition of its employees, so as to facilitate the Group's endeavours in capturing future market opportunities and reaching new highs in its business development.

An exemplary enterprise

On environmental protection, the Group has set a good example as an energy efficient paper manufacturer, advocating a sustainable recycling economy in active response to the state's policy call to save energy and reduce emission. In 2009, Dongguan Nine Dragons Paper Industries Co., Ltd., Dongguan Sea Dragon Paper Industries Co., Ltd and Nine Dragons Paper Industries (Taicang) Co., Ltd., which are the major subsidiaries of the Group, were recognised as High-Tech Enterprises by the state. In addition to demonstrating the leadership position of ND Paper, this is estimated to bring about more favourable tax rates to the relevant bases. The Group also proactively contributes to society by regularly providing support to various community and charity activities.

FINANCIAL REVIEW

The Group achieved a substantial increase in revenue 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 increased by approximately 37.4% over the corresponding period of last year to approximately RMB8,700.1 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 increased by approximately 37.4% over the corresponding period of last year, as a result of substantial increase in the Group's sales volume. The sales volume of linerboard, high performance corrugated medium and coated duplex board for the Period increased by approximately 72.6%, 55.5% and 16.7% respectively, as compared with the corresponding period of last year.

The Group's annual design production capacity of packaging paperboard as at 31 December 2009 was 8.65 million tpa, comprising 4.7 million tpa of linerboard, 3.0 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 56.6% to approximately 3.4 million tonnes in the Period from 2.2 million tonnes in the same period of last year. The increase of the sales volume of packaging paper board was supported by the introduced PM18, PM19, PM20, PM21, PM22 and PM23 with an additional capacity of 2.4 million tpa, which commenced their commercial operation in January 2009 after optimization period. The total sales volume of packaging paperboard products contributed by these 6 new PMs reached approximately 1.1 million tonnes for the Period. Currently, 2 new paper machines PM25 and PM26 in Tianjin started their optimization period in September 2009 have commenced their commercial operations in January 2010.

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 six month ended 31 December 2009 and 2008, sales related to domestic consumption represented approximately 85.0% and 77.9% of the Group's total sales respectively, while the remaining sales are denominated in foreign currencies which primarily represented indirect export made to foreign invested processing enterprises in China.

During the Period, sales to the Group's top five customers in aggregate accounted for approximately 6.4% (2008: 4.8%) of the total revenue, out of which the single largest customer accounted for approximately 2.1% (2008: 1.4%).

Gross Profit

The gross profit for the Period was approximately RMB1,839.4 million, representing an increase of approximately RMB979.8 million or 114.0% as compared with the RMB859.6 million in the same period of last year. The gross profit margin for the Period increased from 13.6% to approximately 21.1% due to the substantial decrease in the cost of raw materials (mainly included cost of recovered paper and coal) as compared with those in the same period of last year.

Selling and marketing costs

Selling and marketing costs decreased by approximately 5.2% from RMB164.3 million in the same period of last year to approximately RMB155.8 million in the Period. As a percentage of the Group's revenue, the selling and marketing costs decreased from 2.6% in the same period of last year to approximately 1.8% in the Period, which was achieved by cost efficiency with the significant increase in the Group's scale of operations.

Administrative expenses

Administrative expenses increased from RMB147.0 million in the period of last year to approximately RMB237.5 million in the Period. As a percentage of group revenue, the administrative expenses increased from 2.3% in the same period of last year to approximately 2.7% in the Period. If the write-back of the share options expenses of approximately RMB94.1 million in the corresponding period of last year was excluded, as a percentage of group revenue, the administrative expenses would decrease from 3.8% in the same period of last year to approximately 2.7% in the Period.

Operating Profit

The Group's operating profit margin increased from 8.5% in the corresponding period of last year to approximately 16.6% in the Period, which mainly resulted from the effective control on operating costs.

The operating profit for the Period was approximately RMB1,443.2 million, representing an increase of approximately RMB907.5 million or 169.4% over the RMB535.7 million of the same period of last year.

Finance Costs (net)

The finance costs slightly increased from RMB230.5 million in the same period of last year to approximately to RMB236.8 million in the Period. The slight increase in finance cost was mainly the net effects of the decrease in interest on bank borrowings due to the fact that bank borrowing balance decreased from RMB15.0 billion as at 31 December 2008 to approximately RMB12.8 billion as at 31 December 2009, and decrease in interest capitalised in the Period since the 6 new PMs introduced in the corresponding period of last year have commenced their commercial production in January 2009.

Income Tax

The Group's income tax expenses increased from RMB70.3 million in the same period of last year to approximately RMB147.8 million, which was mainly attributed by the substantial increase in assessable profits of the Group in the Period. The Group's effective tax rate decreased from 18.0% in the corresponding period of last year to approximately 12.3% in the Period, as a result of the profits derived by the 6 new PMs which commenced their commercial operation in January 2009 were exempted from corporate income tax in the Period.

Net Profit and Net Profit Margin

The profit attributable to the equity holders of the Company for the Period was approximately RMB1,037.3 million, representing an increase of approximately 220.7% over the corresponding period of last year and almost equivalent to the profit attributable to the equity holders of the Company of approximately RMB1,067.1 million (excluding the gain on repurchase of senior notes of RMB594.0 million) for the financial year ended 30 June 2009. Whilst the net profit margin substantially increased from 5.1% in the corresponding period of last year to approximately 12.2% in the Period.

Working Capital

The level of inventory as at 31 December 2009 increased by 22.4% to approximately RMB1,836.8 million from RMB1,500.9 million as at 30 June 2009. Inventories mainly comprised recovered paper, pulp and other raw materials of approximately RMB1,376.5 million and finished goods of approximately RMB460.3 million.

The turnover days for raw materials and finished products were approximately 37 days and 12 days respectively during the Period, compared to 27 days and 18 days in the corresponding period of last year.

The trade receivables and bills receivable as at 31 December 2009 were RMB2,141.7 million, increased by approximately 55.4% from RMB1,378.0 million as at 30 June 2009. The turnover days for trade debtors were 45 days, compared to 49 days in the corresponding period of last year. As at 31 December 2009, the trade receivables with age less than 60 days accounted for approximately 98.6% of the total trade receivables.

The trade payables and bills payable increased by approximately 1.6% to RMB1,954.8 million as compared to the corresponding figure at 30 June 2009. The turnover days for trade creditors were 52 days, compared to 53 days in the corresponding period of 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, bank borrowings and the issue of new shares in the capital market.

The Group's net cash inflow from operating activities for the Period decreased from RMB1,955.1 million in the same period of last year to approximately RMB612.3 million in the Period. The decrease was attributable primarily to the changes in working capital, mainly from the increase in trade receivables and inventories as a result of the 6 new paper machines having commenced their commercial operations in January 2009, which generated more sales and the requirement to stock up more raw materials for the additional production capacity. In terms of the Group's available financial resources as at 31 December 2009, the Group had bank and cash balances of approximately RMB1,868.7 million (including restricted cash of approximately RMB82.2 million) and total undrawn bank facilities of approximately RMB12,541.7 million.

As at 31 December 2009, the shareholders' funds were approximately RMB18,261.3 million, a substantial increase of RMB3,369.0 million from that as at 30 June 2009 mainly due to the issue of 264,285,000 new shares at a subscription price of HK$10.85 of which generated a net cash proceeds of approximately HK$2,809.7 million (equivalent to approximately RMB 2,475.5 million).

The Group had outstanding bank borrowings as at 31 December 2009 of approximately RMB12,840.4 million. The short-term and long-term borrowings amounted to approximately RMB1,864.6 million and RMB10,975.8 million respectively, accounting for 14.5% and 85.5% of the total borrowings respectively. As at the end of the Period, about 99.0% of the Group's debts were on unsecured basis.

The net borrowings to total equity ratio for the Group as at 31 December 2009 decreased to approximately 60.1% from 82.4% as at 30 June 2009.

On 9 February 2010, the Group, as the borrower, has entered into a facility agreement with Bank of China (Hong Kong) Limited and China Development Bank (Shenzhen branch) of which a 3-year term loan facility in an aggregate amount of up to US$500 million was made available to the borrower. On 19 March 2010, the Group has fully drawn down the term loan with an aggregate amount of US$500 million and repaid in full the syndicated loans outstanding under the facilities agreement dated 19 September 2006 and 18 June 2007 of approximately US$396 million on the same day. The remaining balance of approximately US$104 million will be used as working capital of the Group.

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 foreign currency borrowings. As at 31 December 2009, total foreign currency borrowings amounted to the equivalent of RMB4,102.4 million and RMB loans amounted to RMB8,738.0 million, representing 31.9% and 68.1% of the Group's borrowings respectively.

Capital Expenditures

The Group invested approximately RMB1,619.3 million for the construction of factory buildings, purchase of plant and machinery, and equipment during the Period, as compared to RMB2,946.8 million in the corresponding period of last year.

Capital Commitments and Contingencies

The Group made capital expenditure commitments mainly for machinery of approximately RMB5,161.4 million, which were contracted but not provided for in the financial statements as at 31 December 2009. These commitments were mainly related to the construction of PM27/28, PM29/30 and PM32/34 for the expansion of the Group's production capacity and improvement of certain existing production lines for enhancement of their profitability.

As of 31 December 2009, the Group had no material contingent liabilities.

OUTLOOK

Moving forward in 2010, domestic consumption in China will continue to grow on the back of government's policies. In anticipation of a gradually improving global economic outlook and fast recovering export trade, the second half of the year promises greater market potentials for the Group to tap. With ongoing efforts to adjust its product mix, upgrade its products and optimize its production equipment according to the evolving market dynamics, the Group is well positioned to capture economic growth at home. In constant pursuit of new technological know-how and better management, and with construction projects and upgrading of its equipment completing successively in the years ahead, the Group is on a firm footing to broaden and diversify its capabilities as well as enhance its profitability. This will put ND Paper into an unparalleled leadership position in the paper making industry, with an endeavour to strive for the best returns for its shareholders.

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.

INTERIM DIVIDEND

The Board has declared and approved an interim dividend of RMB2.00 cents (equivalent to approximately HK2.27 cents) per share for the Period, which is expected to be payable to the shareholders by post on Monday, 10 May 2010. 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 Friday, 23 April 2010. The translation of RMB into Hong Kong dollars is made at the exchange rate of HK$1.00 to RMB0.8793 as at 30 March 2010 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26 April 2010 to Wednesday, 28 April 2010, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 April 2010.

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.

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 (the "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 AND INTERIM REPORT

This results announcement is available for viewing on the website of HKExnews at www.hkexnews.hk under "Listed Company Information" and on the website of the Company at www.ndpaper.com. The interim report will be despatched to the shareholders of the Company and will also be available for viewing at the aforesaid websites in due course.

APPRECIATION

In addition to my gratitude to our management and staff, I would like to express my sincere appreciation to governments of various levels for providing a business-friendly environment that has allowed us to prosper and positively influence the lives of our employees while contributing to the success of our industry. I would also like to thank our shareholders, bankers and business partners for their support and look forward to sharing our continued success.

By Order of the Board
Cheung Yan
Chairlady

Hong Kong, 30 March 2010

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, Mr. Lau Chun Shun and Ms. Gao Jing; 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*