玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 2689

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RECYCLED PAPER

Annual Report 2013/2014

* For identification purposes only

The Nine Dragons Culture: Respect and care for our staff; Refinement and innovation in management; Perpetuating a brand that thrives for a century; Propagating the spirit of diligence.

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Contents printed on Land Dragon 100% Recycled Fiber Offset Paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Cheung Yan *(Chairlady)*
Mr. Liu Ming Chung *(Deputy Chairman and Chief Executive Officer)*
Mr. Zhang Cheng Fei *(Deputy Chief Executive Officer)*
Mr. Lau Chun Shun
Mr. Zhang Yuanfu *(Chief Financial Officer)*

Independent Non-Executive Directors

Ms. Tam Wai Chu, Maria *GBM, JP*
Mr. Ng Leung Sing *SBS, JP*
Dr. Cheng Chi Pang
Mr. Fok Kwong Man
Mr. Wang Hong Bo

EXECUTIVE COMMITTEE

Ms. Cheung Yan *(Chairlady)*
Mr. Liu Ming Chung
Mr. Zhang Cheng Fei

AUDIT COMMITTEE

Dr. Cheng Chi Pang *(Chairman)*
Ms. Tam Wai Chu, Maria *GBM, JP*
Mr. Ng Leung Sing *SBS, JP*
Mr. Wang Hong Bo

REMUNERATION COMMITTEE

Ms. Tam Wai Chu, Maria *GBM, JP (Chairlady)*
Mr. Ng Leung Sing *SBS, JP*
Dr. Cheng Chi Pang
Mr. Liu Ming Chung
Mr. Zhang Cheng Fei

NOMINATION COMMITTEE

Ms. Cheung Yan *(Chairlady)*
Ms. Tam Wai Chu, Maria *GBM, JP*
Mr. Fok Kwong Man
Dr. Cheng Chi Pang
Mr. Zhang Cheng Fei

CORPORATE GOVERNANCE COMMITTEE

Mr. Fok Kwong Man *(Chairman)*
Ms. Tam Wai Chu, Maria *GBM, JP*
Dr. Cheng Chi Pang
Ms. Cheung Yan
Mr. Zhang Cheng Fei

AUTHORISED REPRESENTATIVES

Mr. Zhang Cheng Fei
Ms. Cheng Wai Chu, Judy *ACS, ACIS*

COMPANY SECRETARY

Ms. Cheng Wai Chu, Judy *ACS, ACIS*

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AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

Conyers Dill & Pearman (Bermuda)
Sidley Austin (Hong Kong)
Zhong Lun Law Firm (PRC)

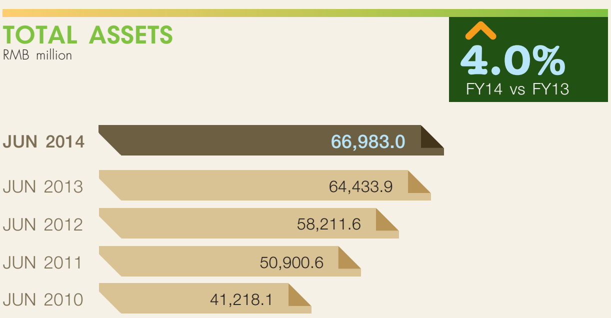
PRINCIPAL BANKERS

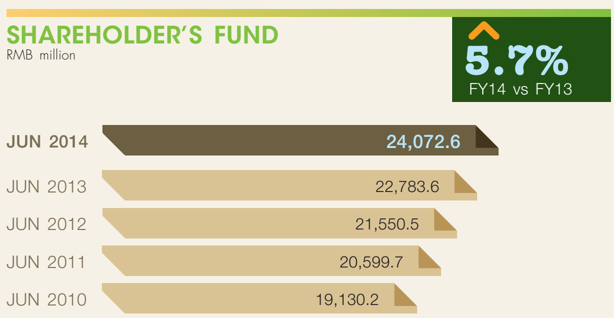
Bank of China
Bank of China (Hong Kong)
Bank of Communications
China Development Bank
Agricultural Bank of China
China Merchants Bank

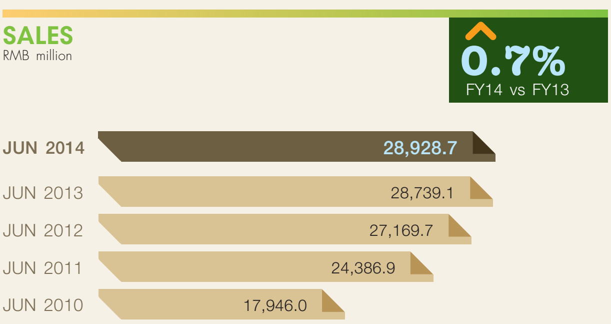
FINANCIAL HIGHLIGHTS

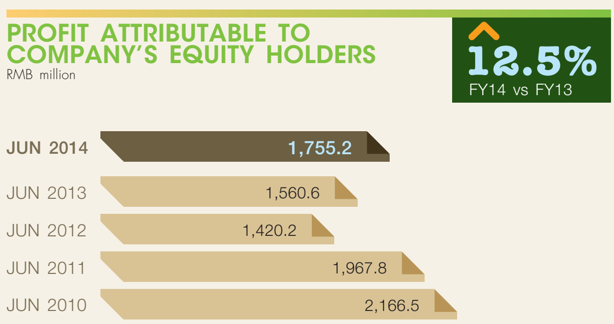
For the year ended 30 June	2014	2013	Change
Operating results (RMB million)			
Sales	28,928.7	28,739.1	0.7%
Gross profit	4,751.1	4,606.3	3.1%
Operating profit	3,622.9	3,342.2	8.4%
Profit before income tax	2,157.3	2,016.5	7.0%
Profit attributable to Company's equity holders	1,755.2	1,560.6	12.5%
Financial position (RMB million)			
Net cash generated from/(used in) operating activities	3,482.4	(1,703.1)	(304.5%)
Net debt	27,535.6	28,235.6	(2.5%)
Shareholders' funds	24,072.6	22,783.6	5.7%
Per share data (RMB cents)			
Earnings per share — basic	37.62	33.47	12.4%
Earnings per share — diluted	37.62	33.46	12.4%
Dividend per share			
— Interim	2.00	2.00	—
— Final	6.00	8.00	(25.0%)
Other data (RMB million)			
Capital expenditures	2,573.8	4,432.7	(41.9%)
Key ratios (%)			
Gross profit margin	16.4	16.0	0.4 pts
Operating profit margin	12.5	11.6	0.9 pts
Net profit margin	6.1	5.4	0.7 pts
EBITDA/ratio	18.8	17.9	0.9 pts
Return on capital employed	5.0	4.6	0.4 pts

- Group revenue increased by 0.7% to RMB28,928.7 million
- Profit attributable to equity holders of the Company increased by 12.5% to RMB1,755.2 million
- Net profit margin expanded 0.7 percentage points to 6.1%









MAIN PRODUCTS

01 LINERBOARD CATEGORY

1) Kraftlinerboard (Kraftliner)

Kraftlinerboard is unbleached linerboard manufactured from unbleached kraft pulp and recovered paper. The Group classifies different classes of products into Nine Dragons and Sea Dragon so as to cater to the different needs of the customers.

2) Testlinerboard (Testliner)

Testlinerboard is made of 100% recovered paper. It meets certain customers' requirements for lower cost and environmentally friendly purposes. The Group classifies different classes of products into Land Dragon kraftlinerboard, Sea Dragon testlinerboard and Land Dragon testlinerboard so as to cater to the different needs of the customers.

3) White Top Linerboard (White Top Liner)

White top linerboard is a three-ply sheet of which the surface layer is bleached, and caters to customers that require a white surface for appearance or superior printability. The Group classifies different classes of products into Nine Dragons and Sea Dragon so as to cater to the different needs of the customers.

4) Coated Linerboard (Coated Kraftliner)

Coated linerboard is a four-ply sheet of which the surface layer is coated on bleached kraft pulp. It possesses the characteristics of high performance (as that of kraftlinerboard) and high printability (as that of coated duplex board), which can replace the traditional coated duplex board.

02 HIGH PERFORMANCE CORRUGATING MEDIUM

Compared to standard corrugating medium, high performance corrugating medium, which undergoes surface sizing, achieves superior strength and physical properties for the same basis weight, which reduces packaging weight, bulk and the amount of material used, allowing customers to save on shipping costs. The Group offers high performance corrugating medium ranging from 50–180g/m^2, of which light weight high performance corrugating medium of 50, 60 and 70 g/m^2 are at a leading position in the industry. High performance corrugating medium satisfies the needs of the customers for different classes and weights. The Group classifies different classes of products into Nine Dragons, Sea Dragon and Land Dragon so as to cater to the different needs of the customers.

03 COATED DUPLEX BOARD

Coated duplex board is a type of boxboard with a glossy coated surface on one side for superior printability. This product is typically used as packaging material for small boxes that require high quality printability, such as consumer electronic products, cosmetics or other consumer merchandise. It can also be used in combination with high performance corrugating medium and linerboard for the outer layer of corrugated board. The Group classifies different classes of products into Nine Dragons, Sea Dragon and Land Dragon so as to cater to the different needs of the customers.

04 WHITE BOARD

White board (Folding Box Board) is a type of boxboard with a glossy coated surface layer and a bottom layer in bleached kraft pulp. This product is widely used in cigarettes and food product packaging, medicines, cosmetics and carrying bags.

05 PRINTING AND WRITING PAPER CATEGORY

1) Uncoated Woodfree Paper (Offset Paper)

Uncoated woodfree paper is suitable for printing books, teaching materials, magazines, notebooks and colour pictures. The Group offers high quality uncoated woodfree paper of 55–140g/m^2. This product has passed FSC certification. The Group classifies different classes of products into Nine Dragons, Sea Dragon and Land Dragon so as to cater to the different needs of the customers.

2) Office Paper (Copy Paper)

Office paper is suitable for colour printing and copying, colour inkjet and digital printing, high-speed black and white printing and copying for office uses. The surface of this product is processed with special technologies, minimizing the wear of office equipments. It has passed FSC certification. The recycled fiber multi-function office paper under the Sea Dragon brand is made of recovered paper and is more environmentally friendly.

CHAIRLADY'S REPORT

Dear Shareholders,

On behalf of the Group, I hereby present the annual results for the Year to all shareholders. On behalf of the Board, I would also like to express my heartfelt gratitude to all shareholders and friends from various sectors of the community for their care extended to the development of the Group.

The Group will continue to devise future business plans based on different condition of the markets where the bases are located, seeking steady profit growth while driving economies of scale and business diversification to generate more lucrative long-term investment return for shareholders.

During the Year, global economy showed prospects of further improvements, while the transformation of the Chinese economy and its industries was gaining pace. The paper-making industry was presented with stern challenges: the entire sector has entered a stage of large-scale reshuffling, as the closure of small/medium size paper-making enterprises intensified due to further tightened environmental policies under the government's strong reform efforts that were never seen before. The peak in new production capacities since 2012 has put pressure on the selling prices of products. Given increasingly stringent environmental policies and the state's determination to close down or suspend enterprises that cause pollution at all costs and step up with the elimination of outdated production capacities, capacity growth will be significantly hampered and the pressure created on industry supply will be relieved. As a large-scale environmentally-friendly enterprise set to benefit from the latest policy curb, ND Paper will seize new opportunities arising from the general upgrade of the industry. Meanwhile, the changing pattern of retail sales and related logistics driven by the rapid growth of online shopping has created enormous growth potential for the packaging paper market and made up for the drop in demand amid ongoing economic weakness. It can be envisaged that industry consolidation will gain pace with further closedowns of inefficient plants and enormous development opportunities for the better ones that stay on, and ND Paper's advantages in scale and its position as an industry leader will be further manifested as a result.

Notwithstanding austere market conditions, economic reforms did present the market with new opportunities. Undaunted by market challenges, the Group made strong efforts to reinforce management in all areas and pursue solid "inner power" enhancements, with internal cost control as a main focus in operations for the Year, so that the Group's business performance of the Year met expectations and adequate preparations were made for future development opportunities. During the Year, the Group continued to maintain balance between production and sales and normal inventory levels. All paper machines were operating in sound conditions at close to full capacity.

During the Year, the Group reported another record high sales volume of approximately 11.1 million tonnes. Sales of the Group amounted to approximately RMB28.9 billion, representing an increase of approximately 0.7% as compared with the last financial year. Gross profit amounted to approximately RMB4.8 billion and profit attributable to equity holders of the Company amounted to approximately RMB1.755 billion, representing an increase of approximately 12.5% as compared with the last financial year. Basic earnings per share was approximately RMB0.3762. The Board has recommended the distribution of a final dividend of RMB6.0 cents per share.

During the Year, the Group saw the successive smooth production commencement of PM35 and PM36 at the new Quanzhou base and PM38 at the Leshan base. As at 30 June 2014, the Group's total design production capacity has reached 13.50 million tpa. Following the production commencement of PM37 at the new Shenyang base in September 2014, the total design capacity of the Group has increased by another 350,000 tpa, further enhancing the nationwide presence of its production bases to leverage its regional advantage and enlarge its market share.

The Group has sought to lead the market in green paper-making by continually committing to the management philosophy of "No environmental management, no paper-making", assuring provision of competitive products and one-stop services to customers at operating standards that are better than the government's environmental requirements, with a view to sustainable and mutually beneficial development. The Group continued to use recovered paper as its principal raw material and played an important role in driving the recycling-based model of economic development in China and the rest of the world. During the Year, the Group adopted a more proactive approach in the procurement of recovered paper in China to effectively expand domestic sources for the procurement of recovered paper for its production bases. The purchase value of domestic recovered paper accounted for 34% of the total amount of the Group's purchase of recovered paper for the Year.

The liquidity market in China was relatively tight during the Year. The Group continued to adopt a prudent strategy in terms of treasury management and customer credit period. In addition to assuring strong cash inflow from regular operations and the availability of adequate credit support from domestic and overseas banks, the Group also sought to lower its borrowing costs by continuously adjusting the currency mix of its loans and exploring other financing sources through various forms of financing, taking into full consideration of interest rates, foreign exchange rates and conditions of the currency market. The Group's net debt to total equity ratio and average loan interest rate were steadily decreasing, while the depreciation of RMB during the second half of the Year, which reflected normal volatility associated with the currency market, only had a short-term impact on the book value of the Group's borrowings denominated in foreign currencies. For the Year, the Group recorded exchange gains from financing activities of approximately RMB16 million.

OUTLOOK AND ACKNOWLEDGEMENT

Looking ahead, further improvements in global economic prospects are expected, while China will remain in a crucial period for the transformation of its economic structure associated with numerous challenges as well as boundless opportunities. In the long run, as the packaging paper industry is closely associated with national retail sales and characterized by capital intensiveness and prominent economies of scale, the Group will be able to enlarge its market share, improve its bargaining power and enhance its profitability by further leveraging its strengths in the use of recovered paper for paper production, product diversification and economies of scale. With a larger and stronger business platform built over years of diligent efforts and vigorous development, the Group has full confidence to take on any changes and challenges in the market and further fortify its position as industry leader on the back of highly automated equipment, stable and strong production capability, stringent product quality management, efficient procurement processes, cost control and staff training. Meanwhile, the Group will continue to conscientiously perform its corporate responsibility in environmental protection by complying with all government requirements relating to environmental protection, energy conservation and emission reduction of enterprises and strengthening its internal measures on environmental protection and energy conservation on an ongoing basis.

The Group's stage-by-stage expansion has been accomplished. In connection with PM2 (VN) at the Vietnam base, originally scheduled for production commencement in 2015, the Group will closely monitor the situation in Vietnam and make reasonable adjustments in a prudent manner based on developments in the local market. Meanwhile, PM39 at the Shenyang base is planned to commence production by the end of 2016, bringing the Group's total design production capacity to over 14 million tpa. The Group will continue to devise future business plans based on different conditions of the markets where the bases are located, seeking steady profit growth while driving economies of scale and business diversification to generate more lucrative long-term investment return for shareholders.

On behalf of all members of the Board, I would like to take this opportunity to express my sincere gratitude to the management and all staff members for their dedication to and trust in ND Paper, as well as to governments at all levels, investors, banks and business partners who have been supporting the Group all along.

Cheung Yan
Chairlady

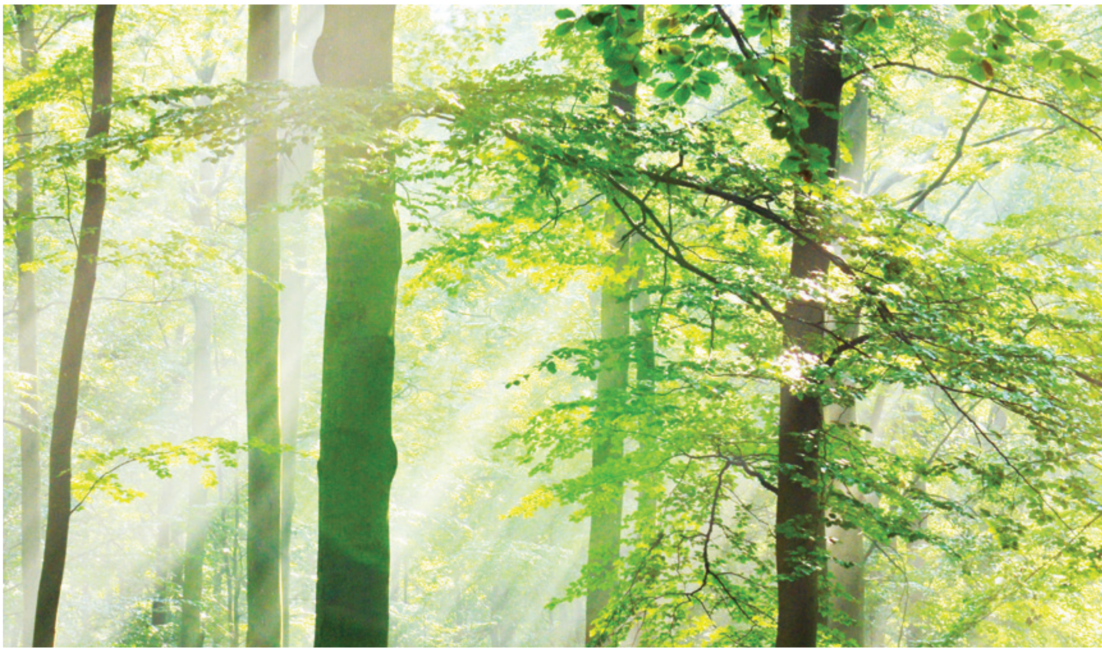
Hong Kong, 24 September 2014

CHIEF EXECUTIVE OFFICER'S OPERATION REVIEW AND OUTLOOK

Dear Shareholders,

I hereby present the review of operation and outlook of the Group for the Year.

In firm adherence to the philosophy of "No environmental management, no paper-making", the Group will continue to pursue cost control as a perpetual goal, forging an even stronger foundation for prudent and sustainable development in future as it broadens its scope of profitability and highlight its value as an industry leader.



REVIEW OF OPERATIONS

Stringent internal cost control and improved profitability

Under the general trend of China's massive economic transformation and the tightening of its national environmental policies, the country's packaging paper industry has also entered a stage of transformation and reshuffling. Faced with austere market conditions, the Group carried out internal cost control as a main focus in its operations for the Year. Through ongoing strengthening of management, control of raw material costs and reduction in logistics expenses in addition to stringent controls, as always, over procurement processes, production costs and capital expenditure, the Group has achieved considerable success in further lowering its operating costs. Moreover, the product portfolio and quality were continually improved and production efficiency was effectively enhanced by paper machine upgrading. During the Year, the Group's inventory, trade receivables and payables for the period remained stable at healthy levels, while the enviable record of being free from any bad debt continued to be upheld.

As a result of the aforesaid measures, the Group sustained stable profit growth amidst less than favourable market conditions. Sales of the Group amounted to approximately RMB28.9 billion for the Year, representing an increase of approximately 0.7% over the last financial year. Total sales volume of packaging paper and printing and writing paper amounted to approximately 11.0 million tonnes for the Year, representing an increase of approximately 5.7% from the last financial year. The total sales volume included approximately 5.24 million tonnes of linerboard, approximately 2.85 million tonnes of high performance corrugating medium, approximately 2.48 million tonnes of coated duplex board and approximately 0.45 million tonnes of printing and writing paper.

During the Year, the Group added 950,000 tpa to its total annual design production capacity, comprising PM35 (kraftlinerboard) and PM36 (testlinerboard) at the new Quanzhou base and PM38 (high performance corrugating medium) at the Leshan base, which commenced production in August 2013, October 2013 and January 2014 respectively, with respective annual design capacity of 350,000 tpa, 300,000 tpa and 300,000 tpa. As at 30 June 2014, the Group's total annual design production capacity was 13.50 million tpa. Following the production commencement of PM37 (kraftlinerboard) at the new Shenyang base in September 2014, the total annual design capacity of the Group has further increased to 13.85 million tpa. The successive production commencement of the two new bases in Quanzhou and Shenyang marked the completion of the Group's endeavour to establish its presence across the major manufacturing hubs in China. The supply of various products manufactured by the aforesaid paper machines to these local markets has enlarged the Group's market shares and is set to generate further revenue contributions to the Group in future.

The Group's ongoing drive for innovation in management, technology and products has won wide recognition from stakeholders. The Group was ranked No. 30 in "China's Top 500 Private Enterprises 2014" in August 2014. In addition, a total of 118 patents have been obtained and another 37 patents are in the process of application or pending approval.

Stringent compliance with national environmental policies as leader in green paper-making

In connection with environmental protection and emission reduction, the Group continued to conduct conscientious and comprehensive implementation of all pertinent government policies and regulations. We have adopted a state-of-the-art four-stage process for wastewater treatment to further optimize our in-depth processing of wastewater, such that our performance in water discharge has achieved relevant national and local standards. In addition, our Group has also installed advanced gas emission treatment facilities and enhanced our overall utilisation of solid wastes, meeting or exceeding government requirements to establish ourselves as an exemplary model in the paper-making industry. During the Year, the Group's bases continued to obtain ISO14001 environmental management certification, while FSC certification was also received.

Commitment to the people-oriented management philosophy underpinned by respect and care for our staff

In line with its people-oriented management philosophy, ND Paper regards "respect and care for our staff" as a mission of top priority. During the Year, the Group continued to provide to its staff various training and career development plans, a comprehensive system for promotion and performance assessment, competitive remuneration and benefits as well as a safe and secure workplace. Furthermore, to satisfy the employees' discerning demands for the cultural aspects of life, garden-style housing complexes complemented by a wide range of facilities, such as cultural and sports centres, sports grounds and swimming pools, have been built at various production bases.

OUTLOOK

In the coming year, the government is expected to put in more vigorous efforts in eliminating outdated production capacities, which will be replaced by with new capacities of larger scale and higher efficiency. This general trend will provide the Group with sound opportunities for advancing its development. Meanwhile, the enormous retail spending power in China, in particular the rapidly growing spending power in online shopping, will offer long-term support for the sustainable development of the packaging paper industry.

In firm adherence to the philosophy of "No environmental management, no paper-making", the Group will continue to pursue cost control as a perpetual goal. On this basis and with its full presence in China's major manufacturing hubs, the Group will continue to seek technological innovations and production efficiency enhancements with a constant emphasis on product diversification and quality, customer service, economies of scale and the maintenance and enhancements of various resources, forging an even stronger foundation for prudent and sustainable development in future as it broadens its scope of profitability and highlights its value as an industry leader.

Liu Ming Chung
Deputy Chairman and Chief Executive Officer

Hong Kong, 24 September 2014

MANAGEMENT DISCUSSION AND ANALYSIS

With a larger and stronger business platform built over years of diligent efforts and vigorous development, the Group has full confidence to take on any changes and challenges in the market.

BUSINESS ANALYSIS

Review of Operations

As the largest containerboard manufacturer in Asia, ND Paper is primarily engaged in the production and sale of a broad variety of packaging paperboard products, including linerboard (kraftlinerboard, testlinerboard and white top linerboard), high performance corrugating medium and coated duplex board, as well as produces and sells recycled printing and writing paper (including uncoated woodfree paper, copy paper, etc.) and specialty paper.

As the Chinese economy underwent massive transformation and the state further tightened its environmental policies, the packaging paper industry in China was presented with stern challenges: the entire sector has entered a stage of large-scale reshuffling. The peak in new production capacities since 2012 has put pressure on the selling prices of products. Meanwhile, the changing pattern of retail sales and related logistics driven by the rapid growth of online shopping has created enormous growth potential for the packaging paper market and made up for the drop in demand amid ongoing economic weakness.

Notwithstanding austere market conditions, the Group was undaunted by market challenges and made strong efforts to reinforce management in all areas and pursue solid "inner power" enhancements, with internal cost control as a main focus in operations for the Year. Through ongoing strengthening of management, and control of raw material costs and reduction in logistics expenses in addition to stringent controls, as always, over procurement processes, production costs and capital expenditure, the Group has achieved considerable success in further lowering its operating costs to ensure that business performance of the Year met expectations. Moreover, the product portfolio and quality were continually improved and production efficiency was effectively enhanced by paper machine upgrading. During the Year, the Group continued to maintain balance between production and sales and normal inventory levels. All paper machines were operating in sound conditions at close to full capacity. Trade receivables and payables for the period remained stable at healthy levels, while the enviable record of being free from any bad debt continued to be upheld.

During the Year, the Group saw the smooth completion of construction and production commencement of 3 new paper machines, adding 950,000 tpa to its total design production capacity. These new machines included PM35 (kraftlinerboard) and PM36 (testlinerboard) at the new Quanzhou base and PM38 (high performance corrugating medium) at the Leshan base, which commenced production in August 2013, October 2013 and January 2014 respectively, with respective design capacity of 350,000 tpa, 300,000 tpa and 300,000 tpa. As at 30 June 2014, the Group's total design production capacity has reached 13.50 million tpa. Following the production commencement of PM37 (kraftlinerboard) at the new Shenyang base in September 2014, the total design capacity of the Group has further increased to 13.85 million tpa. The successive production commencement of the two new bases in Quanzhou and Shenyang marked the completion of the Group's endeavour to establish its presence across the major manufacturing hubs in China. The supply of various products manufactured by the aforesaid paper machines to these local markets has enlarged the Group's market share and is set to generate further revenue contributions to the Group in future.

The current design production capacities for packaging paperboard and printing and writing paper at the Group's production bases (including Vietnam)

Breakdown by product category	million tpa
Linerboard	7.23
Corrugating medium	3.40
Coated duplex board	2.60
Total design production capacities of packaging paperboard	13.23
Recycled printing and writing paper	0.45

Distribution by location	
Dongguan	38.38%
Taicang	22.15%
Chongqing	9.87%
Tianjin	15.72%
Quanzhou	4.75%
Shenyang	2.56%
Hebei Yongxin	3.65%
Leshan	2.19%
Vietnam	0.73%
Total	100.00%

The current number of paper machines for packaging paperboard and printing and writing paper at the Group's production bases (including Vietnam)

Distribution by location	
Dongguan	15
Taicang	8
Chongqing	3
Tianjin	5
Quanzhou	2
Shenyang	1
Hebei Yongxin	2
Leshan	1
Vietnam	1
Total	38

The liquidity market in China was relatively tight during the Year. The Group continued to adopt a prudent strategy in terms of treasury management and customer credit period. In addition to assuring strong cash inflow from regular operations and the availability of adequate credit support from domestic and overseas banks, the Group also actively explored new financing sources in a bid to lower borrowing costs. The Group's budget for capital expenditure has substantially decreased as compared to the past, and it is expected that improvements in its financial conditions and indebtedness will be seen, with its net debt to total equity ratio and average loan interest rate steadily decreasing.

The Group has sought to lead the market in green paper-making by continually committing to the fundamental philosophy of "No environmental management, no paper-making", assuring conscientious and comprehensive implementation of all pertinent government policies and regulations and provision of competitive products and one-stop services to customers at operating standards that outperform government environmental requirements, with a view to sustainable and mutually beneficial development. During the Year, the Group's bases continued to obtain ISO14001 environmental management certification, while FSC certification was also received.

The Group continued to use recovered paper as its principal raw material. It has played an important role in driving the recycling-based model of economic development in China and the rest of the world. During the Year, the Group adopted a more proactive approach in the procurement of recovered paper in China to effectively expand domestic sources for the procurement of recovered paper for its production bases. The purchase value of domestic recovered paper accounted for approximately 34% of the total amount of the Group's purchase of recovered paper for the Year.

The Group's ongoing drive for innovation in management, technology and products has won wide recognition from stakeholders. The Group was ranked No. 30 in "China's Top 500 Private Enterprises 2014" in August 2014. In addition, a total of 118 patents have been obtained and another 37 patents are in the process of application or pending approval.

The Group has adequate land reserves to accommodate existing operations and prepare for future business development. As at 30 June 2014, the Group had secured land use rights for sites with an aggregate area of 12.64 million sq.m.

To support stable and low-cost production, 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. The aggregate installed capacity at its Dongguan, Taicang, Chongqing, Tianjin and Quanzhou bases is 1,404 MW, providing adequate and stable electricity power as well as steam for use in the drying process in production.

As at 30 June 2014, the Group employed a total of approximately 17,800 full-time staff and continued to obtain OHSAS18001 certification for its occupational health and safety management system.

Business Strategy and Development Plan

With a larger and stronger business platform built over years of diligent efforts and vigorous development, the Group has full confidence to take on any changes and challenges in the market. ND Paper firmly adheres to the philosophy of "No environmental management, no paper-making", and cost control will be a perpetual goal pursued by the Group, while seeking technological innovations and production efficiency enhancements on the back of highly automated equipment, stable and strong production capability, stringent product quality management, efficient procurement processes, cost control and staff training, as well as the emphasis on product diversification, customer service, economies of scale and the maintenance and enhancements of various resources, in a bid to forge an even stronger foundation for prudent and sustainable development in future and fortify the Group's leading position in the industry.

With a comprehensive coverage of the major manufacturing hubs in China, the Group's expansion plan for this stage has basically been accomplished. As for PM2(VN) at the Vietnam base, originally scheduled for production commencement in 2015, the Group will closely monitor the situation in Vietnam and make reasonable adjustments in a prudent manner based on developments in the local market. Meanwhile, PM39 at the Shenyang base is planned to commence production by the end of 2016, bringing the Group's total design production capacity to over 14 million tpa. The Group will continue to devise future business plans based on different conditions of the markets where the bases are located, seeking to enhance profitability while driving economies of scale and business diversification to generate more lucrative long-term investment return for shareholders.

FINANCIAL REVIEW

Sales

The Group achieved a revenue of approximately RMB28,928.7 million for FY2014, representing a slightly increase of approximately 0.7% as compared with the last financial year. The major contributor of the Group's revenue was still its packaging paper business, including linerboard, high performance corrugating medium and coated duplex board, which accounted for 92.2% of the revenue, with the remaining revenue of 7.8% generated from its recycled printing and writing paper, pulp and high value specialty paper products business.

The Group's revenue for FY2014 increased by 0.7% as compared with the last financial year, mainly driven by approximately 5.6% increase in sales volume, while drop in average selling price by approximately 4.7% for FY2014 as compared with the last financial year. Revenue of linerboard, high performance corrugating medium, coated duplex board and recycled printing and writing paper for FY2014 accounted for 47.3%, 22.5%, 22.4% and 6.7% respectively of the total revenue, compared to 49.5%, 23.5%, 19.1% and 6.8% respectively in the last financial year.

The Group's annual design production capacity in packaging paperboard and recycled printing and writing paper under commercial operation as at 30 June 2014 was 13.03 million tpa, comprising 6.88 million tpa of linerboard, 3.10 million tpa of high performance corrugating medium, 2.60 million tpa of coated duplex board and 0.45 million tpa of recycled printing and writing paper. In FY2014, the Group's total sales volume of packaging paperboard products and recycled printing and writing paper reached approximately 11.0 million tonnes, representing an increase of approximately 5.7% as compared to the last financial year. The increase of sales volume of packaging paperboard and recycled printing and writing paper was supported by the contribution from the newly introduced PM35 and PM36 in Quanzhou, which commenced its commercial operation in March 2014, and the full year operation in FY2014 of PM34 in Tianjin, which commenced their commercial operation in January 2013.

The sales volume of linerboard, high performance corrugating medium, coated duplex board and recycled printing and writing paper for FY2014 increased by approximately 0.6%, 0.8%, 27.5% and 0.1% respectively.

The majority of the Group's sales continued to be realised from the domestic market, in particular from the linerboard and high performance corrugating medium sectors. For FY2014, revenue related to domestic consumption represented 90.9% of the Group's total revenue, while the remaining revenue of 9.1% are sales denominated in foreign currencies which primarily represented sales made to foreign invested processing enterprises.

For FY2014, sales to the Group's top five customers in aggregate accounted for approximately 5.2% (FY2013: 5.0%) of the Group's revenue, with that to the single largest customer accounted for approximately 1.7% (FY2013: 1.5%).

Gross profit

The gross profit for FY2014 was approximately RMB4,751.1 million, an increase of RMB144.8 million or increased by 3.1% as compared with RMB4,606.3 million in the last financial year. The gross margin increased from 16.0% in FY2013 to 16.4% in FY2014.

Selling and marketing costs

Selling and marketing costs were approximately RMB525.7 million in FY2014, decreased by 22.4% as compared with RMB677.7 million in FY2013. The total amount of selling and distribution costs as a percentage of the Group's revenue decreased from 2.4% in the last financial year to approximately 1.8% in FY2014, which was mainly due to more customers were to pick up the finished goods by themselves instead of delivery by the Group to capture the price discount and tax benefit in relation to transportation tax reform and the cost efficiency with the increase in the Group's scale of operation.

Administrative expenses

Administrative expenses increased by 2.3% from RMB802.0 million in the last financial year to approximately RMB820.7 million in FY2014. The amount of administrative expenses as a percentage of group revenue remained at 2.8% in FY2014 and FY2013.

Operating profit

The operating profit for FY2014 was approximately RMB3,622.9 million, an increase by 8.4% over the last financial year. The operating profit margin increased from 11.6% in FY2013 to 12.5% in FY2014.

Finance costs

Finance costs increased by 14.7% to approximately RMB1,573.5 million in FY2014 from RMB1,372.4 million in the last financial year. If the exchange gains on financing activities of approximately RMB15.8 million in FY2014 and RMB161.9 million in FY2013 were excluded, the finance costs remained relatively stable of approximately RMB1,589.3 million in FY2014 as compared with RMB1,534.3 million in the last financial year.

The increase was mainly due to the decrease in foreign exchange gains on financing activities by approximately RMB146.1 million in FY2014 as compared to last financial year; and substantial decrease in interest capitalized in property, plant and equipment by approximately RMB126.9 million; and offset by the decrease in bills discounts charges by approximately RMB74.6 million in FY2014 as compared to last financial year.

Income tax expense

Income tax charged for the FY2014 amounted to approximately RMB370.3 million and decreased by approximately RMB55.5 million as compared with the last financial year. The decrease in income tax expense was mainly due to the merge of subsidiaries in certain production bases and the introduction of preferential rate in Tianjin base with effective from January 2014.

The Group's average effective tax rate decreased from 21.1% in FY2013 to approximately 17.2% in FY2014.

Net profit

The profit attributable to the equity holders of the Company in FY2014 was approximately RMB1,755.2 million, representing an increase of approximately RMB194.5 million, or increased by 12.5% over the last financial year, whilst the profit attributable to the equity holders of the Company margin increased from 5.4% in FY2013 to 6.1% in FY2014.

Dividend

In FY2014, the Group paid an interim dividend of RMB2.0 cents per share, which amounted RMB93.3 million. The directors have proposed a final dividend of RMB6.0 cents per share, which will aggregate approximately RMB280.0 million. The total dividend for FY2014 amounted to RMB8.0 cents per share. The pay out ratio has decreased from 29.9% in the last financial year to 21.3% in FY2014 to retain more cash in hand for the purpose of repayment of bank borrowings and to achieve a lower gearing ratio.

Working capital

The inventories increased by 19.7% to approximately RMB4,523.3 million in FY2014 from RMB3,778.8 million in the last financial year. Inventories mainly comprise raw materials (mainly recovered paper, coal and spare parts) of approximately RMB2,779.1 million and finished goods of approximately RMB1,744.2 million.

The raw materials increased by 9.2% to approximately RMB2,779.1 million in FY2014 from RMB2,544.2 million in the last financial year. The increase in raw materials balances was mainly due to the increase in the storage of recovered paper of PM35 and PM36 in Quanzhou and PM37 in Shenyang.

The finished goods increased by approximately 41.3% to approximately RMB1,744.2 million in FY2014 from RMB1,234.6 million in the last financial year. The increase was mainly contributed by the newly introduced PMs which commenced its commercial operation in FY2014 and the result of the larger sales volume and wider geographical coverage.

As a result, during FY2014, raw material (excluding spare parts) turnover days increased to approximately 29 days as compared to 26 days for FY2013 while the finished goods turnover days increased to approximately 26 days as compared to 19 days for FY2013.

Trade and bills receivables were approximately RMB4,894.6 million, decreased by 12.6% from approximately RMB5,600.3 million in FY2013. During FY2014, the turnover days of trade receivables were approximately 27 days for FY2014 which was in line with credit terms granted by the Group to its customers.

Trade and bills payables were approximately RMB3,243.2 million, decreased by 4.7% from approximately RMB3,403.5 million in FY2013. The turnover days of trade and bills payable were approximately 49 days for FY2014 which was in line with the credit period granted by most suppliers.

Liquidity and financial resources

The working capital and long-term funding required by the Group in FY2014 primarily comes from its operating cash flows and borrowings, while the Group's financial resources are used in its capital expenditures, operating activities and repayment of borrowings.

The Group's cash generated from operations increased from RMB36.0 million in FY2013 to approximately RMB5,371.1 million in FY2014, representing an increase of RMB5,335.1 million. The increase was attributable primarily to the changes in working capital, mainly due to the decrease in both trade and bills receivables; and trade and other payables. In terms of available financial resources as at 30 June 2014, the Group had total undrawn banking facilities of approximately RMB23,918.9 million and cash and cash equivalents and restricted cash of approximately RMB7,938.4 million.

The cash and cash equivalents and restricted cash increased by approximately RMB1,868.0 million from RMB6,070.5 million as at 30 June 2013 to approximately RMB7,938.4 million as at 30 June 2014.

As at 30 June 2014, the shareholders' funds were approximately RMB24,072.6 million, an increase of approximately RMB1,289.0 million from that of the last financial year. The shareholders' fund per share increased from RMB4.9 in FY2013 to RMB5.2 in FY2014.

For the year ended 30 June 2014, the Group's net cash generated from operating activities of approximately RMB3,482.4 million, after deduction of the payment for property, plant and equipment of approximately RMB2,573.8 million, the Group recorded free cash flow of approximately RMB908.6 million.

Debts Management

The Group's outstanding borrowings increased by approximately RMB1,167.9 million from RMB34,306.1 million as at 30 June 2013 to approximately RMB35,474.0 million as at 30 June 2014. The short-term and long-term borrowings amounted to approximately RMB12,349.6 million and approximately RMB23,124.4 million respectively, accounting for 34.8% and 65.2% of the total borrowings respectively. As at 30 June 2014, about 97.9% of the Group's debts were on unsecured basis.

The net debt to total equity ratio of the Group decreased from 121.3% as at 30 June 2013 to approximately 111.9% as at 30 June 2014. The Board will closely monitor the Group's net debt to total equity ratio and reduce the borrowing gradually.

Treasury policies

The Group has established a treasury policy with the objective of achieving better control of treasury operations and 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 foreign currency exchange rates and interest rates on specific transactions, foreign currency borrowings, currency structured instruments and other appropriate financial instruments will be used to hedge material exposure.

It is the policy of the Group not to enter into any derivative products 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 compare 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 30 June 2014, total foreign currency borrowings amounted to the equivalent of approximately RMB21,434.2 million and loans denominated in RMB amounted to approximately RMB14,039.8 million, representing approximately 60.4% and 39.6% of the Group's borrowings respectively. During FY2014, the Group used forward contact and option to manage its foreign exchange risk arising from foreign currency borrowings.

Cost of borrowing

The effective interest rate as at 30 June 2014 were approximately 4.2% and 3.3% per annum as compared to 4.4% and 3.7% per annum as at 30 June 2013 for long-term borrowings and short-term borrowings respectively. The gross interest and finance charges (before interest capitalised, interest income and impact from derivative financial instruments) increased to approximately RMB1,721.7 million in FY2014 from RMB1,651.4 million in FY2013.

Capital expenditures

The Group's payments for the construction of factory buildings, purchase of plants, machineries and equipments during FY2014 were approximately RMB2,573.8 million. These capital expenditures were fully financed by internal resources and borrowings.

Capital commitments

The Group made capital expenditure commitments mainly for machineries of approximately RMB2,476.5 million which were contracted or authorised but not provided for in the financial statement. These commitments were mainly related to the construction of PM39 and a new paper machine in Vietnam for the expansion of the Group's production capacity and improvement of certain existing production lines for a better cost control and enhancement of their profitability.

Contingencies

As at FY2014, the Group had no material contingent liabilities.

THE GROUP IN THE LAST FIVE YEARS

In millions of RMB

	For the year ended 30 June				
Consolidated Income Statement	**2014**	**2013**	**2012**	**2011**	**2010**
Sales	28,928.7	28,739.1	27,169.7	24,386.9	17,946.0
Cost of goods sold	(24,177.6)	(24,132.8)	(22,832.3)	(20,160.1)	(14,033.4)
Gross profit	4,751.1	4,606.3	4,337.4	4,226.8	3,912.6
Other income/(expenses) and other gains/(losses), net	218.1	215.6	62.7	84.7	33.6
Selling and marketing costs	(525.6)	(677.7)	(667.9)	(526.4)	(355.1)
Administrative expenses	(820.7)	(802.0)	(662.2)	(627.4)	(479.9)
Operating profit	3,622.9	3,342.2	3,070.0	3,157.7	3,111.2
Finance income	70.4	46.0	46.7	21.3	8.8
Finance costs	(1,573.5)	(1,372.4)	(1,208.6)	(775.2)	(541.1)
Share of profit of an associate	37.5	0.7	—	—	—
Profit before income tax	2,157.3	2,016.5	1,908.1	2,403.8	2,578.9
Income tax expense	(370.3)	(425.8)	(449.5)	(388.7)	(359.3)
Profit for the year	1,787.0	1,590.7	1,458.6	2,015.1	2,219.6
Profit attributable to:					
Equity holders of the Company	1,755.2	1,560.6	1,420.2	1,967.8	2,166.5
Non-controlling interests	31.8	30.1	38.4	47.3	53.1

	For the year ended 30 June				
Consolidated Statement of Cash Flows	**2014**	**2013**	**2012**	**2011**	**2010**
Net cash generated from/(used in) operating activities	3,482.4	(1,703.1)	4,020.7	2,902.2	(81.1)
Net cash used in investing activities	(2,480.1)	(4,367.0)	(4,228.0)	(8,835.8)	(4,320.2)
Net cash generated from financing activities	890.7	7,752.7	2,089.3	6,128.7	5,253.1
Net increase in cash and cash equivalents	1,893.0	1,682.6	1,882.0	195.1	851.8

In millions of RMB

	As at 30 June				
Consolidated Balance Sheet	**2014**	**2013**	**2012**	**2011**	**2010**
Total assets	66,983.0	64,433.9	58,211.6	50,900.6	41,218.1
Inventories	4,523.3	3,778.8	4,195.9	2,557.6	3,765.0
Trade and bills receivables	4,894.6	5,600.3	2,920.8	3,502.5	2,549.1
Other receivables and prepayments	2,231.0	2,493.5	2,534.6	1,805.4	836.7
Tax recoverable	13.0	1.3	18.7	42.2	29.7
Derivative financial instruments	3.5	—	—	—	—
Cash and cash equivalents and restricted cash	7,938.4	6,070.5	4,368.2	2,597.7	2,341.0
Total current assets	19,603.8	17,944.4	14,038.2	10,505.4	9,521.5
Property, plant and equipment	45,599.2	44,690.8	42,360.5	38,628.2	30,157.5
Land use rights	1,479.8	1,522.7	1,557.6	1,515.5	1,299.6
Intangible assets	223.2	225.7	230.3	234.8	239.5
Investment in an associate and a joint venture	52.7	10.1	—	—	—
Deferred income tax assets	24.3	40.2	25.0	16.7	—
Total non-current assets	47,379.2	46,489.5	44,173.4	40,395.2	31,696.6
Total liabilities	42,383.5	41,153.0	36,229.9	29,880.0	21,841.4
Trade and bills payables	3,243.2	3,403.5	5,731.3	2,311.2	2,452.7
Other payables and deposits received	1,649.5	1,673.2	2,710.3	2,492.6	1,835.9
Current income tax liabilities	354.3	354.1	287.6	194.2	173.1
Short-term borrowings	12,349.7	8,616.1	5,102.3	3,003.2	2,055.6
Derivative financial instruments	2.7	—	—	—	1.9
Total current liabilities	17,599.4	14,046.9	13,831.5	8,001.2	6,519.2
Long-term borrowings	23,124.4	25,690.0	21,192.5	20,973.5	14,604.1
Deferred income tax liabilities	1,628.3	1,372.5	1,137.5	905.3	710.9
Other payables	31.4	43.6	55.4	—	—
Deferred government grants	—	—	13.0	—	7.2
Total non-current liabilities	24,784.1	27,106.1	22,398.4	21,878.8	15,322.2
Net current assets	2,004.4	3,897.5	206.7	2,504.2	3,002.3
Total assets less current liabilities	49,383.6	50,387.0	44,380.1	42,899.4	34,698.9
Capital and reserves attributable to equity holders of the Company	24,072.6	22,783.6	21,550.5	20,599.7	19,130.2
Non-controlling interests	526.9	497.3	431.2	420.9	246.5

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Since its first proposition by the United Nations World Commission on Environment and Development in 1987, the idea of "sustainable development" has become an important notion for every enterprise and individual. As the world's largest in environmentally friendly recovered paper based paper manufacturing, ND Paper has been committed to the cause of seeking balance between economic growth and social development. Therefore, by ensuring the development of our business, we also strive to create more employment opportunities for the community and contribute to the economic development of our nation in a more significant manner. As an environmentally friendly enterprise, we consider environmental management as the key to long-term viability for an enterprise, as we have forged a solid foundation for an enterprise that will thrive for a century with the establishment of using recovered paper as raw material for paper making in China.

GREEN PAPER-MAKING, LOW-CARBON LIFE

The perpetual recycling of resources is the foundation to a green economy. In carrying out ND Paper's sustainable business development, our mission is "the use of recovered paper for paper making and protecting the environment to create a greener and better future for mankind". We commit ourselves to the corporate vision of "No environmental management, no paper making" as an essential part of our social responsibility philosophy, making significant investments incessantly on cutting-edge technology and equipment so as to ensure that our various environmental and energy consumption indices are better than government requirements, while environmental awareness has been fostered among the Group's employees and manifested in our products.

WIN-WIN ENVIRONMENTALLY FRIENDLY STRATEGY

- Conservation of resources
- Substantial reduction of non-compliance risks in a more effective manner
- Higher operating efficiency

"CONSERVING ENERGY AND REDUCING CONSUMPTION"

- Effective reduction of water and electricity consumption in production
- Design model of paper machines and lightings at workshops compliant with energy conservation principles
- Control of pollutant generation at source
- 100% recycling of white water generated during the operation of paper machines after processing

RECOVERED PAPER AS FOREST

ND Paper endeavors to use recovered paper as the major raw material to manufacture a variety of recycled-based paper products. Recycling of recovered paper is an important aspect of environmental protection. Using recovered paper to produce paper has the advantages of saving on resources, reducing pollution as well as lowering the consumption of energy, clean water and chemicals. Based on our understanding, approximately 3.5 m^3 of wood materials, 600 kwh of electricity and 40 tonnes of water can be saved by making use of just 1 tonne of recovered paper in paper production, as compared with using 1 tonne of wood materials. The emission and discharge of various waste materials can also be reduced. That is why recovered paper enjoys the recognition as the "Forest in the city". Under the strong advocacy of ND Paper, paper recycling rate in China is increasing year by year. As recovered paper resources are better utilized through proactive recycling, we have made a significant contribution to the environmental aspect.

ADVANCED WASTEWATER TREATMENT FACILITIES

ND Paper procures water conservation at source. For each production line, we have installed an advanced wastewater recycling system to recycle water used in production. At the end of the production process, we have not only introduced the internationally advanced anaerobic + aerobic technology, the first of its kind in the domestic industry, but have also carried out diligent technological research and adopted a state-of-the-art four-stage treatment process (anaerobic + aerobic + air flotation + Fenton treatment) to further optimize our in-depth processing of wastewater, such that our performance in water discharge has outperformed relevant national and local standards.

A STATE-OF-THE-ART FOUR-STAGE TREATMENT PROCESS:

anaerobic
+
aerobic
+
air flotation
+
Fenton treatment

Methane produced during the biochemical treatment of wastewater will be recycled into biological clean energy to provide fuel for the heat and electricity boiler system. Meanwhile, centralized management has been further enhanced with the installation of a programmable logic controller (PLC) system and an online monitoring system to monitor wastewater discharge.

ND Paper is in compliance with government standards in terms of environmental benchmarks relating to COD, BOD_5, SS and pH.

TOPPED-OUT SEWAGE TREATMENT PLANT TANKS

To thoroughly resolve the odor problem arising from treatment of wastewater generated from paper-making operations, ND Paper implemented tank topped-out, ventilation and deodorization processes at the odoriferous sources in a pioneering move for the paper-making industry. We have established a series of tank topped-out and biological deodorization system for the sewage treatment plants within the plant area. The tank topped-out project can top out odoriferous sources, such as primary sedimentation tank, hydrolytic acidation cell and sludge thickener with anti-ceiling UV coated hood supported by steel, and divert the odor to the biological deodorization system through the induced draft fan.

Through the construction of greenbelts and the operation of the biological deodorization system, which have substantially lowered the diffusion of odor generated by the odoriferous sources at the site and effectively removed harmful substances in the odor, the impact of odor on the environment and our staff has been significantly mitigated. In addition to the advanced wastewater treatment system, we are also committed to delivering optimal performance in the following measures in gas-related environmental protection and energy conservation:

- **Emission control**
  - The environmentally friendly circulating fluidized bed incinerator can effectively incinerate a wide range of low-grade fuels (waste paper pulp, light slag and sludge from the wastewater treatment station).
  - The use of low-grade fuels significantly reduces waste discharge while lowering coal consumption and therefore the emission of carbon dioxide.
  - Heat energy and electricity generated by incinerating solid substance can be used in the paper-making processes.
- **Methane collection and treatment system**
  - Methane mainly consists of methane gas.
  - Technology upgrades have been conducted since 2008 to add a methane desulfurization unit.
  - Processed methane will be transmitted to the heat and electricity boiler system as fuel for power generation and standard coal consumption can be reduced by 60,000 tonnes per annum upon commissioning of the system.
  - With the installation of efficient dust removal and desulfurization equipment, the coal fired power plants in all of our production bases boast emission levels better than the approved level under PRC regulatory requirements.

SELF SUFFICIENT POWER GENERATION AND ENVIRONMENTALLY FRIENDLY COAL STORAGE DOME

ND Paper has always placed a strong emphasis on energy conservation with high efficiency. The supply of electricity from our own power generators has effectively increased our coal utilization ratio, while waste materials generated from the paper making process can also be recycled in waste-burning power generation, thereby significantly reducing the discharge of waste. Taking into full consideration for various environmental factors, we have also introduced fully-automatic and enclosed coal storage domes at our Dongguan, Taicang, Chongqing and Tianjin production bases. This environmentally friendly coal storage facility, rarely seen among our domestic peers, can effectively avoid dust produced during the loading, transportation and storage of coal, thereby offering better protection for the surrounding environment and further improvements to the working and living environment of our staff.

ADVANCED EMISSION TREATMENT FACILITIES

Our power generation and heat supply is facilitated through an environmentally friendly circulating fluidized bed incinerator. The two-tier desulfurization process (limestone injection and oxidized magnesium wet scrubber at the end) boasts an efficiency ratio of over 90%. Dust removal conducted through advanced electrostatic bag filters boasts an efficiency ratio as high as 99.9%. Moreover, low-nitrogen burning technologies and SCR/SNCR denitrification processes are adopted for different types of boilers with an efficiency ratio of above 85%, and further reduced the generation and emission of NO_X in the flue gas to ensure the emission levels are better than the PRC regulatory standards.

ND Paper is in compliance with the PRC regulatory standards in terms of environmental benchmarks relating to SO_2, dust and NO_X.

SOLID WASTES DISPOSAL

We are the first in the industry to construct environmentally friendly and energy-saving solid waste incinerators to process light slag and other solid wastes generated in paper manufacturing, with a view to recycle fiber residue to the greatest extent. Advanced emission treatment facilities, filter bag de-dust unit and semi-dry desulfurization facilities are utilized in incinerators, while an emission monitoring unit is installed in the filter to ensure real-time online monitoring of gas emission.

Moreover, to enhance our overall utilization of solid wastes, we incinerate solid wastes arising from the production processes to generate energy. Following year-long research efforts, we have successfully incinerated sludge generated from sewage treatment using the frame membrane filter drying treatment technique and reduced the water content in the sludge from 85% to below 40%. The dried sludge is being incinerated and used for steam production, thereby reducing coal consumption.

RECYCLING OF RESOURCES

ND paper not only completes a large-scale recycle of recovered paper in paper manufacturing, but also recycles all wastes generated in paper manufacturing to achieve zero discharge of solid wastes, avoiding secondary pollution, and transformed wastes into useful resources for conservation purposes. ND Paper has been ahead of its peers in environmental protection both in ideological and technological terms, establishing itself as an exemplary model of environmentally friendly enterprises with a strong edge in resource conservation.

NOISE POLLUTION CONTROL

— We have installed acoustic insulation panels and mufflers for equipments that produce heavy noises.

— Noise-insulated control rooms are set up in the paper-making plants to prevent staff from working under high noise levels for prolonged hours.

— Personal noise protection devices such as earplugs are provided and employees are required to wear them during inspection around the plant to ensure safety.

ADVOCATION OF TRANSPARENT MANAGEMENT

— To ensure open and transparent environmental information, we have set up a LED display screen at the main entrance of our plant area and publish key environmental monitoring data for the paper industry, such as sulfur dioxide, NO_X, COD and ammoniacal nitrogen, which is currently monitored in real time by us and the local environmental authorities.

CONSTRUCTION OF FUNDAMENTAL ENVIRONMENTAL PROTECTION MANAGEMENT SYSTEM

— A range of fundamental management systems, including a comprehensive centralized control system, an operational management ledger, and a ledger for facilities and equipment inspection and maintenance, have been established at the site.

— Environmental awareness of staff has been enhanced with the emphasis that environmental protection is not a specialized task confined only to a single department, but a systematic project involving all aspects of the Company and requiring passionate commitment on the part of all employees.

— Only with the involvement of all employees can we minimize the pollution at source, during processes and through end treatments.

ENERGY SAVING MEASURES AT OFFICE AREAS

— Energy-saving lights are used.

— Corridor lights of different zones are controlled by individual switches.

— Air-conditioning is constantly set at 26 degrees or above.

— Lights and computers are turned off during rest hours or long breaks.

To enhance its environmental management standards, environmental performance and staff awareness of environmental matters, ND Paper has successfully implemented the ISO14001 environmental management system and obtained the FSC certification. Our production bases have been named "Environmental Credible Enterprise" by local environmental authorities for consecutive years. We have also been named an "Environmentally friendly Enterprise in the PRC's Paper Industry" and a winner in the "Energy Conservation and Discharge Reduction Contest for the National Paper-making Industry," as well as a recipient of the "National May 1st Labor Day Award."

We strive to build a green model of operation which is "safe, environmentally friendly, stable and efficient" and serve as a benchmark for environmentally friendly enterprises focused on recycling and resource conservation. Backed by an exceptional vision and strong driving force, ND Paper will continue to develop towards the goal of becoming an environmentally friendly and energy-conserving enterprise boasting international management standards, venturing from strength to strength on the path of green development.

PEOPLE-ORIENTED CORPORATE MANAGEMENT

In line with a people-oriented management philosophy, ND Paper provides ongoing career development plans tailored for employees of different positions and professional experiences, so that they could have a sound career and a good living environment.

STAFF TRAINING AND CAREER DEVELOPMENT

Staff training remains one of our top priorities. Annual plans are drawn up under which managers at various levels are encouraged to conduct systematic training and share with their team members, with a view to enhancing the overall quality and work efficiency of the staff in terms of new thinking, specialized techniques, management skills and safety rules.

ACCLIMATING TO THE NINE DRAGONS CULTURE/TRAINING DEVELOPMENT OF MENTORS

To propagate ND Paper's spirit of respecting and caring for our staff, so that new employees always feel at home with the impression that "this is a better home than elsewhere," and to help them acclimate to the ND Paper culture in no time, we continue to organize excellent training programs that have been launched in the past, such as the management trainee program, mentorship program for new employees and on-the-job training for special operations to guide these newcomers into the ND Paper family and provide solid support and assistance for their continuous career development.

We also believe that it is very important to provide training and development for mentors, so that they can expand and enrich the scope of training to include case studies, counselling by industry professionals and sharing by senior management, etc, so as to cultivate a genuine interest in the training programs on the part of the employees and so that employees can learn the knowledge with willingness and self-motivation. We have also instituted awards such as "Best Training Mentors" and "Best Organizing Departments," with the aim of enhancing the confidence of mentors and motivating staff morale at their best.

FAIR AND IMPARTIAL STAFF ASSESSMENT

We provide a comprehensive promotion and performance assessment system to offer employees with opportunities for continuous development. To enhance the fairness and availability of promotion opportunities, job openings are open to application by all employees of the Group and appointments are merit-based.

"The Nine Dragons Paper People" («紙業玖龍人»), our corporate newsletter, is being published at each ND Paper production base at regular intervals to update employees on the latest developments of the Group and thereby enhance their loyalty to ND Paper. Moreover, staff communication sessions are being conducted through the staff union on a regular basis, where employees would voice their opinions. Effective solutions and improvements to any issues identified will then be made, with a view to fostering harmonious relations with our staff.

纸业玖龙人

东莞基地2014年第一季度工作总结大会

工人先锋号

REMUNERATION AND BENEFITS

We offer competitive remuneration packages and performance-based discretionary bonuses, which are determined by reference to performances at the corporate, team and individual levels, as well as the job duties of individual employees. The Group conducts regular review and revision on staff remuneration in accordance with its remuneration policy to maintain ND Paper's competitiveness in the recruitment market.

OCCUPATIONAL HEALTH AND SAFETY MEASURES

We have adopted a range of precautionary measures as part of our efforts to provide employees with a safe workplace:

Organizations responsible for the prevention of health hazards in the paper industry are invited each year to conduct monitoring and testing of occupational health hazards at the Group's work premises.

Necessary labor protection devices are being provided to all employees working in the production areas in strict accordance with national health management requirements for the paper-making industry.

A dedicated safety and fire prevention department has been set up and specialized safety management personnel have been deployed at production bases and plants to carry out on-site inspection relating to production safety compliance on a daily basis.

Regular occupational health checks for staff are being conducted annually, while trainings related to production safety are also being provided on a regular basis to foster strong safety awareness in employees at all level.

Authoritative management system experts are being invited each year on a regular basis to carry out system audits, while the Company has passed the OHSAS18001 certification for occupational health and safety administration systems.

A COMFORTABLE LIVING ENVIRONMENT

To satisfy our employees' discerning demands for the cultural aspects of life, we have built garden-like housing complexes at various production bases to provide employees with an ideal living environment. These complexes are equipped with convenient facilities in a beautiful environment. Functional facilities include sports centers, activities centers, ballrooms, karaoke lounges, gyms, billiard rooms, table-tennis rooms, reading rooms and multimedia training rooms. To further complement the comfortable and diverse living environment, there are also a comprehensive range of outdoor facilities, such as athletic fields, soccer fields, basketball courts, tennis courts, volleyball courts, dance areas, swimming pools and BBQ sites.

COLOURFUL CULTURAL LIFE AT LEISURE

Proficient at work and stylish during leisure, the people at ND Paper are terrific singers and dancers. We organize all types of cultural and sporting activities to highlight this versatile character of our employees and enrich their cultural life after work. Members of the Group management are very much involved in these activities where one can readily experience "the management's care for the staff and the staff's love for ND Paper". By providing a platform for interaction and communication, these activities have enhanced staff satisfaction and sense of belonging and helped to create a ND corporate culture with unique characteristics.

In line with our emphasis on the cultural life of staff during leisure, we continue to improve the quality of their work and life by organizing various types of cultural and sporting activities most popular with them, such as: Chinese New Year gala, annual BBQ gathering, staff athletic meet, fishing festival, staff basketball league, staff football league, tug-of-war, swimming contests, table tennis tournaments, badminton tournaments, karaoke singing contests, Master-of-Ceremony contests, birthday parties, youth gatherings, picnic, dance classes, knowledge contests, outward bound training and movie show. The Group has also founded the Nine Dragons Gong and Drum Troupe (玖龍威風鑼鼓隊), culture and arts association, table-tennis, badminton, football and basketball associations, as well as the association of volunteers, which have enhanced the artistic and cultural qualities of our staff.

PERFORMANCE OF SOCIAL RESPONSIBILITIES

Since the commencement of its first production line in 1998, ND Paper has made outstanding contributions to national and local economic development by driving growth in tax revenue, upgrading in upstream and downstream industrial chains and local economic development, as well creating employment opportunities and facilitating social harmony. For consecutive years, we have been named a "Trusted Major Tax-paying Entity" by the local government, having played an active role in driving local economic development by thriving economic activities in neighboring areas and upstream/downstream industrial chains. The packaging paperboard products we manufacture have provided domestic manufacturers of light industrial products with environmentally friendly packaging materials and changed China's long-term dependence on imports for packaging paperboard products. We have been a supporting force underlying the marketing of "Made in China" products all over the world, and our development has coincided with China's rise to economic prominence.

COMMUNITY SERVICES AND CHARITY

ND Paper has always acted diligently to fulfill its social responsibility, having committed more than RMB100 million in community welfare in recent years. We have been organizing "Nine Dragons Class" on a long-term basis to help underprivileged students in remote areas in learning and offer them with job opportunities. We made prompt donations to disaster-stricken areas following earthquakes in Ya'an, Yushu and Wenchuan, in the amounts of RMB10 million, 10 million and 15 million respectively, in full support of post-quake relief and rebuilding. We donated an aggregate amount of RMB50.20 million in the "Fundraising Day for the Relief of the Poor" activity in Guangdong; In the wake of the catastrophic flood in Western Guangdong caused by Severe Typhoon Fanapi, we made timely donations of RMB600,000 to help build the "Heart Resettling Houses" (僑心居) for people affected. Elsewhere, we donated RMB1 million to the "Lighting Life in Tibet" project, a charity initiative by overseas Chinese, while supplying "Caring Lunches" to 800 underprivileged students in Pengshui County, Chongqing……

ND Paper's diligent performance of social responsibility has won wide recognition from the public, and has been awarded a number of honors such as "China Charity Prize", "Guangdong Overseas Chinese Special Contribution Award in Commemoration of Three Decades of Economic Reform", "Chinese Merchants Contribution Award", "Poverty Alleviation Cotton Tree Golden Cup Award", etc.

INVESTOR RELATIONS

INVESTOR RELATIONS

ND Paper has adopted a variety of channels and methods to ensure effective two-way communications and close contacts with shareholders, investors and financial institutions in the capital market, in order to build a long term trusted relationship with various investor communities. Such protocol allows the company's business development, operating strategies and industry updates to be regularly communicated and interpreted effectively to facilitate investment decisions. Corporate updates, press releases and the annual and interim reports provide the means for investors and the public to receive accurate and timely information about ND Paper's current operations and future outlook.

The Group maintains a tri-lingual corporate website in English, Traditional Chinese and Simplified Chinese which consists of a comprehensive section on investor relations. While this section serves as a convenient centralized collection of all regulatory-required announcements, reports and circulars after their dissemination via the Stock Exchange website, other sections of the corporate website provide updated information on various facets of the Group's operations.

Participation by management in one-on-one and group investor meetings, conference calls and regional and global investor forums also allows business visions and financials to be well interpreted and analyzed. In FY2014, ND Paper has organized 8 non-deal roadshows covering Hong Kong, Mainland China, Singapore, Malaysia, USA, UK and Europe. It has participated in 12 investor conferences and events in Hong Kong, Mainland China, Singapore and Macau, and 8 group conference calls arranged by various financial institutions.

Major Investor Relations Activities in FY2014

Time	Event	Organiser/ Arranger	Location
July, 2013	Group luncheon	Macquarie	Hong Kong
August, 2013	Group conference call	First Shanghai Group	Hong Kong
August, 2013	Group conference call	Standard Chartered	Hong Kong
September, 2013	Post-results non-deal roadshow	Citi	Hong Kong
October, 2013	Post-results non-deal roadshow	DBS	Singapore
October, 2013	Post-results non-deal roadshow	Citi	US
October, 2013	Post-results non-deal roadshow	Citi	Europe/U.K.
October, 2013	Group conference call	First Shanghai Group	Hong Kong
October, 2013	Investor conference — Double in 3 Triple in 5 Asia Pacific Emerging Conference	Standard Chartered	Hong Kong
November, 2013	Group conference call	Fubon Securities	Hong Kong
November, 2013	Investor conference — Citi China Investor Conference 2013	Citi	Macau
November, 2013	Investor conference — Morgan Stanley 12th Annual Asia Pacific Summit	Morgan Stanley	Singapore

Time	Event	Organiser/ Arranger	Location
November, 2013	Group conference call	J.P. Morgan	Hong Kong
November, 2013	Non-deal roadshow	CICC	Hong Kong/ Shenzhen
December, 2013	Investor conference — CICC Investment Forum (Beijing) 2013 — New Opportunities Arising From China's Economic Transformation	CICC	Beijing, China
December, 2013	Non-deal roadshow	Credit Suisse	Hong Kong
January, 2014	Investor conference — Citi Hong Kong/ China Corporate Day (Theme: Top-Picks) 2014	Citi	Hong Kong
January, 2014	Investor conference — dbAccess China Conference 2014	Deutsche Bank	Beijing, China
January, 2014	Investor conference — UBS Greater China Conference 2014	UBS	Shanghai, China
January, 2014	Investor conference — CLSA HK/China Access Day	CLSA	Hong Kong
February, 2014	Post-results non-deal roadshow	Citi	Hong Kong
March, 2014	Post-results non-deal roadshow	CICC	Kuala Lumpur/ Singapore
April, 2014	Group conference call	Sinopac Securities	Hong Kong
April, 2014	Group conference call	Cathay Securities	Hong Kong
May, 2014	Investor conference — Macquarie Greater China Conference 2014	Macquarie	Hong Kong
May, 2014	Investor conference — Fifth Annual Hong Kong Investor Summit	Morgan Stanley	Hong Kong
May, 2014	Investor conference — DBS The Pulse of Asia Conference Hong Kong 2014	DBS	Hong Kong
June, 2014	Group conference call	Macquarie	Hong Kong

Effective communications are further enhanced by plant tours conducted for fund managers, research analysts and institutional investors. This allows for better understanding of ND Paper's business model and operation processes on-site. It also provides an informative orientation to investors on the relevance of ND Paper's manufacturing and management capabilities to the Group's long term strategic strength. During the Year, there were a total of 11 plant tours conducted for delegates from various asset management companies and institutional brokers.

ND Paper maintains a relatively popular profile among investor communities. Over 30 local and international research institutions have published reports on ND Paper. Enrolment for ND Paper's roadshows, investor meetings and conference calls are usually quickly filled up, and attendance is always high.

All shareholders are entitled to attend ND Paper's Annual General Meetings and other general meetings either in person or by proxy. Two-way communications are encouraged in such meetings, so that shareholders present can have an update about the Group's business in addition to a good understanding of the matters being discussed and resolved, while their questions and opinions are heard by the Board and company management.

The last Annual General Meeting was held at the Auditorium, Sun Hung Kai Centre in Hong Kong on 9 December 2013. All resolutions proposed in the meeting were duly passed by the shareholders by way of poll.

On 23 June 2014, a Special General Meeting was held at the Auditorium, Sun Hung Kai Centre regarding certain Continuing Connected Transactions. All resolutions proposed in the meeting were duly passed by the independent shareholders by way of poll, with each resolution receiving approximately 99.998% "For" votes.

Investor Relations Contact:
Nine Dragons Paper (Holdings) Limited
Corporate Communications Department
Room 3129, 31/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong
Tel: (852) 3929-3800
Fax: (852) 3929-3890
Email: info_hk@ndpaper.com

CORPORATE GOVERNANCE

The Company strives to attain and maintain the highest standards of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safe guarding interests of shareholders and other stakeholders. The Company has accordingly adopted sound corporate governance principles that emphasis a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

During FY2014, the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all Directors, who have confirmed that, during the Year, 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/inside information, have been requested to comply with the provisions of the Model Code.

INSIDE INFORMATION DISCLOSURE POLICY

The Company has adopted an inside information disclosure policy setting out the practices and procedures for monitoring business and corporate developments and events so that any potential inside information is promptly identified and relayed to the board to enable it to make timely decisions on disclosure, if necessary, and for taking appropriate measures to preserve confidentiality of inside information until proper dissemination of the inside information via the electronic publication system operated by the Stock Exchange.

BOARD

As the date of this Annual Report, the Board comprised ten Directors, including five executive Directors and five INEDs. Ms. Cheung is the spouse of Mr. Liu while Mr. Zhang is a brother of Ms. Cheung. Mr. Lau Chun Shun is the son of Ms. Cheung and Mr. Liu and a nephew of Mr. Zhang. Save as disclosed above, the Board members have no financial, business, family or other material/relevant relationship with each other.

The Board is responsible for giving guidance to and exercising effective checks on the management. In general, the duties of the Board are:

- formulating the long-term strategies of the Group and supervising their implementation;
- reviewing and approving, if thought fit, the business plans and financial budgets of the Group;
- approving, if thought fit, the annual and interim results of the Group;
- reviewing and supervising the risk management and internal control of the Group;
- ensuring a high standard of corporate governance and compliance; and
- overseeing the performance of the management.

Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Chief Executive Officer. A Director who considers a need for independent professional advice in order to perform his/her duties as a Director may convene, or request the Company Secretary to convene a meeting of the Board to approve the seeking of independent legal or other professional advice.

All Directors are appointed for a specific term. In accordance with the Company's Bye-laws, at each annual general meeting, all directors will be subject to retirement by rotation at least once every three years. Retiring Directors are eligible for re-election at the annual general meeting at which he retires. Any Director appointed to fill a casual vacancy shall hold office until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. The election of each Director is done through a separate resolution.

The attendance record of each director at board committee meetings and general meetings for the Year is set out below:

	Board	Private	Remuneration Committee	Audit Committee	Nomination Committee	Corporate Governance Committee	2013 AGM	Special general Meeting on 23 June 2014
Number of Meetings	5	1	2	4	2	1	1	1
Executive Directors								
Ms. Cheung *(Chairlady)*	5/5	1/1			2/2	1/1	1	1
Mr. Liu *(Deputy Chairman and Chief Executive Officer)*	5/5		2/2				1	1
Mr. Zhang *(Deputy Chief Executive Officer)*	5/5		2/2		2/2	1/1	1	1
Mr. Lau Chun Shun	5/5						1	1
Mr. Zhang Yuanfu *(Chief Financial Officer)*	5/5						1	1
Independent Non-Executive Directors								
Ms. Tam Wai Chu, Maria	5/5	1/1	2/2	4/4	2/2	1/1	1	1
Dr. Cheng Chi Pang	5/5	1/1	2/2	4/4	2/2	1/1	1	1
Mr. Ng Leung Sing	5/5	1/1	2/2	4/4			1	1
Mr. Fok Kwong Man	5/5	1/1			2/2	1/1	1	1
Mr. Wang Hong Bo	5/5	1/1		4/4			0	0

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

To avoid concentration of power and control, the position of the Chairlady and the Deputy Chairman cum Chief Executive Officer are segregated and each plays a distinctive role but complementing each other. The Chairlady is responsible for supervising the functions and performance of the Board, while the Deputy Chairman cum Chief Executive Officer is responsible for the management of the businesses of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The composition of the Board, with 5 INEDs out of the 10-member Board, well exceeds the requirements of the Listing Rules which provides that every board of directors of a listed issuer must include at least 3 INEDs.

The Company has received, from each of the INEDs, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules, and considers that all INEDs to be independent in accordance with each and every guideline set out in Rule 3.13 of the Listing Rules.

The INEDs provide the Group with different expertise, skills and experience. Their participation in board committee meetings could bring independent judgement on issues relating to the Group's strategy, internal control and performance to ensure the interests of the shareholders are taken into account.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, profitability and cash flows of the Group. In preparing the financial statements of the Group for FY2014, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movements of the Group at any time.

The Directors recognize the responsibility for preparing the consolidated financial statements of the Group. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The statement of reporting responsibilities of the Company's external auditor in connection with the financial statements of the Company are set out in the Independent Auditor's Report on pages 68 and 69.

EXECUTIVE COMMITTEE

The Board has established the Executive Committee, which is responsible for the management and administration of the business of the Company and any matters which are within the ordinary course of the Company's business under the control and supervision of the Board and in accordance with the provisions of the Bye-laws.

The members of the Executive Committee shall be executive Directors, but the Executive Committee shall not at any time consist of more than four members. No change shall be made to the composition of the Executive Committee except with the approval of all the Directors in writing. The Chairlady of the Board shall be the Chairlady of the Executive Committee.

Currently, the members of the Executive Committee include Ms. Cheung (Chairlady), Mr. Liu and Mr. Zhang.

REMUNERATION COMMITTEE

The Board has set up a Remuneration Committee with a majority of the members being INEDs. Currently, it comprises three INEDs and two executive Directors, namely, Ms. Tam Wai Chu, Maria (Chairlady), Mr. Ng Leung Sing, Dr. Cheng Chi Pang, Mr. Liu and Mr. Zhang.

A separate report prepared by the Remuneration Committee which summarized its works performed during FY2014, and also set out details of the share options to the Directors and the employees on pages 49 to 52 of this Annual Report. No Director or any of his/her associates is involved in deciding his/her own remuneration.

AUDIT COMMITTEE

Currently, the Audit Committee of the Company consists of four INEDs, namely, Dr. Cheng Chi Pang (Chairman), Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing and Mr. Wang Hong Bo. Dr. Cheng is a qualified accountant with extensive experience in financial reporting and controls. Ms. Tam is a barrister and practicing in Hong Kong. Mr. Ng possess extensive banking, finance and management experience in Hong Kong. Mr. Wang has rich experience and expertise in the paper industry in China.

A separate report prepared by the Audit Committee which summarized its works performed during FY2014 is set out on pages 53 to 54 of this Annual Report.

RISK CONTROL COMMITTEE

The Risk Control Committee is formed by the Supervision Department and Finance Department. The primary duties of the Risk Control Committee are strengthening the control environment; assessing relevant risks and carrying out necessary control activities; ensuring seamless information exchange; exercising appropriate supervision to ensure the effectiveness and efficiency of control over activities within and between different departments; identifying risks and analyzing such risks which may impede the achievement of corporate objectives (including such risks associated with constant changes in the regulatory and operating environments); establishing internal control measures for minimizing and eliminating risks; reviewing and reporting to the Board in respect of the effectiveness of internal control; and maintaining contact with external auditor for maintaining the quality of the Group's internal control system.

NOMINATION COMMITTEE

Currently, the Nomination Committee comprises three INEDs and two executive Directors, namely, Ms. Cheung (Chairlady), Ms. Tam Wai Chu, Maria, Mr. Fok Kwong Man, Dr. Cheng Chi Pang and Mr. Zhang.

The Nomination Committee was established by the board with written terms of reference in compliance with the CG Code. Following the adoption of the board diversity policy on 14 August 2013, the terms of reference of the Nomination Committee were revised in line with the new CG Code requirements which took effect from 1 September 2013. The revised full terms of reference are available on ND Paper's website (http://www.ndpaper.com) and the Stock Exchange's website.

Work performed by Nomination Committee:

- determine the policy for the nomination of directors and set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship;
- review the structure, size, composition and diversity of the board at least annually and make recommendations on any proposed changes to the board;
- assess the independence of INEDs; and
- make recommendations to the board on the appointment or re-appointment of directors.

Starting from August 2013, the Nomination Committee undertakes an additional function delegated from the board to review the board diversity policy adopted in August 2013, and makes recommendations on any required changes to the board. This policy sets out the approach to achieve diversity on the board which will include and make good use of the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the board. These differences will be considered in determining the optimum composition of the board and all board appointments will be based on merit, having due regard to the overall effective function of the board as a whole.

ND Paper believes that diversity can strengthen the performance of the board, and promote effective decision-making and better corporate governance and monitoring. The Nomination Committee discusses and agrees annually the relevant measurable objectives that the board has set for implementing this policy and makes recommendations to the board for adoption. It also monitors the implementation of this policy and reports to the board on the achievement of the measurable objectives for achieving diversity under this policy.

The Nomination Committee meets at least annually and at such other times as it shall require. The Company Secretary acts as the secretary to the Committee. The Committee is provided with sufficient resources enabling it to perform its duties, and it can seek independent professional advice at ND Paper's expense if necessary.

During the Year, two nomination committee meetings were held with full attendance by the committee members. The Company Secretary prepared full minutes of the Nomination Committee meetings.

CORPORATE GOVERNANCE COMMITTEE

Currently, the Corporate Governance Committee comprises three INEDs and two executive Directors, namely Mr. Fok Kwong Man (Chairman), Ms. Tam Wai Chu, Maria, Dr. Cheng Chi Pang, Ms. Cheung and Mr. Zhang.

The Corporate Governance Committee was established by the board with written terms of reference in compliance with the CG Code. The full terms of reference are available on ND Paper's website (http://www.ndpaper.com) and the Stock Exchange's website.

Work performed by the Corporate Governance Committee:

- develop and review the Company's policy and practices on corporate governance and make recommendations to the Board;
- develop, review and monitor the code of conduct applicable to employees and Directors;
- review the Company's compliance with the CG Code and other related rules;
- review the annual corporate governance report and recommend to the Board for consideration and approval for disclosure;
- regularly review the time required from a director to perform his responsibilities; and
- review the Committee's terms of reference annually and recommend to the Board any changes.

The Corporate Governance Committee meets at least annually and at such other times as it shall require. The Company Secretary acts as the secretary to the Committee. The Committee is provided with sufficient resources enabling it to perform its duties, and it can seek independent professional advice at ND Paper's expense if necessary.

During the Year, one Corporate Governance Committee meeting was held with full attendance by the committee members. The Company Secretary prepared full minutes of the Corporate Governance Committee meeting.

INDUCTION AND PROFESSIONAL DEVELOPMENT

Every newly appointed Director receives a comprehensive, formal and tailored induction on the first occasion of his appointment to make sure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities in the Company.

A summary of Directors' and Company Secretary's participation in the directors' training program and other external training for the Year is as follows:

	Attending briefings/ seminars	Reading materials/ regulatory updates/ management monthly updates	Site Visits
Executive Directors			
Ms. Cheung	√	√	√
Mr. Liu	√	√	√
Mr. Zhang	√	√	√
Mr. Zhang Yuanfu	√	√	√
Mr. Lau Chun Shun	√	√	√
INEDs			
Ms. Tam Wai Chu, Maria	√	√	√
Dr. Cheng Chi Pang	√	√	√
Mr. Ng Leung Sing	√	√	√
Mr. Fok Kwong Man	√	√	√
Mr. Wang Hong Bo	√	√	
Company Secretary			
Cheng Wai Chu, Judy	√	√	√

Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses at the Company's expenses. They are requested to provide their respective training records to the Company Secretary.

COMPANY SECRETARY

The Company Secretary supports the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. She advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman and Chief Executive Officer, all Directors may call upon her for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, including to assist the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

The Company Secretary confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules during FY2014,.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

CONSTITUTIONAL DOCUMENTS

During FY2014, there has not been any change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

The Company recognizes the importance of communications with the shareholders of the Company, both individual and institutional as well as potential investors. In February 2012, the Company adopted a Shareholders Communication Policy of the Company which aims to set out the provisions with the objective of ensuring that the shareholders of the Company and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders of the Company to exercise their rights in an informed manner, and to allow shareholders of the Company and potential investors to engage actively with the Company.

Disclosure of information on Company's Website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and as timely as possible. The Company maintains a corporate website at http://www.ndpaper.com where important and updated information about the Group's activities and corporate matters such as annual and interim reports, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders. When announcements are made through the Stock Exchange, the same information is made available on the ND Paper's website.

Annual General Meeting

The annual general meeting also provides an important opportunity for constructive communication between the Board and the Shareholders. The Chairlady and the chairmen of the Board Committees maintained an on-going dialogue with the Shareholders and answered all questions raised by the Shareholders throughout the last annual general meeting held on 9 December 2013.

Investor Relations

During the Year, the Company strived to improve transparency and communications with shareholders and investors. Meetings and conference calls with investors and analysts were held, in order for the Company to understand their views and to keep them abreast on the latest developments. Inquiries on the Company were also dealt with in an informative and timely manner. At the same time, the Company reached out to the investment community by participating in investment conferences and road shows. In order to maintain high standards of corporate governance, the Company will keep a proactive dialogue with the shareholders and investors. Feedbacks and suggestions can be addressed to the Company at info_hk@ndpaper.com.

Shareholders' enquiries

1 Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch Registrar, Tricor Investor Services Limited.

2 Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

3 Shareholders may make enquiries to the Board in written to the Company Secretary at the office of the Company at Room 3129, 31/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, by email to info_hk@ndpaper.com or by fax to (852) 3929 3894.

Procedure for Shareholders

Set out below are procedures by which Shareholders may: (1) convene a special general meeting and (2) put forward proposals at Shareholders' meetings. These procedures are generally governed by the provisions of the Company's Bye-Laws and applicable laws, rules and regulations, which prevail over what is stated in this section in case of inconsistencies. Shareholders who have enquiries regarding the below procedures may write to the Company Secretary, whose contact details are set out in paragraph 3 of Shareholders' enquiry above.

1. Procedures by which Shareholders may convene a special general meeting

1.1 Shareholders or a group of Shareholders holding not less than one-tenth of the paid-up capital of the Company as at the date of the deposit of the requisition carrying the right of voting at general meetings of the Company may by written requisition deposit at the Company's principal place of business at Room 3129, 31/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong for the attention of the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

1.2 The requisition must specify the purposes of the meeting, signed by the requisitionists and may consist of several documents in like form each signed by one or more of those requisitionists.

1.3 The signatures and the requisition will be verified by the Company's share registrars. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within 21 days from the date of deposit of such requisition if it has been validly raised.

1.4 If the Board does not within 21 days from the date of the deposit of a valid requisition, proceed duly to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. In addition, such meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

2. Procedures for putting forward proposals at a Shareholders' meeting

2.1 The Company holds an annual general meeting ("AGM") every year, and may hold a general meeting known as a special general meeting whenever necessary.

2.2 Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting; or (ii) not less than 100 Shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

2.3 The written request/statements must be signed by the Shareholder(s) concern and deposited at the Company's principal place of business at Room 3129, 31/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, for the attention of the Board of Directors or the Company Secretary, not less than six (6) weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one (1) week before the general meeting in the case of any other requisition.

2.4 If the written request is in order, the Company Secretary will ask the Board of Directors of the Company (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Shareholder(s) concerned have deposited a sum of money reasonably determined by the Board of Directors sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Shareholder(s) concerned in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition is invalid or the Shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

REMUNERATION COMMITTEE

The Remuneration Committee was established in March 2006. The functions of the Remuneration Committee include making recommendations to the Board on the remuneration policy and practices and establishing recruitment policies that enable the Company to recruit, retain and motivate high-calibre staff to reinforce the success of the Company and create value for the Shareholders.

In addition, the Remuneration Committee supervises and enforces the 2006 Share Option Scheme of the Company in an effective manner. Currently, the Remuneration Committee consists of Ms. Tam Wai Chu, Maria (Chairlady), Mr. Ng Leung Sing, Dr. Cheng Chi Pang, Mr. Liu and Mr. Zhang.

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Major responsibilities and functions of the Remuneration Committee are:

- make recommendations to the Board on the Company's policy and structure of all Directors' and senior management's remuneration; and the establishment of a formal and transparent procedure for developing remuneration policy;

- review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management; and

- make recommendations to the Board on the remuneration of Non-Executive Directors.

SUMMARY OF MAJOR WORK DONE IN FY2014

During FY2014, the Remuneration Committee held two meetings. The following is a summary of the major tasks completed by the Remuneration Committee during FY2014:

- reviewed the remuneration level for Directors;

- recommended the Board to approve the fee of the Directors and senior management;

- reviewed and approved the remuneration packages and service contracts of Directors; and

- reviewed the movement of the share options under the 2006 Share Option Scheme.

SHARE OPTION SCHEME

The Company adopted the 2006 Share Option Scheme on 12 February 2006. The 2006 Share Option Scheme aims to recognize the contributions of certain employees of the Group and retaining them for the continual operation and development of the Group. Each grantee is required to pay a non-refundable consideration of HK$1.00 upon each acceptance of options.

The principal terms of 2006 Share Option Scheme are as follows:

It is a share incentive scheme and is established to recognize and acknowledge the contribution that the eligible participants have or may have made to the Group. Pursuant to 2006 Share Option Scheme, the Board may, at its discretion, offer to grant an option to any director or employee, or any adviser, consultant, supplier, customer or agent of the Group.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the 2006 Share Option Scheme to eligible participants in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of Shareholders at a general meeting.

The subscription price of a Share in respect of any particular option granted under the 2006 Share Option Scheme shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share.

Details of options granted and outstanding under the 2006 Share Option Scheme during the Year:

Grantees	Number of Share options					Approximate percentage of shareholding*
	Balance as at 1 July 2013	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Balance as at 30 June 2014	
i) Directors						
Mr. Lau Chun Shun (Notes 1 & 3)	450,000	—	—	—	450,000	0.01%
Mr. Zhang Yuanfu (Notes 1 & 3)	1,600,000	—	(1,600,000)	—	—	—
Sub-total:	2,050,000	—	(1,600,000)	—	450,000	0.01%
ii) Employees and others (Note 2)	2,600,000	—	—	(400,000)	2,200,000	0.05%
Total:	4,650,000	—	(1,600,000)	(400,000)	2,650,000	0.06%

* Complied based on the total number of Shares of the Company in issue as at 30 June 2014 (i.e. 4,666,220,811 Shares).

Notes:

(1) Details of the options granted to directors are as follow:

Name of Directors	Date of grant ("Grant Date")	Exercise Price HK$	Exercisable Period	Number of shares options					Closing price immediately before Grant Date HK$
				Balance as at 1 July 2013	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Balance as at 30 June 2014	
Mr. Lau Chun Shun	1 June 2010	11.052	1 June 2011 to 30 May 2015	450,000	–	–	–	450,000	11.58
Total:				450,000	–	–	–	450,000	
Mr. Zhang Yuanfu	25 August 2008	4.310	25 August 2009 to 24 August 2013	400,000	–	(400,000)	–	–	4.20
	28 October 2008	0.894	28 October 2009 to 27 October 2013	800,000	–	(800,000)	–	–	0.72
	10 November 2008	1.590	11 November 2009 to 10 November 2013	400,000	–	(400,000)	–	–	1.44
Total:				1,600,000	–	(1,600,000)	–	–	

(2) Details of the options granted to Employees and others are as follow:

Date of grant ("Grant Date")	Exercise Price HK$	Exercisable Period	Number of shares options: Balance as at 1 July 2013	Granted during the Year	Exercised During the Year	Cancelled/ Lapsed during the Year	Balance as at 30 June 2014	Closing price Immediately Before Grant Date HK$
28 October 2008 (Note 3)	0.894	29 October 2009 to 28 October 2013	100,000	–	–	(100,000)	–	0.72
19 November 2009 (Note 3)	13.520	19 November 2010 to 18 November 2014	500,000	–	–	–	500,000	13.66
26 November 2009 (Note 3)	13.980	26 November 2010 to 25 November 2014	300,000	–	–	(300,000)	–	14.00
8 April 2010 (Note 4)	14.220	8 April 2010 to 7 April 2015	1,100,000	–	–	–	1,100,000	14.28
24 May 2010 (Note 3)	11.488	24 May 2011 to 23 May 2015	300,000	–	–	–	300,000	10.52
13 July 2010 (Note 3)	10.800	13 July 2011 to 12 July 2015	300,000	–	–	–	300,000	11.16
Total:			2,600,000	–	–	(400,000)	2,200,000	

(3) Each of the grantees has been conditionally granted under the 2006 Share Option Scheme will be entitled to exercise:

(i) up to 20% of the Shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing on the first anniversary of the date on which the relevant option was so granted to him on Grant Date and ending on the second anniversary of the Grant Date;

(ii) up to 40% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the expiry of the second anniversary of the Grant Date and ending on the third anniversary of the Grant Date;

(iii) up to 60% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the expiry of the third anniversary of the Grant Date and ending on the 54th month from the Grant Date; and

(iv) such number of Shares subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised at any time commencing from the expiry of the 54th month from the Grant Date and ending on the expiration of 60 months from the date upon which such option is deemed to be granted and accepted in accordance with the rules of the 2006 Share Option Scheme.

(4) Each of the grantees has been conditionally granted under the 2006 Share Option Scheme will be entitled to exercise:

(i) up to 20% of the Shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing on the Grant Date and ending on the first anniversary of the Grant Date;

(ii) up to 40% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the expiry of the first anniversary of the Grant Date and ending on the second anniversary of the Grant Date;

(iii) up to 60% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the expiry of the second anniversary of the Grant Date and ending on the third anniversary of the Grant Date; and

(iv) such number of Shares subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised at any time commencing from the expiry of the third anniversary of the Grant Date and ending on the expiration of 60 months from the date upon which such option is deemed to be granted and accepted in accordance with the rules of the 2006 Share Option Scheme.

(5) Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

(6) The weighted average closing price immediately before the dates on which the options were exercised was approximately HK$5.47.

Save as disclosed above, no any other options were granted, cancelled or lapsed under the 2006 Share Option Scheme during the Year.

VALUE OF SHARE OPTIONS

The fair values of options under 2006 Share Option Scheme are determined used "Binominal Valuation model" (the "Model"). Key assumptions of the Model are:

Date of Grant	Risk-free rate	Expected dividend yield	Expected volatility of the market price of the Shares	Fair value (approximately) HK$
25 August 2008	2.897%	per annum 1.373%	61%	8,000,000
28 October 2008	2.154%	per annum 7.356%	62%	3,000,000
10 November 2008	1.798%	per annum 3.706%	62%	1,000,000
19 November 2009	1.542%	per annum 1.000%	71%	6,000,000
8 April 2010	1.997%	per annum 1.000%	78%	9,000,000
24 May 2010	1.535%	per annum 1.000%	78%	2,000,000
1 June 2010	1.581%	per annum 1.000%	79%	3,000,000
13 July 2010	1.500%	per annum 1.000%	80%	2,000,000

The Model requires the input of subjective assumptions, including the volatility of Share price. As changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of shares options.

DIRECTORS' SERVICES CONTRACTS

None of the Directors who are proposed for re-election at the 2014 AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENT DETAILS

Details of the emoluments of the Directors and the senior management are set out in note 22 to the financial statements.

AUDIT COMMITTEE

MEMBERS

All the members of the Audit Committee are appointed from the INEDs, namely, Dr. Cheng Chi Pang (Chairman), Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing and Mr. Wang Hong Bo.

TERMS AND REFERENCE

Based on the terms of reference of the Audit Committee, members of the committee shall, among other things, oversee the Group's relationship with its external auditor, monitor the external auditor's independence and objectively, develop and implement policy on the engagement of an external auditor to supply non audit services, review the preliminary results, interim results and annual financial statements, monitor the compliance with statutory requirements and Listing Rules, review the scope, extent and effectiveness of the Group's internal audit functions, review arrangement for concerns about possible improprieties in financial reporting, internal control or other matters, and, where necessary, commission independent investigations by legal advisers or other professionals.

SUMMARY OF MAJOR WORK DONE IN FY2014

The Audit Committee holds regular meetings and organizes additional meetings if and when necessary. During FY2014, the committee held four meetings. The following is a summary of the tasks completed by the Audit Committee during FY2014:

- reviewed the financial statements for FY2014 and for the six months ended 31 December 2013 before submission to the Board focusing particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from the audit;

    (iv) the going concern assumption;

    (v) compliance with accounting standards; and

    (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

- reviewed the external auditor's audit plan, audit's management letter and audit engagement letter;

- considered and approved FY2014 external audit fees;

- reviewed and monitored the external auditor's independence and the non-audit services, especially tax-related services, provided by the external auditor;

- reviewed the connected transactions and continuing connected transactions of the Group;

- reviewed the annual caps of continuing connected transactions for the three financial years ending 30 June 2017, with a recommendation to the Board for noting, confirmation and approval;

- reviewed the purchase terms and the fairness of the Group's basis of selecting its recovered paper suppliers; and

- reviewed the Company's financial reporting system and internal control system.

FINANCIAL REPORTS

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

REVIEW OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

REVIEW OF THE GROUP'S ACCOUNTING AND FINANCIAL REPORTING FUNCTION

The Audit Committee reviewed the resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget, and was satisfied with their adequacy and effectiveness.

RE-APPOINTMENT OF EXTERNAL AUDITOR

The Audit Committee recommended to the Board that, subject to Shareholders' approval at the 2014 AGM, PricewaterhouseCoopers be re-appointed as the Company's external auditor for FY2015.

For FY2014, the external auditor of the Company received approximately RMB7.5 million for audit services and RMB2.2 million for tax and other services.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management system. The internal control system is designed to provide reasonable, though not absolute, assurance against material misstatement or loss, and manage rather than eliminate risks of failure to achieve business objectives.

The Risk Control Committee is formed by the Supervision Department and Finance Department. The primary duties of the Risk Control Committee are strengthening the control environment; assessing relevant risks and carrying out necessary control activities; ensuring seamless information exchange; exercising appropriate supervision to ensure the effectiveness and efficiency of control over activities within and between different departments; identifying risks and analysing such risks which may impede the achievement of corporate objectives (including such risks associated with constant changes in the regulatory and operating environments); establishing internal control measures for minimizing and eliminating risks; reviewing and reporting to the Board in respect of the effectiveness of internal control; and maintaining contact with external auditor for maintaining the quality of the Group's internal control system.

BUSINESS RISK

According to the Group's policies, business risks including, in particular, slow response to customer's need, insufficient competitiveness of price, unreliable customer credit profile, possible business secret leaking and unstable product quality etc., are reviewed and analyzed from time to time. Control activities are conducted to eliminate, transfer or alleviate business uncertainty.

FINANCIAL RISK

The Group's financial risk management policies governs the Group's cost control, asset management, treasury management, logistics supervision, financial reporting promptness management, investment return assurance, interest risk management, currency risk management to credit risk management, and ensures overall financial risks are well under supervision and control. The Executive Directors review monthly management reports on the financial results and key operating statistics of each business and hold regular meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies.

COMPLIANCE RISK

Clear systems and procedures are established to ensure compliance with the relevant legislation and regulations. Besides, we engage the professional firms and consulting companies to keep us abreast of the latest developments in different fields including legal, financial, environment, operation and business.

With respect to procedures and internal controls for the handling and dissemination of price-sensitive information, the Company:

1. included in its Code of Conduct a strict prohibition on the unauthorized use of confidential or inside information; and

2. has established and implemented procedures for responding to external enquiries about the Group's affairs. Only the senior management of the Group are identified and authorized to act as the Company's spokespersons and respond to enquiries in allocated areas of issues.

OPERATIONAL RISK

A full set of procedures has been established to prevent operational problems. These operational problems can be insufficient management effectiveness and efficiency, inefficient procurement, operational accident, unusual damage to key equipment or its components, information system failure, inability to retain high caliber staff or inadequate equipment utilization. Once deemed necessary, risk control activities would be carried out to address risks in order to achieve management target.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems covering all material business, financial, compliance, operational, and is satisfied that such systems are effective and adequate.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

PROFILE OF EXECUTIVE DIRECTORS

Ms. Cheung Yan, 57, has been the Chairlady of the Company since 2006. She is a director of several subsidiaries of the Company. She is one of the founders of the Group and is in charge of the Company's overall corporate development and the Group's strategic planning. Ms. Cheung has over 18 years of experience in paper manufacturing and over 28 years of experience in recovered paper recycling and international trade. Ms. Cheung is a member of the National Committee of the Chinese People's Political Consultative Conference, executive vice chairman of the China Overseas Chinese Entrepreneurs Association, vice president of China Paper Association, vice president of China Paper Industry Chamber of Commerce, president of the Guangdong Overseas Chinese Enterprises Associations, vice chairman of Guangdong Federation of Industry and Commerce, executive vice president of the Hong Kong China Chamber of Commerce, Permanent Honorary President of Hong Kong Federation of Overseas Chinese Association, Honorary President of World Dongguan Entrepreneurs and Vice Chairman of New Home Association. Ms. Cheung is an honorary citizen of the City of Dongguan, Guangdong Province, China. In 2007, Ms. Cheung was awarded the "Entrepreneur of the Year in China 2007" by Ernst & Young and in 2008, she was accredited as a "Leader Figure" ("領袖人物獎") in "China Cailun Award" ("中華蔡倫獎") by China Paper Industry Chamber of Commerce and was awarded "China Charity Award 2008" ("2008年中華慈善獎") by the Ministry of Civil Affairs of the PRC. In May 2009, Ms. Cheung was awarded "Outstanding Entrepreneur in Pulp and Paper Manufacturing Industry in China" ("全國製漿造紙行業優秀企業家") by China Paper Association. She was awarded "Chinese Chamber of Commerce Contributions Award" ("華商貢獻獎") in the city of Chongqing in January 2010, the title of "Outstanding Person on Energy Saving and Emission Reduction in China 2009" ("2009中國節能減排功勳人物") by All-China Environment Federation in May 2010 and "Outstanding Contribution Award on Poverty Alleviation and Benefiting the Community by a Businessman in the Private Sector in Guangdong Province" ("廣東省非公有制經濟人士扶貧濟困回報社會突出貢獻獎") in July 2010. Ms. Cheung is the wife of Mr. Liu, the sister of Mr. Zhang and the mother of Mr. Lau Chun Shun.

Mr. Liu Ming Chung, 52, has been the Deputy Chairman and Chief Executive Officer of the Company since 2006. He is a director of various subsidiaries of the Company. He is one of the founders of the Group and is responsible for the overall corporate management and planning, the development of new manufacturing technologies, the procurement of production equipment and human resources management of the Group. Mr. Liu has over 23 years of experience in international trade and over 15 years of experience in corporate management. Mr. Liu graduated with a bachelor degree in Dental Surgery from the University of Santo Amaro in 1983. Mr. Liu is an honorary citizen of the City of Dongguan, Guangdong Province, China. In 2000, Mr. Liu was appointed as a member of the Ninth Committee of the Chinese People's Political Consultative Conference of Guangzhou of Guangdong province and a consultant of the Committee for Affairs of Hong Kong, Macao, Taiwan Compatriots and Overseas Chinese. In 2001, Mr. Liu was awarded a member of All-China Youth Federation. Mr. Liu is the husband of Ms. Cheung, the brother-in-law of Mr. Zhang and the father of Mr. Lau Chun Shun.

Mr. Zhang Cheng Fei, 46, has been the Executive Director and Deputy Chief Executive Officer of the Company since 2006. He is a director of various subsidiaries of the Company. He is one of the founders and is responsible for the overall management of the operations and business of the Group including marketing, finance, procurement, sales and IT departments. Mr. Zhang has over 20 years of experience in procurement, marketing and distribution and is a member of the Third Committee of the Chinese People's Political Consultative Conference of Chongqing. Mr. Zhang is the younger brother of Ms. Cheung, Mr. Liu's brother-in-law and the uncle of Mr. Lau Chun Shun.

Mr. Lau Chun Shun, 33, joined the Company as a Non-executive Director in 2006 and was re-designated as an Executive Director of the Company in August 2009. He is a director of various subsidiaries of the Company. He is responsible for the management and operation of the Group including marketing and distribution, procurement and sales departments. Mr. Lau holds a bachelor degree in Economics from the University of California, Davis and a master degree in Industrial Engineering from Columbia University. He is the son of Ms. Cheung and Mr. Liu and the nephew of Mr. Zhang.

Mr. Zhang Yuanfu, 51, has been an Executive Director of the Company since 2008. He is also a director of various subsidiaries of the Company. He also serves as the Group's Chief Financial Officer in charge of financial matters and investor relations. Prior to joining the Group, he served as the chief financial officer, qualified accountant and company secretary of Weichai Power Co., Ltd. for more than 5 years and also worked in a number of Hong Kong listed companies in charge of accounting and financial management. He has more than 28 years of experience in auditing, accounting and corporate finance. He holds a bachelor degree in Economics. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants.

PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tam Wai Chu, **Maria**, GBM, JP, 68, has been an INED of the Company since 2006. She serves as an independent non-executive director of Guangnan (Holdings) Limited, Minmetals Land Limited, Sa Sa International Holdings Limited, Sinopec Kantons Holdings Limited, Tong Ren Tang Technologies, Co., Ltd., Wing On Company International Limited and Macau Legend Development Limited, all the shares of which are listed on the Stock Exchange. Ms. Tam is a Deputy of the National People's Congress PRC from HKSAR and a member of the Hong Kong Basic Law Committee under the Standing Committee of the National People's Congress. She is qualified as a barrister-at-law at Gray's Inn, London and has practice experience in Hong Kong.

Mr. NG Leung Sing, SBS, JP, 65, has been appointed as an INED of the Company since March 2013. Mr. Ng is vice chairman of Chiyu Banking Corporation Limited, the chairman of Bank of China (Hong Kong) Trustees Limited, a director of BOCHK Charitable Foundation Limited and a director of the Hong Kong Mortgage Corporation Limited. Mr. Ng is a Hong Kong Deputy to the 10th, 11th and 12th National People's Congress, PRC, and a member of the Legislative Council of the HKSAR. He is also an independent non-executive director of MTR Corporation Limited, SmarTone Telecommunications Holdings Limited and Hanhua Financial Holding Company Limited, all are listed companies in Hong Kong. Mr. Ng was a member of The Court of The Lingnan University from 1999 to 2011, the General Manager of Bank-wide Operation Department of Bank of China (Hong Kong) Limited from August 2005 to July 2009, the executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. He was previously a member of the managing board of The Kowloon-Canton Railway Corporation, Hong Kong. Mr. Ng is a graduate of University of East Asia, Graduate College, Macau and holds a diploma in Chinese Law.

Dr. Cheng Chi Pang, 57, has been an INED of the Company since 2006. He holds a bachelor degree in Business, a master degree in Business Administration and a master degree of Laws as well as and a doctorate degree of philosophy in Business Management. Dr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, the Australian Society of Certified Practising Accountants, the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors. He is a Certified Public Accountant practicing in Hong Kong and has approximately 33 years of experience in auditing, business advisory and financial management.

Dr. Cheng joined the New World Group in 1992 and was chief executive and group financial controller of NWS Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. Prior to joining the New World Group, he was a senior manager of Price Waterhouse, now PricewaterhouseCoopers. Dr. Cheng is currently the senior partner of Leslie Cheng & Co. Certified Public Accountants and the chairman of L&E Consultants Limited. He is also a non-executive director of Wai Kee Holdings Limited and Build King Holdings Limited and an independent non-executive director and chairman of the audit committee of China Ting Group (Holdings) Limited, Tianjin Port Development Holdings Limited and Fortune Sun (China) Holdings Limited, all the shares of which are listed on the Stock Exchange.

Mr. Fok Kwong Man, 65, has been appointed as an INED of the Company since March 2013. Mr. Fok obtained a Bachelor of Science degree in Engineering from The University of Hong Kong, a Master of Business Administration degree from Columbia University, U.S.A. and a Master of Arts (Economics) degree and a Master of Science (Statistics) degree from Stanford University, U.S.A.

Mr. Fok has 26 years of experience with exchange operator and securities regulatory bodies in Hong Kong and over 10 years in other financial services and China trade work. He last served as the Chief Marketing Officer of Hong Kong Exchanges and Clearing Limited and retired in August 2012. Mr. Fok had held various other senior positions in Hong Kong Exchanges and Clearing Limited including Head of Issuer Marketing Division, Head of Business Development Division, Head of Business Development and Investor Services Division and Deputy Chief Operating Officer. He was the Chief Executive of the Stock Exchange from 2000 to 2004 and had held other positions including Senior Executive Director of Regulatory Affairs Group and Executive Director of Listing Division before then. Mr. Fok was Assistant Director of Corporate Finance of the Securities and Futures Commission from 1989 to 1992. Mr. Fok is also an independent non-executive director of Luk Fook Holdings (International) Limited and China Pacific Insurance (Group) Co., Ltd., which are listed companies in Hong Kong.

Mr. Wang Hong Bo, 60, has been an INED of the Company since 2006. Mr. Wang has extensive experience and expertise in the paper industry in China and was appointed as the Deputy Head of Yantai Packaging Decoration Factory in 1990.

PROFILE OF SENIOR MANAGEMENT

Mr. Lin Xin Yang, 44, joined the Group in 2003 and has served as the General Manager of Dongguan Nine Dragons Paper Industries Co., Ltd. in charge of operations and management since December 2010. Prior to joining the Group, he worked for Shandong Huazhong Paper Co., Ltd.. Mr. Lin has over 21 years of experience in pulp and paper manufacturing, equipment and production management. Mr. Lin graduated from Northwest Institute of Light Industry Pulp and Paper Engineering (currently Shaanxi University of Science and Technology) and is a senior engineer in the paper manufacturing industry.

Mr. Meng Feng, 42, has served as the General Manager of Nine Dragons Paper Industries (Taicang) Co., Ltd. in charge of supervision and management since December 2010. Mr. Meng has over 21-year production management experience in the large-scale paper manufacturing industry. Prior to joining the Group, he worked in Shandong Chenming Paper Industries Co., Ltd as a senior management and also acted as the general manager of a subsidiary. He graduated from Shandong Weifang Radio & Television Institute (major in Economic Information & Management Professional).

Mr. Zhou Chuan Hong, 53, joined the Group in July 2002. He has served as the General Manager of Nine Dragons Paper Industries (Tianjin) Co. Ltd. in charge of supervision and management since September 2007. Mr. Zhou has over 26 years of experience in equipment, project management and business management in the paper manufacturing industry. Prior to joining the Group, he worked in Shandong Huazhong Paper Co., Ltd.. He graduated from South China Institute of Technology (currently South China University of Technology) and is an engineer.

Mr. Li Jian Bo, 48, joined the Group in 2008 and has served as the General Manager of Nine Dragons Paper Industries (Chongqing) Co., Ltd. in charge of supervision and management since 2009. Prior to joining the Group, he worked as the General Manager of Sichuan Rui Song Paper Co. Ltd.. Mr. Li has over 27 years of experience in production, technology and management in the paper manufacturing industry. He graduated from the Southwestern University of Finance and Economics and holds a master degree of Business Administration of Fudan University.

Mr. Ye Jian, 39, joined the Group in 2003 and has served as the General Manager of Nine Dragons Pulp and Paper (Leshan) Co., Ltd. in charge of operations and management since July 2014. Mr. Ye has 19 years of experience in production, technology and management in the paper manufacturing industry. Prior to joining the Group, he worked in Ningbo Zhonghua Paper Industry Co., Ltd.. He graduated from Quzhou College of Technology, Zhejiang Province.

Mr. Xin Gang, 40, joined the Group in 1998 and has served as the General Manager of Nine Dragons Paper Industries (Quanzhou) Co., Ltd. in charge of supervision and management since September 2012. Mr. Xin has over 18 years of experience in production, technology and management in the paper manufacturing industry. He graduated from Shandong Institute of Light Industry in 1996 with a bachelor degree in Pulp and Paper Manufacturing.

Mr. Zhang Yongchun, 47, joined the Group in June 1999. He has served as the General Manager of Nine Dragons Paper Industries (Shenyang) Co. Ltd. in charge of supervision and management since June 2011. He has over 24 years of experience in equipment installment and maintenance, and production management in the paper manufacturing industry. Prior to joining the Group, he worked in Jilin Paper Co., Ltd.. He graduated from Jilin University with a bachelor degree in Science.

Mr. Zhang Du Ling, 44, joined as the Group's General Manager of the Sales Department in charge of sales management and operation of the Group. He joined the Group in July 1998. Prior to joining the Group, he worked as the Manager of the sales department of Dongguan Chung Nam Paper Manufacturing Co., Ltd.. He has approximately 18 years of experience in sales and marketing in the paper manufacturing industry in China. He graduated from the School of Management of Chinese Academy of Sciences with a higher diploma in Business Administration.

Mr. Huang Tie Min, 51, joined as the Group's General Manager of the Development Engineering Department in charge of the Group's new project expansion and engineering management. Mr. Huang joined the Group in 1996 and has approximately 29 years of construction and administrative management experience in the paper manufacturing industry in China. He graduated from School of Architecture and Engineering, Shenyang University with a bachelor degree in Engineering.

Mr. Ng Kwok Fan, Benjamin, 58, has served as the Group's Deputy General Manager and Assistant to Chairlady in charge of corporate administration and investor relations since February 2006. Prior to joining the Group, Mr. Ng worked in several international marketing communications enterprises and public companies listed in Hong Kong and overseas. He has extensive experience in advertising, marketing and corporate finance. He graduated from the University of Hong Kong and is a member of both Certified General Accountants Association of Canada and the CFA Institute.

Mr. Chu Yiu Kuen, Ricky, 43, has served as the Group's Deputy Chief Financial Officer in charge of financial operation since October 2008. Mr. Chu has more than 20 years of experience in auditing, accounting and financing. Prior to joining the Group, Mr. Chu had worked in a major international accounting firm for over 8 years and the Listing Division of the Stock Exchange for over 2 years where he accumulated extensive experience in floatation and business advisory of a wide variety of business. Mr. Chu obtained a bachelor degree in Economics and is a member of both Certified Public Accountants of Australia and Hong Kong Institute of Certified Public Accountants.

Mr. Zhong Hong Xiang, 46, has served as the Group's General Manager of the Paper Making Technology Department in charge of paper making production and technology. Mr. Zhong joined the Group since 1996 and has over 24 years' experience in production, technology and equipment installment in the paper manufacturing industry. Prior to joining the Group, he worked for Fujian Qinshan Paper Co., Ltd.. He graduated from Fujian College of Forestry with a diploma in Stock Preparation and Paper Manufacturing Technology.

Mr. Ouyang Liming, 41, served as the Chief Information Officer of the Group in charge of ERP (Enterprise Resource Planning) support and development. Mr. Ouyang joined the Group in 2009. Prior to joining the Group, he worked in Lenovo. He has over 20 years of experience in IT and business applications. He graduated from McGill University and is a senior ERP consultant.

Mr. CHU Xin Qi, 50, has served as the Deputy Chief Financial Officer -Internal Control in charge of group cost management and internal control since 2014. Mr. Chu joined the Group in 2001, he acted as a Deputy General Manager in Nine Dragons Paper Industries (Taicang) Co., Ltd. in charge of finance and resource management. Before joining the Group, he was the General Manager of Shandong Huazhong Paper Manufacturing Co., Ltd. He has over 25 years of experience in finance management. Mr. Chu is a senior economist and he graduated in 1990 from Shandong College of Economics with a bachelor's diploma in finance.

DIRECTORS' REPORT

The Directors are pleased to present the audited consolidated financial statements of ND Holdings for FY2014.

PRINCIPAL BUSINESSES

The Group primarily manufactures linerboard, high-performance corrugating medium and certain types of coated duplex board and printing and writing paper. The Group also manufactures specialty paper, wood and bamboo pulp and produces unbleached kraft pulp.

RESULTS AND APPROPRIATIONS

The results of the Group for FY2014 are set out in the accompanying financial statements on page 72.

An interim dividend of RMB2.0 cents (equivalent to approximately HK2.54 cents) (six months ended 31 December 2012: RMB2.0 cents) per share for the six-month ended 31 December 2013 was paid to shareholders on 18 July 2014.

The Board has resolved to recommend the payment of a final dividend of RMB6.0 cents (equivalent to approximately HK7.6 cents) per share for FY2014, which is expected to be paid on Friday, 16 January 2015 subject to the approval of 2014 AGM. The final dividend will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on Monday, 29 December 2014. The translation of RMB into Hong Kong dollars is made at the exchange rate of HK$1.00 = RMB0.79288 as at 24 September 2014 for illustration purpose only. The actual translation rate for the purpose of dividend payment in Hong Kong dollars will be subject to exchange rate at the remittance date.

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on pages 24 to 25.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2014 are set out in note 9a to the financial Statements.

PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

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

BORROWINGS

Details of the borrowings of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 30 June 2014, the Company's reserve available for cash distribution and/or distribution in specie, representing the retained earnings, amounted to RMB673,356,000 (30 June 2013: RMB400,276,000). In addition, the Company's share premium account and contributed surplus of RMB8,730,315,000 and RMB2,074,700,000, respectively, as at 30 June 2014 may be distributed to shareholders in certain circumstance prescribed by Section 54 of the Companies Act 1981 of Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate amount of purchases attributable to the Group's five largest suppliers represented about 75.2% of the Group's total purchases and the purchase attributable to the Group's largest supplier was about 60.8% of the Group's total purchases. The aggregate amount of turnover attributable to the Group's five largest customers was approximately 5.2% of total turnover of the Group.

ACN, a company indirectly owned by Ms. Cheung and Mr. Liu, is one of the Group's five largest suppliers. Ms. Cheung is the wife of Mr. Liu, the sister of Mr. Zhang and the mother of Mr. Lau Chun Shun. Mr. Liu is the husband of Ms. Cheung, the brother-in-law of Mr. Zhang and the father of Mr. Lau Chun Shun.

Save as disclosed herein, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out in the Directors and Senior Management of this Annual Report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Year.

DIRECTORS

The Directors who held office during the Year and up to the date of this report are:

Executive Directors

Ms. Cheung
Mr. Liu
Mr. Zhang
Mr. Lau Chun Shun
Mr. Zhang Yuanfu

INEDs

Ms. Tam Wai Chu, Maria
Mr. Ng Leung Sing
Dr. Cheng Chi Pang
Mr. Fok Kwong Man
Mr. Wang Hong Bo

In accordance with the Company's Bye-laws, at each annual general meeting, every director will be subject to retirement by rotation at least once every three years. Retiring Directors are eligible for re-election at the annual general meeting at which he/she retires. The election of each Director is done through a separate resolution.

Mr. Zhang, Ms. Tam Wai Chu, Maria, Dr. Cheng Chi Pang and Mr. Wang Hong Bo will retire at the 2014 AGM under the provision of Bye-law 87 and, being eligible, will offer themselves for re-election.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2014, the Directors and chief executive of the Company and their associates had the following interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

The Company

(A) Interests in the Company

The table below sets out the aggregate long positions in the Shares and underlying shares of the Directors and the chief executive of the Company as at 30 June 2014.

		Number of Shares			Number of underlying shares (in respect of share options)			
Name of Directors	Long Position/ Short Position	Personal Interests	Family Interests	Corporate Interests (Note1)	Personal Interests	Family Interests	Total	Approximate percentage of shareholdings
Ms. Cheung	Long Position	83,495,758	27,094,184	2,992,120,000	–	–	3,102,709,942	66.49%
Mr. Liu	Long Position	27,094,184	83,495,758	2,992,120,000	–	–	3,102,709,942	66.49%
Mr. Zhang	Long Position	29,899,821	–	–	–	–	29,899,821	0.64%
Mr. Lau Chun Shun	Long Position	1,830,000	–	2,992,120,000	450,000	–	2,994,400,000	64.71%
Mr. Zhang Yuanfu	Long Position	741,000	–	–	–	–	741,000	0.02%
Ms. Tam Wai Chu, Maria	Long Position	1,216,670	–	–	–	–	1,216,670	0.03%

(B) Interests in Associated Corporation — Best Result

Name of Directors	Long Position/ Short Position	Capacity	No. of issued ordinary shares held in Best Result	Approximate percentage of shareholding
Ms. Cheung	Long Position	Beneficial owner	37,073	37.073%
	Long Position	Interest of spouse	37,053	37.053%
Mr. Liu	Long Position	Founder of The Liu Family Trust	37,053	37.053%
	Long Position	Interest of spouse	37,073	37.073%
Mr. Zhang	Long Position	Founder and beneficiary of The Zhang Family Trust and The Golden Nest Trust	25,874	25.874%
Mr. Lau Chun Shun	Long Position	Beneficiary of trusts (Note 4)	52,927	52.927%

Notes:

(1) Best Result directly held 2,992,120,000 Shares in the Company. The issued share capital of Best Result is held (i) as to approximately 37.073% by Ms. Cheung personally; (ii) as to approximately 37.053% by Goldnew Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Liu Family Trust, (iii) as to approximately 10.000% by Acorn Crest Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Zhang Family Trust, and (iv) as to approximately 15.874% by Winsea Investments Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Golden Nest Trust.

(2) The Zhang Family Trust is irrevocable trust. The Liu Family Trust and The Golden Nest Trust are revocable trusts.

(3) Ms. Cheung is the spouse of Mr. Liu. Each of Ms. Cheung and Mr. Liu is therefore deemed to be interested in the Shares held by Best Result pursuant to Part XV of the SFO.

(4) Mr. Lau Chun Shun is a beneficiary of each of the The Liu Family Trust and The Golden Nest Trust. He is therefore deemed to be interested in the Shares held by Best Result pursuant to Part XV of the SFO.

(5) Details of the share options granted under the 2006 Share Option Scheme are set out on pages 49 to 52 in the section of Remuneration Committee.

Save as disclosed above, none of the Directors or chief executive of the Company or any of their associates (within the meaning of Part XV of SFO) had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation as at 30 June 2014, as recorded in the register required to be kept under 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Directors or chief executive of the Company, as at 30 June 2014, the following persons had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of Shareholder	Long Position/ Short Position	Capacity	No. of Shares held	Approximate percentage of total issued Shares
Best Result (Note)	Long Position	Beneficial Owner	2,992,120,000	64.12%
Ms. Cheung	Long Position	Interest of controlled corporation	2,992,120,000	64.12%
Goldnew Limited	Long Position	Interest of controlled corporation	2,992,120,000	64.12%
BNP Paribas Jersey Trust Corporation Limited	Long Position	Trustee of The Liu Family Trust	2,992,120,000	64.12%

Note:

Best Result directly held 2,992,120,000 Shares in the Company. The issued share capital of Best Result is held (i) as to approximately 37.073% by Ms. Cheung personally; (ii) as to approximately 37.053% by Goldnew Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Liu Family Trust with as the trustee, (iii) as to approximately 10.000% by Acorn Crest Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Zhang Family Trust, and (iv) as to approximately 15.874% by Winsea Investments Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Golden Nest Trust.

Save as disclosed above, as at 30 June 2014, as far as the Company is aware of, there was no other person who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions and related party transactions are set out in the Connected Transaction, Continuing Connected Transactions and note 30 to the consolidated accounts of this Annual Report.

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

DONATIONS

The Group's charitable and other donations during the Year amounted to RMB21,883,000 (2013: approximately RMB21,548,000).

CHANGES OF DIRECTORS INFORMATION UNDER LISTING RULE 13.51(B)

Mr. Ng Leung Sing, an INED, has been appointed as an independent non-executive director of Hanhua Financial Holding Co., Ltd. on 16 June 2014.

CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosure is included in respect of the Company's loan agreement, which contains covenants requiring performance obligations of the controlling shareholder of the Company as at 30 June 2014.

On 14 August 2012, the Company entered into a facility agreement with China Development Bank Corporation, Hong Kong Branch as lender in an aggregate amount of USD350 million of which USD100 million was for a term of 1 year and USD250 million was for a term of 3 years. It would constitute an event of default if (i) any one of Ms. Cheung, Mr. Liu and Mr. Zhang (together, the "Controlling Shareholders"), the Controlling Shareholders of the Company, ceases to be a director of the Company; or (ii) the Controlling Shareholders cease to have joint management control of the Company; or (iii) the Controlling Shareholders and the family members of Ms. Cheung, together, cease to beneficially own in aggregate, directly or indirectly, at least 51% of the issued share capital (which carries full voting rights) of the Company. Upon the occurrence of any of the above events, the outstanding liability under the loan facilities will become immediately repayable.

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 FY 2014.

RELATED PARTY TRANSACTIONS

Details of related party transactions conducted during the ordinary course of business, which cover all transactions with related parties which constitute connected transactions as defined under the Listing Rules, are set out in note 30 to the financial statements. Such transactions all complied with the applicable provisions under the Listing Rules.

CONNECTED TRANSACTION

Newton Properties Limited is a connected person of the Company by virtue of its being owned by Ms. Cheung and Mr. Liu, the controlling shareholders and executive directors of the Company.

On 4 April 2014, Master Pace Limited, a wholly-subsidiary of the Company, and Newton Properties Limited entered into agreement pursuant to which the parties agreed to subscribe for shares in Global Fame Developments Limited for the purpose of acquiring a property located at 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong at a total consideration of HK$253,636,000. Details can refer to an announcement of the Company dated 4 April 2014.

CONTINUING CONNECTED TRANSACTIONS

During FY2014 and in the normal course of business, the Company and its subsidiaries had various commercial transactions with certain connected persons. These transactions are considered to be continuing connected transactions under the Listing Rules.

Details of these transactions are as follows:

(a) Come Sure Raw Paper Materials Supply Agreement

On 28 February 2013, the Company entered into the master supply agreement (the "Come Sure Raw Paper Materials Supply Agreement") with Come Sure Group (Holdings) Limited ("Come Sure"), pursuant to which the Company had agreed to supply raw paper materials to Come Sure and its subsidiaries, including the joint venture, for a period commencing from 28 February 2013 to 31 March 2016. As the joint venture was an associate of Mr. Zhang, the transactions under the Come Sure Raw Paper Materials Supply Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

During the period from 1 April 2013 to 31 March 2014, the actual amount of transactions under the Come Sure Raw Paper Materials Supply Agreement were RMB219 million and was within the annual cap of RMB500 million. During FY2014, the actual amount of transactions was RMB230 million.

(b) Longteng Packaging Paperboard Purchase Agreement

Dongguan Longteng is a company which is held as to 80% by Mr. Zhang Cheng Ming, a brother of Mr. Zhang and Ms. Cheung. On 16 May 2011, Dongguan Longteng and the Company entered into a purchase agreement (the "Longteng Packaging Paperboard Purchase Agreement"), pursuant to which Dongguan Longteng agreed to purchase packaging paperboard products manufactured by the Group from 1 July 2011 to 30 June 2014.

During FY2014, the actual amount of transactions under the Longteng Packaging Paperboard Purchase Agreement were RMB478 million and was within the annual cap of RMB1,100 million. The Longteng Packaging Paperboard Purchase Agreement was approved by the independent shareholders at the special general meeting held on 27 June 2011.

(c) Longteng Packaging Materials and Chemicals Supply Agreement

On 16 May 2011, Dongguan Longteng and the Company entered into a supply agreement (the "Longteng Packaging Materials and Chemicals Supply Agreement"), pursuant to which Dongguan Longteng agreed to supply packaging materials and chemicals for the production of paperboard products to members of the Group from 1 July 2011 to 30 June 2014.

During FY2014, the actual amount of transactions under the Longteng Packaging Materials and Chemicals Supply Agreement were RMB226 million and was within the annual cap of RMB2,200 million. The Longteng Packaging Materials and Chemicals Supply Agreement was approved by the independent shareholders at the special general meeting held on 27 June 2011.

(d) ACN Recovered Paper Supply Agreement

ACN is indirectly wholly owned by Ms. Cheung and Mr. Liu. On 16 May 2011, ACN and the Company entered into a supply agreement (the "ACN Recovered Paper Supply Agreement"), pursuant to which ACN agreed to supply recovered paper to members of the Group from 1 July 2011 to 30 June 2014.

During FY2014, the actual amount of transactions under the ACN Recovered Paper Supply Agreement were RMB13,268 million and was within the annual cap of RMB23,500 million. The ACN Recovered Paper Supply Agreement was approved by the independent shareholders at the special general meeting held on 27 June 2011.

(e) Taicang Packaging Paperboard Purchase Agreements

On 16 May 2011 and 23 May 2011, Taicang Packaging and the Company entered into purchase agreements (the "Taicang Packaging Paperboard Purchase Agreements"), pursuant to which Taicang Packaging agreed to purchase packaging paperboard products manufactured by the Group from 1 July 2011 to 30 June 2014.

During FY2014, the actual amount of transactions under the Taicang Packaging Paperboard Purchase Agreements were RMB181 million and was within the annual cap of RMB700 million. The Taicang Packaging Paperboard Purchase Agreements were approved by the independent shareholders at the special general meeting held on 27 June 2011.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions mentioned above have been reviewed by the Board, including the INEDs. The INEDs have confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;

(iii) in accordance with the relevant agreements governing such transactions; and

(iv) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the non-exempt continuing connected transactions in accordance with Main Board Listing Rule 14A.38.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders

PUBLIC FLOAT

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

AUDITOR

The Group's financial statements for FY2014 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer itself for re-appointment. A resolution to re-appoint PricewaterhouseCoopers and to authorize the Directors to fix its remuneration will be proposed at the 2014 AGM.

On behalf of the Board

Cheung Yan
Chairlady

Hong Kong, 24 September 2014

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

Independent Auditor's Report
To the shareholders of Nine Dragons Paper (Holdings) Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Nine Dragons Paper (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 70 to 136, which comprise the consolidated and company balance sheets as at 30 June 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

Independent Auditor's Report
To the shareholders of Nine Dragons Paper (Holdings) Limited *(continued)*
(incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 September 2014

BALANCE SHEETS

		Consolidated		Company	
	Note	**30 June 2014 RMB'000**	30 June 2013 RMB'000	**30 June 2014 RMB'000**	30 June 2013 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**45,599,196**	44,690,831	**607**	918
Land use rights	7	**1,479,774**	1,522,704	**—**	—
Intangible assets	8	**223,245**	225,747	**—**	—
Investments in subsidiaries	9a	**—**	—	**2,443,883**	2,443,176
Investment in an associate and a joint venture	9b	**52,739**	10,107	**—**	—
Deferred income tax assets	17	**24,284**	40,155	**—**	—
		47,379,238	46,489,544	**2,444,490**	2,444,094
Current assets					
Inventories	10	**4,523,339**	3,778,760	**—**	—
Trade and bills receivables	12	**4,894,602**	5,600,318	**—**	—
Other receivables and prepayments	12	**2,230,970**	2,493,514	**3,301**	3,233
Amounts due from subsidiaries	12	**—**	—	**11,373,211**	12,726,452
Tax recoverable		**12,990**	1,291	**—**	—
Derivative financial instruments	11	**3,460**	—	**—**	—
Restricted cash		**36,759**	55,000	**—**	—
Cash and cash equivalents	13	**7,901,644**	6,015,451	**104,834**	11,916
		19,603,764	17,944,334	**11,481,346**	12,741,601
Total assets		**66,983,002**	64,433,878	**13,925,836**	15,185,695
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	14	**9,208,587**	9,204,981	**9,208,587**	9,204,981
Other reserves	15	**1,174,678**	1,177,866	**2,093,429**	2,093,651
Retained earnings					
— Proposed final dividend	27	**279,973**	373,170	**279,973**	373,170
— Unappropriated retained earnings		**13,409,347**	12,027,600	**393,383**	27,106
		24,072,585	22,783,617	**11,975,372**	11,698,908
Non-controlling interests		**526,891**	497,249	**—**	—
Total equity		**24,599,476**	23,280,866	**11,975,372**	11,698,908

		Consolidated		Company	
	Note	30 June 2014 RMB'000	30 June 2013 RMB'000	30 June 2014 RMB'000	30 June 2013 RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	16	23,124,364	25,690,009	1,845,078	3,470,358
Deferred income tax liabilities	17	1,628,329	1,372,521	—	—
Other payables	18	31,457	43,557	—	—
		24,784,150	27,106,087	1,845,078	3,470,358
Current liabilities					
Trade and bills payables	18	3,243,183	3,403,535	—	—
Other payables and deposits received	18	1,649,556	1,673,180	105,386	16,429
Current income tax liabilities		354,311	354,137	—	—
Borrowings	16	12,349,656	8,616,073	—	—
Derivative financial instruments	11	2,670	—	—	—
		17,599,376	14,046,925	105,386	16,429
Total liabilities		42,383,526	41,153,012	1,950,464	3,486,787
Total equity and liabilities		66,983,002	64,433,878	13,925,836	15,185,695
Net current assets		2,004,388	3,897,409	11,375,960	12,725,172
Total assets less current liabilities		49,383,626	50,386,953	13,820,450	15,169,266

Ms. Cheung Yan
Chairlady

Mr. Liu Ming Chung
Deputy Chairman and Chief Executive Officer

The notes on pages 77 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

		For the year ended 30 June	
	Note	**2014** **RMB'000**	2013 RMB'000
Sales	19	**28,928,740**	28,739,142
Cost of goods sold	21	**(24,177,648)**	(24,132,824)
Gross profit		**4,751,092**	4,606,318
Other income/(expenses) and other gains, net	20	**218,117**	215,550
Selling and marketing costs	21	**(525,666)**	(677,655)
Administrative expenses	21	**(820,670)**	(801,981)
Operating profit		**3,622,873**	3,342,232
Finance income	23	**70,355**	45,998
Finance costs	23	**(1,573,484)**	(1,372,411)
Finance costs — net		**(1,503,129)**	(1,326,413)
Share of profit of an associate	9b	**37,509**	687
Profit before income tax		**2,157,253**	2,016,506
Income tax expense	24	**(370,303)**	(425,795)
Profit for the year		**1,786,950**	1,590,711
Profit attributable to:			
— Equity holders of the Company		**1,755,172**	1,560,623
— Non-controlling interests		**31,778**	30,088
		1,786,950	1,590,711
Earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*			
— basic	26	**0.3762**	0.3347
— diluted	26	**0.3762**	0.3346

Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 27.

The notes on pages 77 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit for the year	**1,786,950**	1,590,711
Other comprehensive income		
(Items that may be reclassified subsequently to profit or loss):		
Currency translation differences	**(5,396)**	(8,361)
Cash flow hedges	**294**	—
Other comprehensive income for the year	**(5,102)**	(8,361)
Total comprehensive income for the year	**1,781,848**	1,582,350
Attributable to:		
— Equity holders of the Company	**1,752,206**	1,555,090
— Non-controlling interests	**29,642**	27,260
	1,781,848	1,582,350

The notes on pages 77 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital RMB'000 (Note 14)	Other reserves RMB'000 (Note 15)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2012	9,202,356	1,181,590	11,166,575	21,550,521	431,268	21,981,789
Comprehensive income						
Profit for the year	—	—	1,560,623	1,560,623	30,088	1,590,711
Other comprehensive income						
Currency translation differences	—	(5,533)	—	(5,533)	(2,828)	(8,361)
Total comprehensive income	—	(5,533)	1,560,623	1,555,090	27,260	1,582,350
Transactions with owners						
2012 final and 2013 interim dividends paid to equity holders of the Company	—	—	(326,428)	(326,428)	—	(326,428)
Dividends paid to non-controlling interests	—	—	—	—	(13,023)	(13,023)
Capital contribution made by a non-controlling shareholder	—	—	—	—	53,419	53,419
Share options granted to directors and employees	—	2,561	—	2,561	—	2,561
Exercise of share options	2,625	(752)	—	1,873	—	1,873
Disposal of subsidiaries	—	—	—	—	(1,675)	(1,675)
Total transactions with owners	2,625	1,809	(326,428)	(321,994)	38,721	(283,273)
Balance at 30 June 2013	9,204,981	1,177,866	12,400,770	22,783,617	497,249	23,280,866

	Attributable to equity holders of the Company					
	Share capital RMB'000 (Note 14)	Other reserves RMB'000 (Note 15)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2013	9,204,981	1,177,866	12,400,770	22,783,617	497,249	23,280,866
Comprehensive income						
Profit for the year	–	–	1,755,172	1,755,172	31,778	1,786,950
Other comprehensive income						
Currency translation differences	–	(3,260)	–	(3,260)	(2,136)	(5,396)
Cash flow hedges	–	294	–	294	–	294
Total other comprehensive income	–	(2,966)	–	(2,966)	(2,136)	(5,102)
Total comprehensive income	–	(2,966)	1,755,172	1,752,206	29,642	1,781,848
Transactions with owners						
2013 final and 2014 interim dividends paid to equity holders of the Company	–	–	(466,622)	(466,622)	–	(466,622)
Share options granted to directors and employees	–	939	–	939	–	939
Exercise of share options	3,606	(1,161)	–	2,445	–	2,445
Total transactions with owners	3,606	(222)	(466,622)	(463,238)	–	(463,238)
Balance at 30 June 2014	9,208,587	1,174,678	13,689,320	24,072,585	526,891	24,599,476

The notes on pages 77 to 136 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended 30 June 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	28(a)	5,371,113	36,043
Income tax paid		(110,072)	(109,451)
Interest paid		(1,778,613)	(1,629,702)
Net cash generated from/(used in) operating activities		3,482,428	(1,703,110)
Cash flows from investing activities			
Capital contribution made to a joint venture	9b	(18,623)	–
Capital contribution made to an associate		–	(9,420)
Proceeds from disposal of subsidiaries		–	4,212
Payment for property, plant and equipment		(2,573,780)	(4,409,223)
Purchase of intangible assets		(2,149)	(46)
Proceeds from disposal of property, plant and equipment	28(b)	13,161	24,967
Payment for acquisition of land use rights		–	(35,902)
Proceeds from disposal of land use rights		17,394	–
Proceeds from government grants for purchase of property, plant and equipment and land use rights		–	12,394
Interest received		70,355	45,998
Dividends received from an associate	9b	13,500	–
Net cash used in investing activities		(2,480,142)	(4,367,020)
Cash flows from financing activities			
Exercise of share options		2,445	1,873
Proceeds from borrowings		23,521,125	30,993,337
Repayments of borrowings		(22,277,552)	(22,902,474)
Restricted cash pledged for bank borrowings		(35,759)	(55,000)
Restricted cash released		55,000	–
Payment for derivative financial instruments		(1,846)	–
Dividends paid to non-controlling interests		–	(13,023)
Dividends paid to equity holders of the Company		(372,746)	(325,414)
Capital contribution made by a non-controlling shareholder		–	53,419
Net cash generated from financing activities		890,667	7,752,718
Net increase in cash and cash equivalents		1,892,953	1,682,588
Cash and cash equivalents at beginning of the year		6,015,451	4,364,539
Exchange losses on cash and cash equivalents		(6,760)	(31,676)
Cash and cash equivalents at end of the year	13	7,901,644	6,015,451

The notes on pages 77 to 136 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nine Dragons Paper (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") mainly engage in the manufacture and sales of packaging paper, recycled printing and writing paper, pulp and high value specialty paper products in the People's Republic of China (the "PRC").

The Company was incorporated in Bermuda on 17 August 2005 under the Companies Act 1981 as an exempt company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements are presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company (the "BoD") on 24 September 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Effect of adopting new standards, amendments to standards and interpretation

The following new standards, amendments to standards and interpretations are mandatory for the Group's financial year beginning on 1 July 2013. The adoption of these new and amended standards and interpretations does not have any significant impact to the results and financial position of the Group and the Company.

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interest in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRSs (Amendment)	Annual Improvements 2009–2011 Cycle

(b) New standards, amendments to standards and interpretation that have been issued but are not effective

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on 1 July 2013 and have not been early adopted by the Group:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions [1]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities [1]
HKAS 36 (Amendment)	Recoverable Amount Disclosure for Non-Financial Assets [1]
HKAS 39 (Amendment)	Novation of Derivatives [1]
HKFRS 9 (2014)	Financial Instruments [4]
HKFRSs (Amendment)	Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle [1]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities [1]
HKFRS 14	Regulatory Deferral Accounts [2]
HKFRS 15	Revenue from Contracts with Customers [3]
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation [2]
HK (IFRIC) — Int 21	Levies [1]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) New standards, amendments to standards and interpretation that have been issued but are not effective *(continued)*

1. Effective for the Group for annual period beginning on 1 July 2014.

2. Effective for the Group for annual period beginning on 1 July 2016.

3. Effective for the Group for annual period beginning on 1 July 2017.

4. Effective for the Group for annual period beginning on 1 July 2018.

The above new standards, amendments to standards and interpretation will be adopted in the years listed and the Group is in the process of assessing the impact on future accounting periods.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 30 June 2014.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(d) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(e) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interests arising in associates are recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, from part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the BoD that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings, restricted cash and cash and cash equivalents are presented in the consolidated income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains/(losses) — net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	24 years
Plant and machinery	15–35 years
Furniture, fixtures and equipment	5–10 years
Motor vehicles, transportation and logistic	8–15 years

The assets' residual values ranged from 3% to 5%. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) — net" in the consolidated income statement.

2.7 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the cost of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Land use rights

Land use rights in the balance sheet represent up-front prepayment made for operating leases for land use rights paid and payable to the counterparties. Land use rights are carried at cost and are charged to the consolidated income statement on a straight-line basis over the respective periods of the leases which range from 30 years to 50 years.

2.9 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Intangible assets *(continued)*

(b) Other intangible assets

(i) Trademark

Separately acquired trademark represents the using rights of "Xuesha" brand which delivers an earning stream and generates value for the Group. The trademark is renewable every 10 years at minimal cost. The directors of the Company are of the view that the Group has both the intention and ability to renew the trademark continuously. As a result, the useful life of the trademark is considered by the management as indefinite because the trademark is expected to contribute to the Group's net cash inflows indefinitely. Trademark acquired in a business combination are recognised at fair value at the acquisition date. Trademark with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Impairment testing of intangible assets is described in Note 2.10.

(ii) Patent

The patent represents the using rights of odor treatment equipment which can solve the environment pollution problems caused by odor emission during the production process and other technical rights used during the production process. Patent acquired in a business combination are recognised at fair value at the acquisition date. The patent is carried at costs less accumulated amortisation and accumulated impairment loss, if any. Amortisation is calculated using the straight-line method to allocate the cost of patent over its estimated useful life of 8 years.

(iii) Customer relationship

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date. The customer relationship has a finite useful life of 10 years and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

(c) Computer software

Computer software is shown at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Computer software has a definite useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of the computer software over its estimated useful life (10 years).

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the year, the Group did not hold any financial assets at fair value through profit or loss or available for sale financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amount that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade, bills and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.16 and 2.17).

(b) Recognition and measurement

Regular way purchase and sale of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Impairment of financial assets

The Group assesses at the end of each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in fair values of these derivative financial instruments are recognised immediately in profit or loss, except for effective portion of changes in fair value of derivative designated in cash flow hedges. The method of recognising the resulting gain or loss depends on whether the derivative is designated as hedging instrument, and if so, the nature of the item being hedged. The Group designated certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purpose are disclosed in Note 11. Movements on the hedging reserve in shareholders' equity are shown in Note 15. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges

(a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within "finance costs".

(b) Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. The gain or loss relating to the effective portion of forward contracts hedging foreign currency denominated borrowings is recognised in the consolidated income statement within "finance costs". The gains or losses relating to the ineffective portion is recognised in the consolidated income statement within "finance costs".

(c) When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within "finance costs".

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operation capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Trade, bills and other receivables

Trade and bills receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade, bills and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Restricted cash and cash and cash equivalents

Amounts include cash in hand and deposits held at call with banks.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade, bills and other payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Borrowings and borrowing costs *(continued)*

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint arrangements, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,250 till May 2014, as appropriate. The cap of the contributions was increased to HK$1,500 from June 2014. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Employee benefits *(continued)*

(c) Share-based compensation *(continued)*

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, net of value-added tax, return, rebate and discount after eliminating sales within the group companies.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Revenue and other income recognition *(continued)*

(a) Sales of goods

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Sales of electricity

Sales of electricity are recognised when electricity is generated and transmitted to the power grids operated by the provincial electricity power company.

2.25 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plants and equipment are deducted from the cost of additions of the related assets and consequently are effectively recognised in the consolidated income statement on a straight-line basis over the expected useful lives of the related assets by way of reduced depreciation/amortisation charges.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where applicable.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Foreign exchange risk

The sales transactions of the Group are denominated in United States Dollars ("US$"), Hong Kong Dollars ("HK$") and RMB. There are purchases of raw materials and acquisition of plant and equipment that are required to be settled in US$, HK$, RMB and other foreign currencies. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

To manage the Group's exposure to fluctuations in foreign exchange rates on specific transactions and foreign currency borrowings, currency structured instruments and other appropriate financial instruments may be used to hedge material exposure. At 30 June 2014, if RMB had weakened/strengthened by 2.0% against US$ and HK$, with all other variables held constant, post-tax profit for the year ended 30 June 2014 would have been RMB315,984,000 lower/higher (2013: RMB219,362,000), and other reserves would have been RMB36,000 higher/lower (2013: Nil), mainly as a result of foreign exchange losses/gains on translation of US$/HK$-denominated cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and derivative financial instruments.

(b) Interest rate risk

The Group's major interest-bearing assets are cash at banks. The maturity term of cash at banks is within 12 months so there would be no significant interest rate risk.

The Group's interest-rate risk mainly arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. To manage the Group's exposure to fluctuations in interest rates on specific transactions, appropriate financial instruments may be used to hedge material exposure.

At 30 June 2014, if interest rates on borrowings had been 25 basis point higher/lower with all other variables held constant, post-tax profit for the year would have been RMB40,927,000 lower/higher (2013: RMB33,775,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk

Credit risk arises from restricted cash, cash at bank and bank deposits, trade, bills receivables and other receivables.

The Group has no significant concentration of credit risk. Management does not expect any losses from non-performance by the banks and financial institutions, as they are with good reputation.

The table below shows the restricted cash, cash at bank and bank deposit balances of the major counterparties with external credit ratings as at 30 June 2014.

Counterparties with external credit rating (Note)

	30 June 2014 RMB'000	30 June 2013 RMB'000
Aa3	**557,184**	375,107
A1	**3,497,111**	3,012,443
A2	**1,649,954**	—
A3	**50,014**	1,231,908
Baa1	**510,380**	—
Baa2	**67,264**	17,352
Baa3	**30,573**	501,747
Ba1	**73,499**	—
others	**1,500,727**	930,026
	7,936,706	6,068,583

Note: The source of credit rating is from Moody's.

Credit risk related to receivables is the risk that the receivables cannot be collected on the due date. The Group has policies in place to ensure that sales of goods are made to customers with a good credit history and the Group performs periodic credit evaluations of its customers based on assessment of ageing of trade receivables, repayment history, the customers' financial position and other factors.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve comprises undrawn borrowing facility (Note 16) and cash and cash equivalents (Note 13) on the basis of expected cash flow.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(d) Liquidity risk *(continued)*

The table below analyses the Group's and the Company's financial liabilities and derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date, to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (Note).

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At 30 June 2014				
Borrowings	**13,470,215**	**12,498,242**	**10,652,135**	**1,017,199**
Trade, bills and other payables	**4,584,696**	**31,457**	**—**	**—**
Forward foreign exchange contract — cash flow hedges				
— Outflow	**373,628**	**—**	**—**	**—**
— Inflow	**370,958**	**—**	**—**	**—**
At 30 June 2013				
Borrowings	9,925,998	12,176,063	13,836,597	1,270,324
Trade, bills and other payables	4,553,052	43,557	—	—
Company				
At 30 June 2014				
Borrowings	**59,207**	**1,851,971**	**—**	**—**
Other payables	**105,386**	**—**	**—**	**—**
At 30 June 2013				
Borrowings	104,709	1,982,006	1,550,194	—
Other payables	16,429	—	—	—

Note: Interest on borrowings is calculated on borrowings held as at 30 June 2014 and 2013, respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2014 and 2013, respectively.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rates in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents and restricted cash. Total capital is "Total equity" as shown in the consolidated balance sheet.

The gearing ratio is calculated as follows:

	30 June 2014 RMB'000	30 June 2013 RMB'000
Total borrowings (Note 16)	**35,474,020**	34,306,082
Less: cash and cash equivalents and restricted cash	**(7,938,403)**	(6,070,451)
Net debt	**27,535,617**	28,235,631
Total equity	**24,599,476**	23,280,866
Gearing ratio	**111.9%**	121.3%

The decrease in gearing ratio during the year ended 30 June 2014 was mainly resulted in the decrease in net debt during the year.

3.3 Fair value estimation

Financial instruments carried at fair value are categorised by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices) (level 2); and

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Derivative financial instruments of the Group are measured at fair value in level 2 as at 30 June 2014 (2013: Nil). These derivative financial instruments are not traded in an active market (for example, over-the counter derivatives), so their fair value is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. All significant inputs required to fair value the instruments are observable, so the instrument is included in level 2.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The carrying amounts of financial assets including cash and cash equivalents, trade and other receivables; and financial liabilities including trade payables and other payables and accruals and short-term borrowing, approximated their respective fair value due to their short maturity at each of balance sheet dates. The fair value of long-term borrowings is discussed in Note 16(j).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated recoverable amounts of intangible assets with indefinite useful lives

Determining whether intangible assets with indefinite useful lives are impaired requires an estimation of the value-in-use calculation. These calculations require the use of estimates (Note 8).

(b) Useful lives of plant and machinery

The Group's management determines the estimated useful lives and related depreciation expense for its plant and machinery for paper manufacturing. The estimate is based on the expected lifespan of the paper machines and expected wears and tears incurred during production. Wears and tears can be significantly different following renovations each time. It could also change significantly as a result of technical innovations in response to industry cycles. Management regularly reviews the estimated useful lives and related depreciation charge of the Group's property, plant and equipment. When the useful lives differ from the original estimated useful lives, management will adjust the estimated useful lives accordingly, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. It is possible that the estimates made based on existing experience are different to the actual outcomes within the next financial period and could cause a material adjustment to the depreciation and carrying amount of property, plant and equipment.

Should the actual useful lives of the paper manufacturing plant and machinery be 10% shorter/longer from management's estimate, the carrying amount of the plant and machinery as at 30 June 2014 would be RMB584,978,000 (2013: RMB475,351,000) lower or RMB714,973,000 (2013: RMB580,985,000) higher.

(c) Plant and machinery under construction

Plant and machinery under construction is tested for its functionality in order to ascertain that it is capable of operating in a manner intended by management. Cost of testing after deducting the net proceeds from selling any items produced during testing period are capitalised as cost to the plant and machinery under construction. Plant and machinery under construction are transferred to property, plant and equipment and depreciated when they are ready for intended use. The determination of intended use requires significant judgment.

Had these plant and machinery under construction, which had been transferred to property, plant and equipment during the year ended 30 June 2014, been capable to operate in the manner intended by management one month earlier or later, net profit for the year ended 30 June 2014 would have been RMB4,007,000 lower (2013: RMB24,227,000 lower) and RMB5,892,000 higher (2013: RMB6,976,000 higher), respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(d) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group follows the guidance of HKAS 36 to determine whether an asset is impaired. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling goods of similar nature. It could change significantly as a result of change in market condition. Write-downs on inventories are recognised where events or changes in circumstances indicate that the value of the inventories may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories is recognised in the period in which such estimate has been changed.

(f) Provision for impairment of receivables

The Group makes provision for impairment in receivables based on an assessment of the recoverability of receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Provisions are made where events or changes in circumstances indicate that the receivables may not be collectible. The identification of impairment in receivables requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the receivables and impairment is recognised in the period in which such estimate has been changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(g) Value-added taxes ("VAT")

The Group is subject to VAT under relevant PRC tax regulations. The interpretations on relevant VAT regulations of the Group's management may differ from that of the in-charge tax authorities. Where the ultimate tax determination is uncertain, the Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the cost of sales and provisions of VAT in the period in which such determination is made.

(h) Income taxation and deferred taxation

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors of the Company, which are used to allocate resources and assess performance.

The Group is principally engaged in the manufacture and sales of packaging paper, recycled printing and writing paper, pulp and high value specialty board products in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the directors of the Company regard that there is only one segment which is used to make strategic decisions.

The Group is domiciled in the PRC. The revenue from external customers attributable to the PRC for the year ended 30 June 2014 is RMB26,282,725,000 (2013: RMB26,130,720,000), and the total of its revenue from external customers from other countries is RMB2,646,015,000 (2013: RMB2,608,422,000). The breakdown of the major products of the total sales is disclosed in Note 19.

As at 30 June 2014, the total of non-current assets other than deferred tax assets located in the PRC is RMB47,219,990,000 (2013: RMB46,357,349,000), and the total of these non-current assets located in other countries is RMB134,964,000 (2013: RMB92,040,000).

6. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Transportation, logistic and motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2012						
Cost	6,872,259	34,365,421	541,724	565,008	5,804,576	48,148,988
Accumulated depreciation	(1,219,893)	(4,103,472)	(219,302)	(245,788)	—	(5,788,455)
Net book amount	5,652,366	30,261,949	322,422	319,220	5,804,576	42,360,533
Year ended 30 June 2013						
Opening net book amount	5,652,366	30,261,949	322,422	319,220	5,804,576	42,360,533
Additions	3,185	22,976	51,379	48,118	3,905,202	4,030,860
Transfer	351,835	3,438,112	53,951	218,527	(4,062,425)	—
Tax benefit	—	(12,394)	—	—	—	(12,394)
Disposals (Note 28)	(7,092)	(64,659)	(1,353)	(668)	—	(73,772)
Disposal of subsidiaries	(2,121)	(910)	(35)	(426)	(5)	(3,497)
Depreciation (Note 21)	(304,214)	(1,175,672)	(72,160)	(56,060)	—	(1,608,106)
Exchange differences	(655)	(1,793)	(1)	(38)	(306)	(2,793)
Closing net book amount	5,693,304	32,467,609	354,203	528,673	5,647,042	44,690,831
At 30 June 2013						
Cost	7,213,636	37,696,472	636,955	821,649	5,647,042	52,015,754
Accumulated depreciation	(1,520,332)	(5,228,863)	(282,752)	(292,976)	—	(7,324,923)
Net book amount	5,693,304	32,467,609	354,203	528,673	5,647,042	44,690,831
Year ended 30 June 2014						
Opening net book amount	**5,693,304**	**32,467,609**	**354,203**	**528,673**	**5,647,042**	**44,690,831**
Additions	**16,866**	**55,100**	**121,769**	**32,092**	**2,430,323**	**2,656,150**
Transfer	**692,506**	**4,539,458**	**18,799**	**214**	**(5,250,977)**	**—**
Disposals (Note 28)	**(2,148)**	**(5,098)**	**(927)**	**(3,151)**	**—**	**(11,324)**
Depreciation (Note 21)	**(318,754)**	**(1,260,970)**	**(73,884)**	**(81,394)**	**—**	**(1,735,002)**
Exchange differences	**(330)**	**(889)**	**(4)**	**(17)**	**(219)**	**(1,459)**
Closing net book amount	**6,081,444**	**35,795,210**	**419,956**	**476,417**	**2,826,169**	**45,599,196**
At 30 June 2014						
Cost	**7,912,639**	**42,229,968**	**773,339**	**828,132**	**2,826,169**	**54,570,247**
Accumulated depreciation	**(1,831,195)**	**(6,434,758)**	**(353,383)**	**(351,715)**	**—**	**(8,971,051)**
Net book amount	**6,081,444**	**35,795,210**	**419,956**	**476,417**	**2,826,169**	**45,599,196**

6. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000
At 1 July 2012			
Cost	63	2,750	2,813
Accumulated depreciation	(56)	(1,502)	(1,558)
Net book amount	7	1,248	1,255
Year ended 30 June 2013			
Opening net book amount	7	1,248	1,255
Depreciation	(5)	(332)	(337)
Closing net book amount	2	916	918
At 30 June 2013			
Cost	63	2,750	2,813
Accumulated depreciation	(61)	(1,834)	(1,895)
Net book amount	2	916	918
Year ended 30 June 2014			
Opening net book amount	**2**	**916**	**918**
Additions	**27**	**—**	**27**
Depreciation	**(6)**	**(332)**	**(338)**
Closing net book amount	**23**	**584**	**607**
At 30 June 2014			
Cost	**90**	**2,750**	**2,840**
Accumulated depreciation	**(67)**	**(2,166)**	**(2,233)**
Net book amount	**23**	**584**	**607**

6. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Certain property, plant and equipment of the Group with carrying values of approximately RMB1,181,057,000 as at 30 June 2014 (2013: RMB1,545,612,000) had been pledged for the borrowings of the Group (Note 16).

(b) Depreciation was expensed in the following category in the consolidated income statement:

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Cost of goods sold	**1,532,017**	1,396,526
Other expenses	**4,226**	6,885
Administrative expenses	**142,577**	136,202
Selling and marketing costs	**56,182**	68,493
	1,735,002	1,608,106

(c) As at 30 June 2014, except for those buildings of the subsidiary located in Vietnam, all other buildings are located in the mainland China.

7. LAND USE RIGHTS — GROUP

	Land use rights
	RMB'000
At 1 July 2012	
Cost	1,751,945
Accumulated amortisation	(194,317)
Net book amount	1,557,628
Year ended 30 June 2013	
Opening net book amount	1,557,628
Additions	1,066
Amortisation (Note 21)	(33,997)
Exchange differences	(1,993)
Closing net book amount	1,522,704
At 30 June 2013	
Cost	1,753,011
Accumulated amortisation	(230,307)
Net book amount	1,522,704
Year ended 30 June 2014	
Opening net book amount	**1,522,704**
Disposals	**(11,114)**
Amortisation (Note 21)	**(31,249)**
Exchange differences	**(567)**
Closing net book amount	**1,479,774**
At 30 June 2014	
Cost	**1,741,897**
Accumulated amortisation	**(262,123)**
Net book amount	**1,479,774**

The land is outside Hong Kong and held on leases of between 10 years to 50 years.

Amortisation of RMB31,249,000 (2013: RMB33,997,000) is included in the "cost of goods sold" of the consolidated income statement.

As at 30 June 2014, the Group is in the process of applying the title certificates for certain of its land use rights with an aggregate carrying value of RMB60,471,000 (2013: RMB 63,562,000). However, the directors of the Company are of the opinion that substantially all risks and rewards of these land use rights have already been transferred to the Group.

There were no land use rights being pledged for the borrowings of the Group as at 30 June 2014 (2013: RMB70,175,000) (Note 16).

8. INTANGIBLE ASSETS — GROUP

	Goodwill	Trademark	Patent	Customer relationship	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2012						
Cost	221,830	56,357	4,524	30,709	9,030	322,450
Accumulated amortisation and impairment charge	(75,136)	—	(2,264)	(12,284)	(2,502)	(92,186)
Net book amount	146,694	56,357	2,260	18,425	6,528	230,264
Year ended 30 June 2013						
Opening net book amount	146,694	56,357	2,260	18,425	6,528	230,264
Additions	—	—	—	—	46	46
Amortisation (Note 21)	—	—	(566)	(3,071)	(926)	(4,563)
Closing net book amount	146,694	56,357	1,694	15,354	5,648	225,747
At 30 June 2013						
Cost	221,830	56,357	4,524	30,709	9,076	322,496
Accumulated amortisation and impairment charge	(75,136)	—	(2,830)	(15,355)	(3,428)	(96,749)
Net book amount	146,694	56,357	1,694	15,354	5,648	225,747
Year ended 30 June 2014						
Opening net book amount	**146,694**	**56,357**	**1,694**	**15,354**	**5,648**	**225,747**
Additions	**—**	**209**	**—**	**—**	**1,940**	**2,149**
Amortisation (Note 21)	**—**	**—**	**(566)**	**(3,071)**	**(1,014)**	**(4,651)**
Closing net book amount	**146,694**	**56,566**	**1,128**	**12,283**	**6,574**	**223,245**
At 30 June 2014						
Cost	**221,830**	**56,566**	**4,524**	**30,709**	**11,016**	**324,645**
Accumulated amortisation and impairment charge	**(75,136)**	**—**	**(3,396)**	**(18,426)**	**(4,442)**	**(101,400)**
Net book amount	**146,694**	**56,566**	**1,128**	**12,283**	**6,574**	**223,245**

Amortisation of RMB4,651,000 (2013: RMB4,563,000) is included in the "administrative expenses" of the consolidated income statement.

8. INTANGIBLE ASSETS — GROUP *(continued)*

(a) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a ten-year period, which is based on management's past experience and its expectation for the market development and is consistent with their business plan. Cash flows beyond the ten-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

	30 June 2014	30 June 2013
Gross margin (Note (i))	**17%**	17%
Long-term growth rate (Note (ii))	**1%**	1%
Discount rate (Note (iii))	**14%**	15%

Note:

(i) Management determined budgeted gross margin based on past performance and its expectations for the market development.

(ii) The long-term growth rate used does not exceed the long-term growth rate for the paper manufacturing industry and is used to extrapolate cash flows beyond the budget period.

(iii) The discount rate used is pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the relevant industry.

For the year ended 30 June 2014, management of the Group was of the view there was no impairment of goodwill (2013: Nil).

As at 30 June 2014, if the budgeted gross margin applied to the cash flow projections had been 5% lower, or if a long-term growth rate of 0% was applied in the value-in-use calculation, or if the discount rate applied in the value-in-use calculation had been 5% higher, with other variables held at constant, the recoverable amount of goodwill would still exceed its carrying value and no impairment will be required.

8. INTANGIBLE ASSETS — GROUP *(continued)*

(b) Impairment test for trademark

The recoverable amount of the trademark is determined by reference to a valuation performed using the royalty relief valuation method. Under this method, the value of the trademark represents the present value of the hypothetical royalty income from licensing out the trademark.

The key assumptions used for value-in-use calculations are as follows:

	30 June 2014	30 June 2013
Royalty rate (Note (i))	**2%**	2%
Long-term growth rate (Note (ii))	**2%**	4%
Discount rate (Note (iii))	**13%**	14%

Note:

(i) Royalty rate is determined based on management's estimate and knowledge about the business.

(ii) The long-term growth rate used does not exceed the long-term growth rate for the paper manufacturing industry and is used to extrapolate cash flows beyond the budget period.

(iii) The discount rate used is pre-tax discount rate applied to the cash flow projections and reflect specific risks relating to the business.

For the year ended 30 June 2014, management of the Group was of the view there was no impairment of trademark (2013: Nil).

As at 30 June 2014, if the royalty rate, or the long-term growth rate applied to the cash flow projections had been 5% lower, or if the discount rate applied in the valuation had been 5% higher, with other variables held at constant, the recoverable amount of trademark would still exceed its carrying value and no impairment will be required.

9a. INVESTMENTS IN SUBSIDIARIES — COMPANY

	30 June 2014	30 June 2013
	RMB'000	RMB'000
Investments in unlisted shares, at cost	**2,386,700**	2,386,700
Share options granted to employees of subsidiaries	**57,183**	56,476
	2,443,883	2,443,176

9a. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

The following is a list of the principal subsidiaries as at 30 June 2014:

Company	Place of incorporation	Principal activities/ place of operation	Issued and fully paid share capital/paid-in capital	Attributable equity interest held
Directly held:				
Nine Dragons Paper (BVI) Group Limited ("NDP (BVI)")	British Virgin Islands (the "BVI"), limited liability company	Investment holdings/ PRC	US$10,000	100%
Indirectly held:				
Nine Dragons Worldwide Investment Limited	Hong Kong, limited liability company	Investment holdings/ PRC	HK$1	100%
Dongguan Nine Dragons Paper Industries Co., Ltd. [1] (Note (b))	PRC, limited liability company	Manufacture of paper/ PRC	US$833,181,000	99.9%
Nine Dragons Paper Industries (Taicang) Co., Ltd. [1] (Note (b))	PRC, limited liability company	Manufacture of paper/ PRC	US$450,720,000	99.5%
Nine Dragons Paper Industries (Chongqing) Co., Ltd. [1] (Note (b))	PRC, limited liability company	Manufacture of paper/ PRC	US$340,200,080	99.9%
Nine Dragons Paper Industries (Tianjin) Co., Ltd. [1] (Note (a) and (b))	PRC, limited liability company	Manufacture of paper/ PRC	US$402,927,500	99.9%
Nine Dragons Xing An Paper Industries (Inner Mongolia) Company Limited [2] (Note (b))	PRC, limited liability company	Manufacture of pulp and paper/PRC	RMB163,640,000	55%
Nine Dragons Paper Industries (Quanzhou) Co., Ltd. [3]	PRC, limited liability company	Manufacture of paper/ PRC	US$99,942,000	100%
Hebei Yongxin Paper Co., Ltd. [1] (Note (b))	PRC, limited liability company	Manufacture of paper/ PRC	US$68,995,000	78.13%
Cheng Yang Paper Mill Co., Ltd. (Note (b))	Vietnam, limited liability company	Manufacture of paper/ Vietnam	US$30,000,000	60%

(a) Ming Guan Paper Industries (Tianjin) Co. Ltd has been merged into Nine Dragons Paper Industries (Tianjin) Co., Ltd as a single entity in December 2013. Yao Yu Paper Industries (Tianjin) Co. Ltd, Tian Qi Paper Industries (Tianjin) Co. Ltd and Feng Xiang Paper Industries (Tianjin) Co. Ltd. have been merged into Nine Dragons Paper Industries (Tianjin) Co., Ltd as a single entity in February 2014.

(b) The Group holds controlling interests in these subsidiaries. In the opinion of the directors, the non-controlling interests are individually and in aggregate not material to the Group's financial statements. Therefore, no separate disclosure on these subsidiaries is presented.

The English names of those subsidiaries incorporated in the PRC represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

Kind of legal entities:

1 Sino-foreign equity joint venture enterprise

2 Domestic enterprise

3 Wholly foreign-owned enterprise

9b. INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE — GROUP

	Associate	Joint venture	Total
	RMB'000	RMB'000	RMB'000
At 1 July 2012	—	—	—
Addition of investment cost	9,420	—	9,420
Share of profit	687	—	687
At 30 June 2013	10,107	—	10,107
At 1 July 2013	**10,107**	**—**	**10,107**
Addition of investment cost	**—**	**18,623**	**18,623**
Share of profit	**37,509**	**—**	**37,509**
Dividends received	**(13,500)**	**—**	**(13,500)**
At 30 June 2014	**34,116**	**18,623**	**52,739**

(a) Particulars of the Group's associate are set out below:

Name of entity	Place of incorporation	% of ownership interest	Principal activities
ACN (Tianjin) Resources Co., Ltd. ("ACN Tianjin")	PRC	30	Sales of recovered paper

(b) The summarised financial information in respect of the Group's interests in the associate is set out below:

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit before taxation	**50,012**	916
Profit for the year	**37,509**	687
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**37,509**	687

(c) Particulars of the Group's joint venture are set out below, the joint venture has not involved in any significant business transactions since its date of incorporation.

Name of entity	Place of incorporation	% of ownership interest	Principal activities
Global Fame Developments Limited ("Global Fame")	BVI	50	Investment holdings

10. INVENTORIES — GROUP

	30 June 2014 RMB'000	30 June 2013 RMB'000
At cost:		
Raw materials	2,779,141	2,544,192
Finished goods	1,744,198	1,234,568
	4,523,339	3,778,760

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB24,177,648,000 (2013: RMB24,132,824,000).

11. DERIVATIVE FINANCIAL INSTRUMENTS — GROUP

	30 June 2014		30 June 2013	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Financial instruments not designated — foreign exchange option contracts (Note (a))	3,460	—	—	—
Financial instrument designated in cash flow hedges — forward foreign exchange contract (Note (b))	—	2,670	—	—
	3,460	2,670	—	—

(a) The notional principal amounts of the outstanding foreign exchange option contracts at 30 June 2014 were US$100,000,000 (2013: Nil).

Changes in fair values recognised in the profit or loss that arose from foreign exchange option contracts amounted to a loss of RMB952,000 (2013: Nil) (Note 23).

(b) The notional principal amount of the outstanding forward foreign exchange contract at 30 June 2014 was US$60,000,000 (2013: Nil).

The hedged highly probable forecast transactions in connection with foreign currency denominated borrowings are expected to occur during the next 12 months. Gains and losses recognised in the hedging reserve in equity (Note 15) on the forward foreign exchange contract as of 30 June 2014 are recognised in the consolidated income statement in the period during which the hedged forecast transaction affects the consolidated income statement.

(c) The maximum exposure to credit risk at the balance sheet date is the fair value of the derivative assets in the consolidated balance sheet.

12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	30 June 2014 RMB'000	30 June 2013 RMB'000	**30 June 2014 RMB'000**	30 June 2013 RMB'000
Trade receivables (Note (b) and (c))				
— third parties	**2,062,585**	2,007,247	**—**	—
— related parties (Note 30(d))	**53,812**	85,780	**—**	—
	2,116,397	2,093,027	**—**	—
Bills receivable				
— third parties (Note (d))	**2,773,117**	3,507,291	**—**	—
— related parties (Note 30(d))	**5,088**	—	**—**	—
	2,778,205	3,507,291	**—**	—
	4,894,602	5,600,318	**—**	—
Value-added tax recoverable	**1,279,857**	1,555,926	**—**	—
Other receivables and deposits				
— third parties	**226,565**	413,808	**3,301**	1,454
— related parties (Note 30(d))	**134,428**	9,268	**—**	—
	360,993	423,076	**3,301**	1,454
Prepayments				
— third parties (Note (h))	**590,120**	514,512	**—**	1,779
	2,230,970	2,493,514	**3,301**	3,233
Amounts due from subsidiaries (Note (g))	**—**	—	**11,373,211**	12,726,452

(a) As at 30 June 2014, the fair value of trade, bills and other receivables and deposits approximate their carrying amounts.

12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

(b) The Group's credit sales to corporate customers are entered into on credit terms of 30 to 60 days.

As at 30 June 2014, the ageing analysis of trade receivables is as follows:

	Group	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
0–30 days	**1,359,182**	1,640,532
31–60 days	**672,258**	415,949
61–90 days	**41,830**	29,961
Over 90 days	**43,127**	6,585
	2,116,397	2,093,027

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.

(c) Management makes periodic collective assessment as well as individual assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

Trade receivables are analysed below:

	Group	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
Fully performing under credit term (Note (i))	**2,031,440**	1,963,079
Past due but not impaired (Note (ii))	**84,957**	129,948
Total trade receivables	**2,116,397**	2,093,027

(i) Trade receivables that are not yet past due relate to customers who have long-term trading relationship or have good payment history.

12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

(c) *(continued)*

(ii) Trade receivables that are past due but not impaired relate to customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	Group	
	30 June 2014	30 June 2013
	RMB'000	RMB'000
0–30 days	**41,789**	96,265
31–60 days	**34,129**	16,000
61–90 days	**5,900**	17,683
Over 90 days	**3,139**	—
	84,957	129,948

(d) Bills receivables are normally with maturity period of 90 to 180 days (2013: 90 to 180 days).

As at 30 June 2014, bills receivables of RMB126,091,000 (2013: RMB53,755,000) were pledged as securities for the Group's borrowings of RMB123,056,000 (2013: RMB53,755,000). Such pledged assets will be released after the repayment of borrowings (Note 16).

(e) The carrying amounts of trade, bills and other receivables and deposits are denominated in the following currencies:

	Group		Company	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**5,038,220**	5,790,558	**3,301**	1,454
HK$	**158,575**	156,665	**—**	—
Others	**58,800**	76,171	**—**	—
	5,255,595	6,023,394	**3,301**	1,454

(f) The maximum exposure to credit risk is the carrying amount of trade, bills and other receivables and deposits. The Group does not hold any collateral as security.

12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

(g) Amounts due from subsidiaries are unsecured, interest free and repayable upon demand. The amounts are mainly denominated in the following currencies:

	Company	
	30 June 2014 RMB'000	30 June 2013 RMB'000
RMB	**5,588,260**	3,973,475
HK$	**2,698,206**	3,713,641
US$	**3,065,948**	5,019,384
Others	**20,797**	19,952
	11,373,211	12,726,452

(h) Prepayments mainly represent advance to suppliers for purchase of raw materials.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 June 2014 RMB'000	30 June 2013 RMB'000	**30 June 2014 RMB'000**	30 June 2013 RMB'000
Cash in hand	**1,697**	1,868	**—**	—
Cash at banks	**7,899,947**	6,013,583	**104,834**	11,916
	7,901,644	6,015,451	**104,834**	11,916
Denominated in:				
RMB	**6,175,022**	3,290,153	**1,224**	665
US$	**1,428,411**	2,466,435	**5,076**	6,266
HK$	**205,797**	174,814	**98,484**	4,937
Others	**92,414**	84,049	**50**	48
	7,901,644	6,015,451	**104,834**	11,916

13. CASH AND CASH EQUIVALENTS *(continued)*

As at 30 June 2014, the maximum exposure to credit risk is the carrying amount of cash at banks of RMB7,899,947,000 (2013: RMB6,013,583,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 30 June 2014, the weighted average effective interest rate of these deposits was 3.5% (2013: 2.4%).

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated cash and cash equivalents out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

14. SHARE CAPITAL

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
			HK$'000	RMB'000	RMB'000	RMB'000
Issued and fully paid						
At 1 July 2012		4,662,920,811	466,292	478,008	8,724,348	9,202,356
Exercise of share options	15(b)	1,700,000	170	137	2,488	2,625
At 30 June 2013		4,664,620,811	466,462	478,145	8,726,836	9,204,981
At 1 July 2013		**4,664,620,811**	**466,462**	**478,145**	**8,726,836**	**9,204,981**
Exercise of share options	15(b)	**1,600,000**	**160**	**127**	**3,479**	**3,606**
At 30 June 2014		**4,666,220,811**	**466,622**	**478,272**	**8,730,315**	**9,208,587**

The total authorised number of ordinary shares as at 30 June 2014 is 8,000,000,000 shares (2013: 8,000,000,000 shares) with a par value of HK$0.1 per share (2013: HK$0.1 per share).

15. OTHER RESERVES

Group

	Contributed surplus	Capital reserve	Share option reserve	Statutory reserve and enterprise expansion fund	Currency translation reserve	Cash flow hedge reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note (a))		(Note (b))	(Note (c))			
At 1 July 2012	660,542	98,980	17,142	458,083	(53,157)	—	1,181,590
Share options granted to directors and employees	—	—	2,561	—	—	—	2,561
Exercise of share options	—	—	(752)	—	—	—	(752)
Currency translation differences	—	—	—	—	(5,533)	—	(5,533)
At 30 June 2013	660,542	98,980	18,951	458,083	(58,690)	—	1,177,866
At 1 July 2013	**660,542**	**98,980**	**18,951**	**458,083**	**(58,690)**	**—**	**1,177,866**
Share options granted to directors and employees	**—**	**—**	**939**	**—**	**—**	**—**	**939**
Exercise of share options	**—**	**—**	**(1,161)**	**—**	**—**	**—**	**(1,161)**
Currency translation differences	**—**	**—**	**—**	**—**	**(3,260)**	**—**	**(3,260)**
Cash flow hedges:							
— Fair value losses	**—**	**—**	**—**	**—**	**—**	**(2,670)**	**(2,670)**
— Amounts related to set off the impact of hedged items that affected the consolidated income statement	**—**	**—**	**—**	**—**	**—**	**2,964**	**2,964**
At 30 June 2014	**660,542**	**98,980**	**18,729**	**458,083**	**(61,950)**	**294**	**1,174,678**

15. OTHER RESERVES *(continued)*

Company

	Contributed surplus	Share option reserve	Total
	RMB'000	RMB'000	RMB'000
	(Note (d))	(Note (b))	
At 1 July 2012	2,074,700	17,142	2,091,842
Share options granted to directors and employees	–	2,561	2,561
Exercise of share options	–	(752)	(752)
At 30 June 2013	2,074,700	18,951	2,093,651
At 1 July 2013	**2,074,700**	**18,951**	**2,093,651**
Share options granted to directors and employees	**–**	**939**	**939**
Exercise of share options	**–**	**(1,161)**	**(1,161)**
At 30 June 2014	**2,074,700**	**18,729**	**2,093,429**

(a) Contributed surplus of the Group represents the difference between the share capital of subsidiaries acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

(b) **Share options reserve**

A summary of the share option schemes, details of the movement in share options and valuation of the share options are set out on pages 49 to 52 of the Company's annual report for the year ended 30 June 2014.

(c) **Statutory reserve and enterprise expansion fund**

In accordance with relevant rules and regulations in the PRC, except for Sino-foreign equity joint venture enterprises, all the PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC companies. The enterprise expansion fund can only be used to increase capital of respective companies or to expand their production operations upon approval by the relevant authority.

In accordance with relevant rules and regulations in the PRC applied on Sino-foreign equity joint venture enterprises, the appropriations to the statutory reserve fund and enterprise expansion fund are determined by the board of directors of respective companies.

(d) Contributed surplus of the Company represents the difference between the costs of investments in NDP (BVI) acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

16. BORROWINGS

	Group		Company	
	30 June 2014 RMB'000	30 June 2013 RMB'000	**30 June 2014 RMB'000**	30 June 2013 RMB'000
Non-current				
— Long-term bank and other borrowings	**22,028,389**	21,806,327	**1,845,078**	3,470,358
— Medium-term notes	**1,095,975**	3,883,682	**—**	—
	23,124,364	25,690,009	**1,845,078**	3,470,358
Current				
— Short-term bank borrowings	**6,872,435**	5,133,883	**—**	—
— Current portion of long-term bank and other borrowings	**2,280,309**	1,387,823	**—**	—
— Current portion of medium-term notes	**2,797,179**	—	**—**	—
— Short-term commercial papers	**399,733**	2,094,367	**—**	—
	12,349,656	8,616,073	**—**	—
	35,474,020	34,306,082	**1,845,078**	3,470,358

(a) As at 30 June 2014, borrowings of RMB547,455,000 are secured by certain property, plant and equipment (Note 6) of the Group (2013: RMB878,136,000 are secured by certain property, plant and equipment and land use rights); borrowings of RMB25,984,681,000 (2013: RMB22,154,029,000) are guaranteed by certain subsidiaries within the Group; borrowings of RMB73,623,000 (2013: RMB54,000,000) are guaranteed by restricted cash; and borrowings of RMB123,056,000 are guaranteed by restricted cash and bill receivables (2013: borrowings of RMB53,755,000 were guaranteed by bill receivables).

(b) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group		Company	
	30 June 2014 RMB'000	30 June 2013 RMB'000	**30 June 2014 RMB'000**	30 June 2013 RMB'000
6 months or less	**19,776,750**	17,771,940	**306,878**	1,000,941
6–12 months	**8,720,421**	7,442,521	**1,538,200**	2,469,417
1–5 years	**6,976,849**	9,091,621	**—**	—
	35,474,020	34,306,082	**1,845,078**	3,470,358

16. BORROWINGS *(continued)*

(c) The maturity of the borrowings is as follows:

Group

	30 June 2014			
	Bank and other borrowings RMB'000	**Short-term commercial paper RMB'000**	**Medium-term note RMB'000**	**Total RMB'000**
Within 1 year	**9,152,744**	**399,733**	**2,797,179**	**12,349,656**
Between 1 and 2 years	**10,782,965**	**–**	**1,095,975**	**11,878,940**
Between 2 and 5 years	**10,284,208**	**–**	**–**	**10,284,208**
Over 5 years	**961,216**	**–**	**–**	**961,216**
	31,181,133	**399,733**	**3,893,154**	**35,474,020**

	30 June 2013			
	Bank and other borrowings RMB'000	Short-term commercial paper RMB'000	Medium-term note RMB'000	Total RMB'000
Within 1 year	6,521,706	2,094,367	–	8,616,073
Between 1 and 2 years	8,580,814	–	2,791,337	11,372,151
Between 2 and 5 years	12,076,305	–	1,092,345	13,168,650
Over 5 years	1,149,208	–	–	1,149,208
	28,328,033	2,094,367	3,883,682	34,306,082

Company

	30 June 2014 Bank borrowings RMB'000	30 June 2013 Bank borrowings RMB'000
Between 1 and 2 years	**1,845,078**	1,926,327
Between 2 and 5 years	**–**	1,544,031
	1,845,078	3,470,358

16. BORROWINGS *(continued)*

(d) The repayment terms of the borrowings are analysed as follows:

	Group		Company	
	30 June 2014 RMB'000	30 June 2013 RMB'000	**30 June 2014 RMB'000**	30 June 2013 RMB'000
Wholly repayable within 5 years	**31,532,541**	29,918,913	**1,845,078**	3,470,358
Not wholly repayable within 5 years	**3,941,479**	4,387,169	**—**	—
	35,474,020	34,306,082	**1,845,078**	3,470,358

(e) The effective interest rates as at 30 June 2014 are as follows:

	Group 30 June 2014				Company 30 June 2014	
	RMB	**HK$**	**US$**	**Euro**	**US$**	**RMB**
Long-term bank and other borrowings	**6.08%**	**2.26%**	**2.79%**	**3.63%**	**3.21%**	**—**
Short-term bank borrowings	**5.96%**	**—**	**2.29%**	**—**	**—**	**—**
Medium-term notes	**5.84%**	**—**	**—**	**—**	**—**	**—**
Short-term commercial papers	**6.30%**	**—**	**—**	**—**	**—**	**—**

	Group 30 June 2013				Company 30 June 2013	
	RMB	HK$	US$	Euro	US$	RMB
Long-term bank and other borrowings	5.91%	2.32%	2.84%	3.54%	2.95%	4.00%
Short-term bank borrowings	5.57%	2.15%	1.98%	3.56%	—	—
Medium-term notes	5.84%	—	—	—	—	—
Short-term commercial papers	4.81%	—	—	—	—	—

(f) The carrying amounts of short-term borrowings and current portion of long-term borrowings approximate their fair values.

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date. As the Group's non-current borrowings are mainly carried at floating rates, as at 30 June 2014, the carrying values of non-current borrowings approximate their fair values.

16. BORROWINGS *(continued)*

(g) The carrying amounts of all the Group's borrowings as at 30 June 2014 are denominated in the following currencies:

	Group		Company	
	30 June 2014 RMB'000	30 June 2013 RMB'000	**30 June 2014 RMB'000**	30 June 2013 RMB'000
RMB	**14,039,819**	17,759,364	**—**	198,370
US$	**19,689,902**	14,088,280	**1,845,078**	3,271,988
HK$	**1,010,329**	1,714,015	**—**	—
Others	**733,970**	744,423	**—**	—
	35,474,020	34,306,082	**1,845,078**	3,470,358

(h) The Group has the following undrawn borrowing facilities:

	Group		Company	
	30 June 2014 RMB'000	30 June 2013 RMB'000	**30 June 2014 RMB'000**	30 June 2013 RMB'000
At floating rates:				
— expiring within one year	**23,193,880**	18,519,905	**—**	—
— expiring beyond one year	**725,004**	3,830,559	**—**	—
	23,918,884	22,350,464	**—**	—

17. DEFERRED INCOME TAX — GROUP

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	30 June 2014 RMB'000	30 June 2013 RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	(24,284)	(40,155)
Deferred income tax liabilities to be recovered within 12 months	5,252	2,142
Deferred income tax liabilities to be recovered after more than 12 months	1,623,077	1,370,379
	1,628,329	1,372,521
Deferred tax liabilities (net)	1,604,045	1,332,366

The net movement on the deferred income tax assets and liabilities is as follows:

	For the year ended 30 June	
	2014 RMB'000	2013 RMB'000
Beginning of the year	1,332,366	1,112,494
Recognised in the consolidated income statement (Note 24)	271,756	220,009
Exchange differences	(77)	(137)
End of the year	1,604,045	1,332,366

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

17. DEFERRED INCOME TAX — GROUP *(continued)*

Deferred income tax liabilities

	Accelerated tax depreciation
	RMB'000
At 1 July 2012	1,191,607
Charged to the consolidated income statement	290,867
Exchange differences	(137)
At 30 June 2013	1,482,337
At 1 July 2013	**1,482,337**
Charged to the consolidated income statement	**279,165**
Exchange differences	**(77)**
At 30 June 2014	**1,761,425**

Deferred income tax assets

	Decelerated tax amortisation	Tax losses	Total
	RMB'000	RMB'000	RMB'000
At 1 July 2012	(30,483)	(48,630)	(79,113)
Charged/(credited) to the consolidated income statement	712	(71,570)	(70,858)
At 30 June 2013	(29,771)	(120,200)	(149,971)
At 1 July 2013	**(29,771)**	**(120,200)**	**(149,971)**
Credited to the consolidated income statement	**(6,300)**	**(1,109)**	**(7,409)**
At 30 June 2014	**(36,071)**	**(121,309)**	**(157,380)**

17. DEFERRED INCOME TAX — GROUP *(continued)*

(a) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. The Group did not recognise deferred tax assets of RMB82,626,000 (2013: RMB67,560,000) in respect of tax losses amounting to RMB463,619,000 (2013: RMB378,075,000) as at 30 June 2014 as management believes it is more likely than not that such tax losses would not be utilised before they expire, or would not be utilised in the foreseeable future. As at 30 June 2014, the tax losses carried forward will be expired in the following years:

	30 June 2014	30 June 2013
	RMB'000	RMB'000
2013	**—**	1,345
2014	**1,123**	1,123
2015	**569**	569
2016	**14,568**	23,570
2017	**13,392**	21,085
2018	**5,786**	13,214
2019	**36,665**	—
Tax losses with no expiry date	**391,516**	317,169
	463,619	378,075

(b) Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries from 1 January 2008. Deferred income tax liabilities of approximately RMB921,388,000 (2013: approximately RMB817,528,000) have not been provided for in these consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Group's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not reverse in the foreseeable future.

18. TRADE, BILLS AND OTHER PAYABLES AND DEPOSITS RECEIVED

	Group		Company	
	30 June 2014 RMB'000	30 June 2013 RMB'000	**30 June 2014 RMB'000**	30 June 2013 RMB'000
Trade payables (Note (a))				
— third parties	**978,305**	1,207,525	**—**	—
— related parties (Note 30(d))	**694,074**	648,111	**—**	—
	1,672,379	1,855,636	**—**	—
Bills payable (Note(b))				
— third parties	**1,570,804**	1,547,899	**—**	—
	3,243,183	3,403,535	**—**	—
Deposits from customers				
— third parties	**213,565**	343,237	**—**	—
Other payables (Note(c))				
— third parties	**1,406,935**	1,301,029	**105,386**	16,429
Staff welfare benefits payable	**60,513**	72,471	**—**	—
Less: other payables included in non-current liabilities	**(31,457)**	(43,557)	**—**	—
	1,649,556	1,673,180	**105,386**	16,429

(a) The ageing analysis of trade payables as at 30 June 2014 is as follows:

	Group	
	30 June 2014 RMB'000	30 June 2013 RMB'000
0–90 days	**1,476,116**	1,739,762
91–180 days	**158,497**	50,154
181–365 days	**15,452**	33,466
Over 365 days	**22,314**	32,254
	1,672,379	1,855,636

(b) Bills payables are normally with maturity period of 90 to 180 days (2013: 90 to 180 days).

(c) Other payables mainly represent payables for acquisition of property, plant and equipment.

19. SALES

Turnover and revenue of the Group for the year are as follows:

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of packaging paper	**26,670,958**	26,461,179
Sales of recycled printing and writing paper	**1,945,280**	1,959,871
Sales of high value specialty board products	**215,186**	195,962
Sales of pulp	**97,316**	122,130
	28,928,740	28,739,142

20. OTHER INCOME/(EXPENSES) AND OTHER GAINS, NET

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Other income		
— subsidy income	**134,296**	99,005
— sales of electricity	**69,982**	84,751
Other expenses		
— cost of sales of electricity	**(38,518)**	(43,815)
Other gains — net		
— net foreign exchange gains on operating activities	**24,711**	43,611
— others	**27,646**	31,998
	218,117	215,550

21. EXPENSES BY NATURE

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

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Depreciation (Note 6)	**1,735,002**	1,608,106
Less: amount charged to other expenses	**(4,226)**	(6,885)
	1,730,776	1,601,221
Amortisation of intangible assets (Note 8)	**4,651**	4,563
Employee benefit expenses (Note 22)	**1,230,745**	1,199,506
Raw materials and consumables used (net of claims)	**22,235,759**	21,949,223
Changes in finished goods	**(509,630)**	13,660
Repairs and maintenance expenses	**377,473**	326,732
Transportation	**142,633**	233,256
Operating leases		
— Land use rights (Note 7)	**31,249**	33,997
— Buildings	**1,314**	2,622
Auditor's remuneration	**7,500**	7,500
Non-deductible value-added tax for indirect export sales	**83,911**	82,003
Others	**187,603**	158,177
	25,523,984	25,612,460

22. EMPLOYEE BENEFIT EXPENSES

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	**1,166,987**	1,142,323
Share options granted to directors and employees (Notes 15)	**939**	2,561
Pension costs — defined contribution plans (Note (a))	**31,559**	26,739
Medical benefits	**12,771**	12,022
Other allowances and benefits	**18,489**	15,861
	1,230,745	1,199,506

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Pensions costs — defined contribution plans

The details of retirement scheme contributions for the employees, which have been dealt with in the consolidated income statement are as follows:

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Gross scheme contributions	**31,559**	26,739

(b) Directors' and senior management's emoluments

The remuneration of each of the directors of the Company for the year ended 30 June 2014 is set out below:

Name of director	Fees	Allowance	Salary	Discretionary bonus	Share options	Employer's contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Ms. Cheung Yan	4,598	1,836	–	–	–	–	6,434
Mr. Liu Ming Chung (i)	4,368	1,606	–	–	–	–	5,974
Mr. Zhang Cheng Fei	4,815	930	–	–	–	–	5,745
Mr. Zhang Yuan Fu	792	–	3,395	–	–	12	4,199
Mr. Lau Chun Shun	776	–	1,022	–	232	12	2,042
Independent non-executive directors							
Ms. Tam Wai Chu, Maria	418	–	–	73	–	–	491
Dr. Cheng Chi Pang	418	–	–	73	–	–	491
Mr. Wang Hong Bo	240	–	–	–	–	–	240
Mr. Fok Kwong Man	418	–	–	73	–	–	491
Mr. Ng Leung Sing	418	–	–	73	–	–	491
	17,261	4,372	4,417	292	232	24	26,598

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Directors' and senior management's emoluments *(continued)*

The remuneration of each of the directors of the Company for the year ended 30 June 2013 is set out below:

Name of director	Fees	Allowance	Salary	Discretion-ary bonus	Share options	Employer's contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Ms. Cheung Yan	4,598	1,839	—	—	—	—	6,437
Mr. Liu Ming Chung (i)	4,368	1,610	—	—	—	—	5,978
Mr. Zhang Cheng Fei	4,214	855	—	—	—	—	5,069
Mr. Zhang Yuan Fu	809	146	2,802	—	187	12	3,956
Mr. Lau Chun Shun	793	—	1,003	—	391	12	2,199
Ms. Gao Jing (ii)	160	—	136	175	—	—	471
Independent non-executive directors							
Ms. Tam Wai Chu, Maria	427	—	—	107	—	—	534
Mr. Chung Shui Ming, Timpson (iii)	288	—	—	107	—	—	395
Dr. Cheng Chi Pang	427	—	—	107	—	—	534
Mr. Wang Hong Bo	240	—	—	—	—	—	240
Mr. Fok Kwong Man (iv)	141	—	—	—	—	—	141
Mr. Ng Leung Sing (iv)	141	—	—	—	—	—	141
	16,606	4,450	3,941	496	578	24	26,095

Notes (i) Mr. Liu Ming Chung is also the chief executive officer of the Group.

(ii) Resigned on 3 March 2013.

(iii) Retired on 3 March 2013.

(iv) Appointed on 3 March 2013.

No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office. No director waived or has agreed to waive any emoluments during the year presented.

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2014 include four (2013: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2013: one) individual during the year are as follows:

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Salaries, share options, other allowances and benefits in kind	**3,267**	3,309

The emoluments fell within the following bands:

	Number of individuals For the year ended 30 June	
	2014	2013
RMB2,000,001 to RMB4,000,000	**1**	1

23. FINANCE INCOME AND FINANCE COSTS

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	**70,355**	45,998
Finance costs:		
Interest on borrowings		
— wholly repayable within five years	**(1,242,255)**	(1,336,517)
— not wholly repayable within five years	**(229,390)**	(171,882)
	(1,471,645)	(1,508,399)
Other incidental borrowing costs	**(129,323)**	(93,783)
Less: interest capitalised	**152,112**	278,968
	(1,448,856)	(1,323,214)
Bills discount charge	**(136,496)**	(211,076)
Exchange gains on financing activities	**15,784**	161,879
Cash flow hedge reserve released (Note 15)	**(2,964)**	—
Fair value loss on foreign exchange option contracts	**(952)**	—
	(1,573,484)	(1,372,411)

The capitalisation interest rate applied to funds borrowed generally and used for the development of construction in progress is 4.62% for the year ended 30 June 2014 (2013: 5.51%).

24. INCOME TAX EXPENSE

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax		
— Hong Kong profits tax (Note (a))	**—**	—
— PRC corporate income tax (Note (b))	**98,547**	205,786
	98,547	205,786
Deferred income tax (Note 17)	**271,756**	220,009
	370,303	425,795

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group did not have any assessable profits for the year ended 30 June 2014 (2013: Nil).

(b) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except that certain of these subsidiaries are entitled to preferential rate of 15% for the Group's financial year ended 30 June 2014 (2013: 7.5% to 15%).

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average rate applied to the results of the companies as follows:

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit before taxation	**2,157,253**	2,016,506
Tax calculated at applicable tax rates of the respective companies	**495,633**	538,629
Effect of tax holidays and preferential tax rates	**(176,171)**	(146,680)
Tax losses for which no deferred income tax asset was recognised	**21,433**	14,445
Expenses not deductible	**35,439**	21,622
Utilisation of previously unrecognised tax losses	**(6,031)**	(2,221)
Income tax expense	**370,303**	425,795

The weighted average applicable tax rate is based on tax calculated at applicable tax rate of the respective companies over the profit before taxation for the year ended 30 June 2014, of which is 23.0% (2013: 26.7%).

25. RETAINED EARNINGS OF THE COMPANY

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Beginning of the year	**400,276**	782,982
Profit/(loss) of the year	**739,702**	(56,278)
Dividends	**(466,622)**	(326,428)
End of the year	**673,356**	400,276
Representing		
— Proposed final dividend	**279,973**	373,170
— Unappropriated retained earnings	**393,383**	27,106

26. EARNINGS PER SHARE

— Basic

	For the year ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	**1,755,172**	1,560,623
Weighted average number of ordinary shares in issue (shares in thousands)	**4,665,866**	4,663,264
Basic earnings per share (RMB per share)	**0.3762**	0.3347

— 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 annual market share price of the Company) 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.

26. EARNINGS PER SHARE *(continued)*

– Diluted *(continued)*

	For the year ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	**1,755,172**	1,560,623
Weighted average number of ordinary shares in issue (shares in thousands)	**4,665,866**	4,663,264
Adjustments for share options (shares in thousands)	**–**	1,139
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	**4,665,866**	4,664,403
Diluted earnings per share (RMB per share)	**0.3762**	0.3346

27. DIVIDENDS

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interim dividend, paid, of RMB2.0 cents (2013: RMB2.0 cents) per ordinary share (Note (a))	**93,324**	93,258
Final dividend, proposed, of RMB6.0 cents (2013: RMB8.0 cents) per ordinary share (Note (b))	**279,973**	373,170
	373,297	466,428

(a) An interim dividend for the six months ended 31 December 2013 of RMB2.0 cents per ordinary share, totaling approximately RMB93,324,000 (six months ended 31 December 2012: RMB2.0 cents per ordinary share, totaling approximately RMB93,258,000) has been approved in a meeting held by the BoD on 24 February 2014.

(b) At a meeting held on 24 September 2014, the BoD proposed a final dividend of RMB6.0 cents per ordinary share, totaling approximately RMB279,973,000 for the year ended 30 June 2014. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 30 June 2015.

A final dividend for the year ended 30 June 2013 of RMB8.0 cents per ordinary share, totaling approximately RMB373,170,000 has been declared in the Company's Annual General Meeting on 9 December 2013 and paid during the year.

28. CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	For the year ended 30 June	
	2014 RMB'000	2013 RMB'000
Profit for the year	1,786,950	1,590,711
Adjustments for		
Income tax expense (Note 24)	370,303	425,795
Depreciation (Note 6)	1,735,002	1,608,106
Amortisation (Notes 7 and 8)	35,900	38,560
Share options granted to directors and employees (Note 22)	939	2,561
(Gains)/losses on disposal of property, plant and equipment (note b)	(2,637)	45,667
Gain on disposal of land use rights	(6,280)	—
Insurance claim reimbursement	—	(38,215)
Share of profit of an associate(Note 9b)	(37,509)	(687)
Finance income (Note 23)	(70,355)	(45,998)
Finance costs (Note 23)	1,573,484	1,372,411
Gain on disposal of subsidiaries	—	(4,517)
Exchange gains on operating activities	(24,711)	(3,712)
	5,361,086	4,990,682
Changes in working capital		
Inventories	(744,579)	416,692
Changes in restricted cash on operating activities	(1,000)	3,678
Trade, bills and other receivables, and prepayments	830,319	(2,603,549)
Trade, bills and other payables, and deposits received	(74,713)	(2,771,460)
Cash generated from operations	5,371,113	36,043

28. CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Disposal of property, plant and equipment

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net book amount of property, plant and equipment (Note 6)	**11,324**	73,772
Gains/(losses) on disposal of property, plant and equipment	**2,637**	(45,667)
Insurance claim reimbursement	**–**	38,215
Other receivables	**(800)**	(41,353)
Proceeds from disposal of property, plant and equipment	**13,161**	24,967

29. COMMITMENTS

(a) Capital commitments

The Group has material capital commitments on property, plant and equipment as follows:

	30 June 2014	30 June 2013
	RMB'000	RMB'000
Contracted but not provided for		
Not later than one year	**380,097**	828,331
Later than one year and not later than five years	**496,359**	233,491
Later than five years	**–**	300
	876,456	1,062,122
Authorised but not contracted for		
Not later than one year	**500,000**	530,000
Later than one year and not later than five years	**1,100,000**	2,020,000
	1,600,000	2,550,000
	2,476,456	3,612,122

29. COMMITMENTS *(continued)*

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

The future aggregate minimum lease payments under non-cancellable operating leases in relation to land and buildings are as follows:

	30 June 2014 RMB'000	30 June 2013 RMB'000
Not later than one year	1,198	2,648
Later than one year and not later than five years	1,906	2,666
Later than five years	15,767	16,565
	18,871	21,879

30. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
America Chung Nam Inc. ("ACN")	A company beneficially owned by Ms. Cheung and Mr. Liu, executive directors of the Company
Nine Dragons Packaging (Taicang) Company Limited ("Taicang Packaging")	A company beneficially owned by Ms. Cheung, Mr. Liu and Mr. Zhang, executive directors of the Company
ACN Tianjin	An associate of the Group
Global Fame	A joint venture of the Group
Dongguan Honglong Packaging Co., Ltd ("Dongguan Honglong")	A company 60% interest beneficially owned by Ms. Cheung, Mr. Liu and Mr. Zhang, executive directors of the Company

30. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

During the year ended 30 June 2014, the Group had the following significant transactions with related parties. These transactions are conducted in the normal course of the Group's business:

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Sales of goods:		
Taicang Packaging	**181,045**	162,171
Purchase of recovered paper (net of claims):		
ACN	**13,267,702**	10,305,276
Taicang Packaging	**11,657**	7,756
	13,279,359	10,313,032
Investment in a joint venture:		
Global Fame	**18,623**	–

All the above transactions are entered into with the relevant related parties at mutually agreed terms.

(c) Key management compensation

Compensation for key management other than those compensation for directors as disclosed in Note 22 is as follows:

	For the year ended 30 June	
	2014	2013
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**26,830**	28,468
Share options	**571**	1,572
	27,401	30,040

30. RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties

	30 June 2014 RMB'000	30 June 2013 RMB'000
Balances due from:		
— Taicang Packaging	141,883	85,780
— Dongguan Hong Long	51,445	—
— ACN Tianjin	—	9,268
	193,328	95,048

The amounts are unsecured, interest free and have a credit period of 60 days.

	30 June 2014 RMB'000	30 June 2013 RMB'000
Balances due to:		
— ACN	587,033	647,621
— ACN Tianjin	107,041	—
— Taicang Packaging	—	490
	694,074	648,111

The amounts are unsecured, interest free and repayable within 90 days.

31. ULTIMATE HOLDING COMPANY

The directors of the Company regard Best Result Holdings Limited, a company incorporated in the BVI, as being the ultimate holding company of the Company, whereas the ultimate controlling parties are considered to be Ms. Cheung and Mr. Liu, executive directors of the Company.

OTHER INFORMATION

SHAREHOLDERS

As at 30 June 2014, the Group had over 3,800 non-institutional shareholders.

FINANCIAL CALENDAR

FY2014 interim results Announcement	published on 24 February 2014
FY2014 annual results Announcement	published on 24 September 2014
Closure of register of members for determining the entitlement of the attendance of the 2014 AGM	11 December 2014 to 15 December 2014 (both dates inclusive)
2014 AGM	15 December 2014
Ex-dividend date for final dividend	19 December 2014
Latest time to lodge transfer with the Share Registrar for entitlement of the final dividend	4:30 p.m. on 22 December 2014
Closure of register of members for determining the entitlement of the final dividend	23 December 2014 to 29 December 2014 (both dates inclusive)
Distribution of FY2014 final dividend#	16 January 2015

subject to Shareholders' approval of the final dividend at the 2014 AGM

ANNUAL GENERAL MEETING

The 2014 AGM will be held on Monday, 15 December 2014. The notice of the 2014 AGM which constitutes part of the circular to Shareholders will be sent together with this Annual Report. The notice of 2014 AGM and the proxy form will also be available on the website of HKExnews at www.hkexnews.hk under Listing Company Information and the website of the Company at www.ndpaper.com.

SHARE INFORMATION

Share Information as at 30 June 2014

Market capitalization:	HK$24.6 billion
Number of issued shares:	4,666,220,811 Shares
Nominal Value:	HK$0.1 per Share
Board Lot:	1,000 Shares

Shares listing

The Shares of ND Paper have been listed on the Main Board of the Stock Exchange (Stock Code: 2689) since March 2006.

Dividend

Dividend per Share for the year ended 30 June 2014

— Interim Dividend:	RMB2 cents per Share
— Final Dividend:	RMB6 cents per Share

Share registrar and transfer office

Principal:

Codan Services Limited
Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

Hong Kong branch:

Tricor Investor Services Limited
Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Investor relations contact

Nine Dragons Paper (Holdings) Limited
Corporate Communications Department
Room 3129, 31/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong
Tel: (852) 3929 3800
Fax: (852) 3929 3890
Email: info_hk@ndpaper.com

Stock Code

Stock Exchange:	2689
Reuters:	2689.HK
Bloomberg:	2689 HK

Website

www.ndpaper.com
www.irasia.com/listco/hk/ndpaper

DEFINITION

2006 Share Option Scheme	the share option scheme adopted by the Company on 12 February 2006
2014 AGM	Annual General Meeting to be held on 15 December 2014
ACN	America Chung Nam, Inc., a corporation established with limited liability under the laws of the State of California in the United States, is indirectly wholly owned by Ms. Cheung and Mr. Liu
Associate(s)	has the meaning ascribed to it under the Listing Rules
Best Result	Best Result Holdings Limited, a company incorporated under the laws of BVI, is a substantial shareholder of the Company
Board	The board of directors of the Company
BVI	the British Virgin Islands
Bye-laws	the bye-laws of ND Holdings
CG Code	the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules
Company or ND Holdings or ND Paper	Nine Dragons Paper (Holdings) Limited, a company which was incorporated in Bermuda on 17 August 2005 under the Companies Act 1981 as an exempt Company with limited liability
Director(s)	the director(s) of the Company or any one of them
Dongguan Longteng	Dongguan Longteng Industrial Co., Ltd. (東莞市龍騰實業有限公司), a limited liability company established in the PRC in May 2003
FY	Financial year ended/ending 30 June
Group	The Company and its subsidiaries
HKD/HK$	Hong Kong dollars
Hong Kong or Hong Kong SAR or HKSAR	Hong Kong Special Administrative Region of the PRC
INED(s)	Independent Non-executive Director(s) of ND Holdings
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
Mr. Liu	Mr. Liu Ming Chung, an executive Director, the Deputy Chairman and the Chief Executive Officer of the Company

Mr. Zhang	Mr. Zhang Cheng Fei, an executive Director and the Deputy Chief Executive Officer of the Company
Ms. Cheung	Ms. Cheung Yan, an executive Director and the Chairlady of the Company
PRC	People's Republic of China
PM	a prefix referring to the Group's paper machines. For example, PM1 refers to the Group's first paper machine
RMB	Renminbi, the lawful currency of the PRC
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
Share(s)	Ordinary share(s) of HK$0.10 each in the issued share capital of the Company
Shareholder(s)	holder(s) of Shares of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
sq.ft	square feet
sq.m	square metre
Taicang Packaging	Nine Dragons Packaging (Taicang) Company Limited (玖龍包裝(太倉)有限公司), a wholly foreign owned enterprise established in the PRC on 9 April 2002
The Liu Family Trust	a trust set up Mr. Liu as the settlor and BNP Paribas Jersey Trust Corporation Limited as the trustee
tpa	tonnes per annum
US$/USD	United States dollars
Year	the twelve months ended 30 June 2014
%	per cent

This 2013/14 Annual Report ("Annual Report") (in both English and Chinese versions) has been posted on the Company's website at www.ndpaper.com and on the website of HKExnews at www.hkexnews.hk.

Shareholders who have chosen to receive the Company's Corporate Communications (including but not limited to annual report, summary financial report (where applicable), interim report, summary interim report (where applicable), notice of meeting, listing document, circular and proxy form) via the Company's website and for any reason have difficulty in gaining access to the Annual Report posted on the Company's website will promptly upon request be sent by post the Annual Report in printed form free of charge.

Shareholders who have chosen to receive the Company's Corporate Communications in either English or Chinese version may request for the other language version of the Annual Report.

Shareholders may at any time change their choice of means of receipt and language of the Corporate Communications.

Shareholders may request for printed copy of the Annual Report or change of their choice of means of receipt and language of the Corporate Communications by sending reasonable notice in writing to the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to ndpaper-ecom@hk.tricorglobal.com.

玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

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