



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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Annual Report 2016/2017



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Contents printed on Land Dragon 100% Recycled Fiber Offset Paper

## 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.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Cheung Yan *JP* (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)

### Non-Executive Director

Mr. Zhang Lianpeng

### Independent Non-Executive Directors

Ms. Tam Wai Chu, Maria *GBM, JP*  
Mr. Ng Leung Sing *SBS, JP*  
Mr. Lam Yiu Kin

## EXECUTIVE COMMITTEE

Ms. Cheung Yan *JP* (Chairlady)  
Mr. Liu Ming Chung  
Mr. Zhang Cheng Fei  
Mr. Lau Chun Shun

## AUDIT COMMITTEE

Mr. Lam Yiu Kin (Chairman)  
Ms. Tam Wai Chu, Maria *GBM, JP*  
Mr. Ng Leung Sing *SBS, JP*

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Ms. Cheung Yan *JP* (Chairlady)  
Ms. Tam Wai Chu, Maria *GBM, JP*  
Mr. Ng Leung Sing *SBS, JP*  
Mr. Lam Yiu Kin  
Mr. Zhang Cheng Fei

## CORPORATE GOVERNANCE COMMITTEE

Mr. Ng Leung Sing *SBS, JP* (Chairman)  
Ms. Tam Wai Chu, Maria *GBM, JP*  
Mr. Lam Yiu Kin  
Ms. Cheung Yan *JP*  
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*

## REGISTERED OFFICE

Clarendon House, 2 Church Street,  
Hamilton HM 11, Bermuda

## HONG KONG OFFICE

Unit 1, 22/F., One Harbour Square,  
181 Hoi Bun Road, Kwun Tong,  
Kowloon, Hong Kong  
Tel: (852) 3929 3800  
Fax: (852) 3929 3890

## 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	2017	2016	Change
<b>Operating results (RMB million)</b>			
Sales	39,154.8	32,092.8	22.0%
Gross profit	7,976.3	5,861.3	36.1%
Operating profit	6,560.7	4,331.1	51.5%
Profit before income tax	5,435.0	1,667.4	226.0%
Profit attributable to Company's equity holders	4,383.7	1,121.7	290.8%
Adjusted profit attributable to Company's equity holders <sup>(1)</sup>	4,765.3	2,834.1	68.1%
<b>Financial position (RMB million)</b>			
Net cash generated from operating activities	3,513.3	6,460.5	(45.6%)
Net debt	22,441.5	21,515.2	4.3%
Shareholders' funds	29,748.7	26,074.2	14.1%
<b>Per share data (RMB cents)</b>			
Earning per share — basic	93.9	24.0	291.3%
Earning per share — diluted	93.7	24.0	290.4%
Dividend per share			
— Interim	5.0	2.0	150.0%
— Final	25.0	8.0	212.5%
— Special	—	3.0	Not applicable
<b>Other data (RMB million)</b>			
Capital expenditures	3,612.3	1,838.1	96.5%
<b>Key ratio (%)</b>			
Gross profit margin	20.4	18.3	2.1 pts
Operating profit margin	16.8	13.5	3.3 pts
Net profit margin	11.2	3.5	7.7 pts
EBITDA/ratio	22.3	19.8	2.5 pts
Return on capital employed	9.0	5.1	3.9 pts

- Group revenue increased by 22.0% to approximately RMB39,154.8 million
- Profit attributable to equity holders of the Company increased by 290.8% to approximately RMB4,383.7 million
- Adjusted profit attributable to equity holders of the Company increased by 68.1% to approximately RMB4,765.3 million
- Net profit margin increased 7.7 percentage points to 11.2%

Note:

- (1) Adjusted profit attributable to Company's equity holders excluded the exchange losses on operating and financing activities (net of tax) and the gain/loss from derivative financial instruments (net of tax).

## TOTAL ASSETS

RMB million

1.7%  
FY17 vs FY16



## SHAREHOLDERS' FUND

RMB million

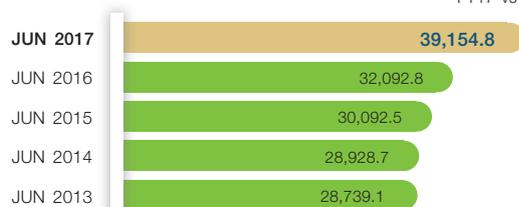
14.1%  
FY17 vs FY16



## SALES

RMB million

22.0%  
FY17 vs FY16



## PROFIT ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS

RMB million

290.8%  
FY17 vs FY16



# MAIN PRODUCTS



## 01 LINERBOARD CATEGORY

### 1) Kraftlinerboard

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

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 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 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<sup>2</sup>, of which light weight high performance corrugating medium of 50, 60 and 70g/m<sup>2</sup> 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 PRINTING AND WRITING PAPER CATEGORY

#### 1) Uncoated Woodfree 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<sup>2</sup>. 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

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 multifunction office paper under the Sea Dragon brand is made of recovered paper and is more environmentally friendly.

## CHAIRLADY'S REPORT



Dear Shareholders,

During the Year, the Group recorded a core profit growth of 68.1%, setting the highest record of both profit and sales since its establishment. The Group also achieved outstanding operation performance in many aspects, which is a testament to its solid leading position in China's economic transformation and sustainable development by leveraging on the enormous production and distribution platform established through its hard work in the past years. As a leader in the packaging paper industry in China and amidst the macro-environment of supply-side structural reform and more stringent environmental governance policies, the Group capitalized on the business opportunities for market development in a timely manner and thus achieved steady progress, promoted industrial development and provided better returns for its shareholders.

During the Year, the government continued to exercise stringent control over environmental protection measures. Environmental inspections and regulatory enforcement were carried out with unprecedented intensity that has become a regular practice. These had accelerated the exit of capacities that were outdated and non-compliant with environmental regulations. Much stricter approval requirements were imposed on new capacities, while the approval for coal-fired power plants was prohibited, which had affected the increase in the number of paper production projects. Further adjustments in the supply-demand dynamics continued to provide strong support to product prices in general, notwithstanding significant volatility resulted from changes in the market environment. As such, although prices of the two major materials, namely recovered paper & coal, among the Group's cost elements stood at high levels most of the times during the Year, especially the rising prices of recovered paper, the Group was able to achieve a historical high in profitability through effective cost adjustment and internal control, as well as forward-looking management in the sales market. As there was no new paper machine commencing production during the Year, sales volume was relatively stable as compared to the last financial year. Total sales volume amounted to approximately 13 million tonnes; total sales amounted to approximately RMB39,154.8 million due to rising product prices, representing an increase of 22.0% over the last financial year. As for profitability, gross profit margin increased from 18.3% in the last financial year to 20.4%. Profit attributable to equity holders was approximately RMB4,383.7 million. If the exchange losses on operating and financing activities (net of tax) were excluded, profit attributable to equity holders for the Year was approximately RMB4,765.3 million, representing an increase of approximately 68.1% as compared with the corresponding period last year. During the Year, basic earnings per share of the Group was approximately RMB0.94. The Board has proposed a final dividend of RMB25 cents per share.

On fund management, the Group continued to maintain a sound record of no bad debts and worked consistently on optimizing its debt structure during the Year with a view to achieve the balance among such aspects as reduction of borrowing costs, control of exchange rate risks, funding requirements for development and returns for shareholders. During the Year, total borrowings decreased by approximately RMB3,896 million to approximately RMB28,949 million, and net borrowings to total equity ratio further declined from approximately 81.4% as at the end of the previous financial year to approximately 74.6% as at the end of this financial year. Meanwhile, the Group continued to make strenuous efforts in making timely adjustment to the proportion of debts denominated in foreign currencies and debts

denominated in RMB based on market conditions and funding requirements. Given the opposite trends of the exchange rates of USD and Euro against RMB during the Year, the Group recorded a significant decrease in total exchange losses (net of tax) as compared to the previous financial year. As at the end of FY2017, borrowings denominated in RMB, USD and Euro accounted for approximately 64%, 14% and 20% of the Group's total borrowings respectively. It is expected that these three currencies will remain the major components of the Group's borrowings in subsequent periods and the Group will continue to pay attention to its control over foreign exchange risks.

The Group develops its future strategic production roadmap according to the supply and demand situation of each regional market. PM2(VN) at the Vietnam base has commenced production in August 2017, which has brought the Group's total design production capacity to 14.08 million tpa. As for the markets in Mainland China, based on the current development plan, the design production capacity of the new paper machine at the Shenyang base has increased to 0.60 million tpa, and the Group has decided to construct new paper machine at the Hebei Yongxin base in order to expand the design production capacity by 0.50 million tpa in view of the market environment in northern China, which is experiencing faster elimination of outdated production capacities. Meanwhile, the Group has also decided to add a new paper machine with design production capacity of 0.35 million tpa at Quanzhou base. Upon such expansion, these three production bases will see significant improvements in their economies of scale. In addition, the Group has also decided to add a new paper machine with design production capacity of 0.55 million tpa at Chongqing base to further satisfy the demand of the local market. The new paper machines mentioned above have been approved by the government and are planned to commence production successively by the end of 2018. Upon their completion, it is expected that the Group's total design production capacity will exceed 16 million tpa. The successive commencement of operation of the new paper machines will enable ND Paper to strengthen the optimization of profit and costs in each region and hence enhance long-term returns.

While building new paper machines, the Group continues to upgrade and improve its existing production and ancillary equipment with a view to increase its production output and production efficiency by ensuring its equipment stay abreast of the most advanced level of the international paper manufacturing industry in a timely manner. The Group also puts great efforts in promoting "datamation, automation and intelligentization" and meeting the standard of "Industry 4.0", at the same time conforming to the increasingly stringent requirements of the government in respect of environmental protection and the government's policy regarding sustainable economic development. As for sales, the Group adopts a proactive approach in developing new customers and expands the coverage of "Express Services" to help customers improve their inventory management efficiency and reduce their operating costs, with a view to enhance the overall management level of intelligentization of transportation.

Looking ahead, with global macroeconomy remaining volatile, further deepening of China's economic transformation as well as improving consolidation in the industry, the advantages of large enterprises with both economies of scale and operating efficiency will become more prominent. ND Paper will continue to consolidate its favourable leadership position by leveraging its advanced environmental governance, existing infrastructure facilities and strong capabilities in operation management and control. ND Paper will remain committed to supporting government policies, actively seize business opportunities and follow the market trends while devoting itself to improving its internal strengths with a view to stabilizing quality, increasing output, controlling costs as well as optimizing borrowings. It will also proactively develop a more comprehensive database for operation big data and the system for intelligent management, thereby providing its customers "a piece of exemplary quality paper" with the best price/value.

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, 21 September 2017

# MANAGEMENT DISCUSSION AND ANALYSIS



## BUSINESS REVIEW

### 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 the production and sale of recycled printing and writing paper (including uncoated woodfree paper, copy paper, etc.) and specialty paper.

During the Year, the unprecedented intensity of government environmental inspection and enforcement has become a regular practice, accelerating the closure of non-compliant capacities in the paper industry. Much stricter approval requirements were also limiting the number of new capacities entering the market, while the policy prohibiting new coal-fired power plants further reduced the number of new paper production projects. Meanwhile, demand was well supported by the everyday consumption of a large population and boosted by growth in the online shopping sector. This new balance in supply-demand dynamics has given strong support to the pricing power of containerboard producers.



Although prices of the Group's products and its two major cost elements, recovered paper & coal, were volatile during the Year, the Group was able to achieve a historical high in profitability — the result of competent cost management and a market-oriented, forward-looking sales strategy utilizing information from the Group's own market database. Furthermore, although the Group did not have any new paper machine commenced production during the Year, with total design production capacity remaining at 13.7 million tpa, it was also able to deliver record high sales revenue for the Year. Sales volume for the Year was approximately 13.0 million tonnes, relatively stable as compared to FY2016.



### The current design production capacities for packaging paperboard and printing and writing paper at the Group's production bases

(Breakdown by product category)	(million tpa)
Linerboard	7.58
Corrugating medium	3.40
Coated duplex board	2.60
<b>Total packaging paperboard capacities</b>	<b>13.58</b>
Recycled printing and writing paper	0.45

(Distribution by location)	
Dongguan	37.4%
Taicang	21.6%
Tianjin	15.3%
Chongqing	9.6%
Quanzhou	4.6%
Shenyang	2.5%
Hebei Yongxin	3.6%
Leshan	2.2%
Vietnam	3.2%
<b>Total</b>	<b>100.00%</b>



### The current number of paper machines for packaging paperboard and printing and writing paper at the Group's production bases

#### (Distribution by location)

Dongguan	15
Taicang	8
Tianjin	5
Chongqing	3
Quanzhou	2
Shenyang	1
Hebei Yongxin	2
Leshan	1
Vietnam	2
Total	<u>39</u>

The Group purchases its supplies and equipment in accordance with government policy and market conditions. It has a flexible procurement strategy that is based on the selection and purchase of raw materials offering the most optimal cost-value relationship, which is enabled by closely monitoring the market price trends of different sources. As a large buyer of recovered paper in the market, the Group is able to leverage effectively on various overseas and domestic channels of recovered paper supply, thus allowing optimization of its raw material costs at all times, including periods of price fluctuations. During the Year, the purchase value of domestic recovered paper accounted for approximately 38% of the total value of the Group's purchase of recovered paper.

The Group continually drives innovation in the various aspects of management, technology, products, etc. Up to June 30, 2017, 336 patents have been obtained and another 89 patent applications or approvals are being processed.



As at June 30, 2017, the Group employed a total of approximately 16,400 full-time staff and continued to obtain OHSAS 18001 certification for its occupational health and safety management system at its production bases.

### Business Strategy and Development Plan

ND Paper has built an enormous production, sales and logistics platform with an efficient cost structure, offering its extensive network of customers a one-stop shop for a complete range of products and excellence in pre-sales and after-sales services. As this comprehensive platform is progressively enhanced and integrated, the Group proactively expands its “Express Services” to cover more customers. This convenient and reliable service system enables customers to lower their operating costs and manage their inventory more efficiently, thus reinforcing customer loyalty. Meanwhile, the Group also continually expands its customer network by initiating relationships with new customers.

The Group maintains continuous efforts in enhancing its existing operations, e.g. equipment upgrading, efficiency improvements, cost controls and strengthening environmental standards. The Group has also developed a comprehensive and effective information system for intelligent management, progressing towards the goals of “informatization, automation and intelligentization”.

ND Paper masters the infrastructural foundation and the necessary resources, including adequate land reserves, to facilitate future business expansion. This puts the Group into an advantageous position against its competitors in each of the regional markets in which it operates, when market conditions justify further growth based on the respective supply-demand environment in any of these markets. When considering potential development opportunities available in the market, decisions will be made prudently with sound management judgment and governance, maintaining the appropriate balance among funding requirements, control of financial expenses, managing foreign exchange risks and shareholders’ return.

Under the Group's current development plan, PM2(VN) at the Vietnam base has already commenced production in August, 2017. With a design production capacity of 350,000 tpa (linerboard), this new paper machine has brought the Group's total design production capacity to over 14 million tpa. As for the markets in Mainland China, in view of the improving order in industry supply, the Group has already announced new paper machine plans at a number of production bases. These include:

Production Base	Product	Design Capacity
Quanzhou	Linerboard	350,000 tpa
Chongqing	Linerboard	550,000 tpa
Hebei Yongxin	Linerboard	500,000 tpa
Shenyang	Linerboard	600,000 tpa

Upon completion of these projects by the end of 2018, the Group's total design production capacity is expected to exceed 16 million tpa. The three currently relatively smaller production bases of Quanzhou, Shenyang and Hebei Yongxin are all expected to see significant improvements in their economies of scale, thus further enhancing the Group's profitability and cost optimization in each of these regional markets. The new machine for the Chongqing base can meet additional market demand, as well as further enhance the economies of scale of this production base.

## FINANCIAL REVIEW

### Sales

The Group achieved a revenue of approximately RMB39,154.8 million for FY2017, representing an increase of approximately 22.0% as compared with FY2016. 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 approximately 93.8% of the revenue, with the remaining revenue of approximately 6.2% generated from its recycled printing and writing paper and high value specialty paper products business.

The Group's revenue for FY2017 increased by approximately 22.0% as compared with FY2016, mainly driven by the increase in the selling price of the products. Revenue of linerboard, high performance corrugating medium, coated duplex board and recycled printing and writing paper for FY2017 accounted for 49.9%, 23.1%, 20.8% and 5.6% respectively of the total revenue, compared to 47.2%, 22.6%, 23.7% and 5.8% respectively in FY2016.

The Group's annual design production capacity in packaging paperboard and recycled printing and writing paper as at 30 June 2017 was 13.7 million tpa, comprising 7.2 million tpa of linerboard, 3.4 million tpa of high performance corrugating medium, 2.6 million tpa of coated duplex board and 0.5 million tpa of recycled printing and writing paper. The Group's total sales volume of packaging paperboard products and recycled printing and writing paper remained stable at approximately 13.0 million tonnes in FY2017 and FY2016.

The sales volume of linerboard and the recycled printing and writing paper for FY2017 increased by approximately 3.8% and 9.3% respectively, while the sale volume of high performance corrugating medium remained stable for FY2017 as compared with FY2016 and the coated duplex board for FY2017 decreased by approximately 10.6% as compared with FY2016.

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 FY2017, revenue related to domestic consumption represented 95.6% of the Group's total revenue, while the remaining revenue of 4.4% were sales denominated in foreign currencies which primarily represented sales made to foreign invested processing enterprises.

For FY2017, sales to the Group's top five customers in aggregate accounted for approximately 4.2% (FY2016: 5.3%) of the Group's revenue, with that to the single largest customer accounted for approximately 1.1% (FY2016: 1.3%).



### Gross profit

The gross profit for FY2017 was approximately RMB7,976.3 million, an increase of approximately RMB2,115.0 million or 36.1% as compared with RMB5,861.3 million in FY2016. The gross profit margin increased from 18.3% in FY2016 to approximately 20.4% in FY2017, mainly contributed by the increase in the selling price of the products.

### Other income, other expenses and other losses — net

Other income, other expenses and other losses (net) increased by approximately 15.3%, from RMB591.0 million in FY2016 to approximately RMB681.7 million in FY2017. The major contributor of the increase was derived from the value added tax refund amounted to approximately RMB632.0 million pursuant to the preferential value added tax ("VAT") policies collectively issued by the Ministry of Finance and the PRC State Administration of Taxation. The Group's VAT paid in relation to the production and sales of paper products using the recovered paper as major raw materials were eligible for fifty percent of refund.

### Selling and marketing costs

Selling and marketing costs were approximately RMB837.9 million in FY2017, increased by approximately 13.8% as compared with RMB736.0 million in FY2016. The increase in the selling and marketing costs was attributable to the increase in sales and more geographical coverage in FY2017. The total amount of selling and marketing costs as a percentage of the Group's revenue decreased slightly from 2.3% in FY2016 to 2.1% in FY2017.

### Administrative expenses

Administrative expenses increased by approximately 9.0% from RMB1,047.6 million in FY2016 to approximately RMB1,142.3 million in FY2017. The amount of administrative expenses as a percentage of the Group's revenue decreased slightly from 3.3% in FY2016 to 2.9% in FY2017.

### Operating profit

The operating profit for FY2017 was approximately RMB6,560.7 million, representing an increase of approximately RMB2,229.6 million or 51.5% over FY2016. The operating profit margin increased from 13.5% in FY2016 to approximately 16.8% in FY2017 mainly due to increase in gross profit margin from 18.3% in FY2016 to 20.4% in FY2017.

### Finance costs

Finance costs decreased by approximately 24.4% to approximately RMB1,066.0 million in FY2017 from RMB1,410.3 million in FY2016. The decrease in finance cost was mainly contributed by (i) a gain from derivative financial instruments of approximately RMB1.1 million in FY2017 as compared to a loss of RMB102.8 million in FY2016; (ii) the decrease of incidental borrowing costs of approximately RMB102.3 million resulting from the decrease in average borrowings in FY2017 as compared with FY2016; and (iii) the reduction of bills discount charges of approximately RMB82.4 million in FY2017 over FY2016.

The impact of derivative financial instruments (net of tax) recorded a gain of approximately RMB1.1 million in FY2017 as compared with a loss of RMB94.4 million in FY2016.

### Exchange losses on operating and financing activities — net

The exchange losses on operating and financing activities before tax for FY2017 in aggregation amounted to approximately RMB399.6 million (represented by exchange losses on operating activities before tax of approximately RMB117.0 million and exchange losses on financing activities before tax of approximately RMB282.6 million respectively), decreased substantially by approximately RMB1,372.5 million or 77.5% from RMB1,772.1 million in FY2016.



The aggregated exchange losses on operating and financing activities net of tax amounted to approximately RMB382.7 million in FY2017 as compared to RMB1,618.0 million in FY2016.

### Income tax expense

Income tax charged for the FY2017 amounted to approximately RMB1,025.4 million and increased by approximately 97.9% or RMB507.3 million as compared with FY2016 due to the substantial increase in profit before tax.

The Group's effective tax rate (income tax expense divided by profit before income tax for the Year) decreased to approximately 18.9% in FY2017 as compared to 31.1% in FY2016 of which mainly offshore portion of exchange losses recorded were not deductible for tax purpose in FY2016.

### Net profit

The profit attributable to equity holders of the Company increased by RMB3,262.0 million from RMB1,121.7 million in FY2016 to approximately RMB4,383.7 million in FY2017. If the exchange losses on operating and financing activities (net of tax) of approximately RMB382.7 million and the gain from derivative financial instruments (net of tax) of approximately RMB1.1 million were excluded, the profit attributable to equity holders of the Company for FY2017 increased by approximately 68.1%, to approximately RMB4,765.3 million due to an increase in the selling price of the products and a better profit margin of the Group.

In FY2016, the profit attributable to equity holders of the Company was RMB2,834.1 million if the exchange losses on operating and financing activities (net of tax) amounted to RMB1,618.0 million and the loss from derivative financial instruments (net of tax) amounted to RMB94.4 million were excluded.

### Dividend

In FY2017, the Group paid an interim dividend of RMB5.0 cents per share, which amounted to RMB233.7 million. The directors have proposed a final dividend of RMB25.0 cents per share, which will aggregate to approximately RMB1,168.6 million. The total dividend for the FY2017 amounted to RMB30.0 cents per share. The dividend pay out ratio was approximately 32.0% in FY2017.

### Working capital

The inventories increased by approximately 29.8% to approximately RMB4,679.1 million in FY2017 from RMB3,605.5 million in FY2016. Inventories mainly comprise raw materials (mainly recovered paper, coal and spare parts) of approximately RMB2,849.6 million and finished goods of approximately RMB1,829.5 million.



The raw materials increased by approximately 9.9% to approximately RMB2,849.6 million in FY2017 from RMB2,592.5 million in FY2016. The increase in raw materials balance was mainly due to the substantial increase in the cost of recovered paper and coal during FY2017.

The finished goods increased by approximately 80.6% to approximately RMB1,829.5 million in FY2017 from RMB1,013.0 million in FY2016.

In FY2017, raw material (excluding spare parts) turnover days remained relatively stable at approximately 25 days as compared to 24 days for FY2016 while the finished goods turnover days increased to approximately 21 days as compared to 14 days for FY2016.

Trade and bills receivables were approximately RMB5,399.2 million in FY2017, increased by approximately 17.4% from RMB4,597.7 million in FY2016. During FY2017, the turnover days of trade receivables were approximately 29 days which was within the credit terms granted by the Group to its customers.

Trade and bills payables were approximately RMB2,291.2 million in FY2017, decreased by approximately 44.1% from RMB4,098.0 million in FY2016. The turnover days of trade and bills payable were approximately 27 days for FY2017 which was within the credit period granted by most suppliers.

### Liquidity and financial resources

The working capital and long-term funding required by the Group in FY2017 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 decreased from RMB8,070.2 million in FY2016 to approximately RMB5,248.9 million in FY2017, representing a decrease of approximately 35.0%. The decrease was primarily attributable to the increase in the working capital. In terms of available financial resources as at 30 June 2017, the Group had total undrawn banking facilities of approximately RMB32,668.4 million and cash and cash equivalents, short-term bank deposits and restricted cash of approximately RMB6,507.6 million.

As at 30 June 2017, the shareholders' funds were approximately RMB29,748.7 million, an increase of approximately RMB3,674.5 million from that of FY2016. The shareholders' fund per share increased from RMB5.6 in FY2016 to approximately RMB6.4 in FY2017.

### Debts Management

The Group's outstanding borrowings decreased by approximately RMB3,896.2 million from RMB32,845.3 million as at 30 June 2016 to approximately RMB28,949.1 million as at 30 June 2017. The short-term and long-term borrowings amounted to approximately RMB12,116.1 million and RMB16,833.0 million respectively, accounting for 41.9% and 58.1% of the total borrowings respectively. As at 30 June 2017, about 98.9% of the Group's debts were on unsecured basis.

The net debt to total equity ratio of the Group decreased from 81.4% as at 30 June 2016 to approximately 74.6% as at 30 June 2017. 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 potential Renminbi exchange rate fluctuation, the Board closely monitors the Group's foreign currency borrowings and will consider arranging for monetary and interest rate hedge at appropriate time to mitigate the corresponding risk. As at 30 June 2017, total foreign currency borrowings amounted to the equivalent of approximately RMB10,542.5 million and loans denominated in RMB amounted to approximately RMB18,406.6 million, representing approximately 36.4% and 63.6% of the Group's borrowings respectively.

## Cost of borrowing

The effective interest rates of long-term borrowings and short-term borrowings were 3.5% and 3.3% per annum as at 30 June 2017 and 3.4% and 2.8% per annum as at 30 June 2016. The gross interest and finance charges (including interest capitalised but before interest income, exchange losses on financing activities and impact from all the derivative financial instruments) decreased to approximately RMB1,123.5 million in FY2017 from RMB1,326.2 million in FY2016.

## Capital expenditures

The Group's payments for the construction of factory buildings, purchase of plants, machineries and equipments and land use rights during FY2017 were approximately RMB3,612.3 million. These capital expenditures were fully financed by internal resources and borrowings.

## Capital commitments

The Group made capital expenditure commitments mainly for machineries and equipments of approximately RMB4,295.0 million which were contracted but not provided for in the financial statement. These commitments were mainly related to 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 FY2017, the Group had no material contingent liabilities.

## THE GROUP IN THE LAST FIVE YEARS

In millions of RMB

Consolidated Income Statements	For the year ended 30 June				
	2017	2016	2015	2014	2013
Sales	39,154.8	32,092.8	30,092.5	28,928.7	28,739.1
Cost of goods sold	(31,178.5)	(26,231.5)	(25,376.1)	(24,177.6)	(24,132.8)
Gross profit	7,976.3	5,861.3	4,716.4	4,751.1	4,606.3
Other income/(expenses) and other (losses)/gains, net	681.6	591.0	154.5	193.4	172.0
Exchange (losses)/gains on operating activities, net	(117.0)	(337.6)	(7.1)	24.7	43.6
Loss arising from disposal of a subsidiary	—	—	(26.6)	—	—
Selling and marketing costs	(837.9)	(736.0)	(679.1)	(525.6)	(677.7)
Administrative expenses	(1,142.3)	(1,047.6)	(917.7)	(820.7)	(802.0)
Operating profit	6,560.7	4,331.1	3,240.4	3,622.9	3,342.2
Finance income	106.7	138.7	130.2	70.4	46.0
Finance costs	(1,066.0)	(1,410.3)	(1,521.8)	(1,589.3)	(1,534.3)
Exchange (losses)/gains on financing activities, net	(282.6)	(1,434.5)	67.2	15.8	161.9
Share of profit of an associate and a joint venture, net	116.2	42.4	39.5	37.5	0.7
Profit before income tax	5,435.0	1,667.4	1,955.5	2,157.3	2,016.5
Income tax expense	(1,025.4)	(518.0)	(499.2)	(370.3)	(425.8)
Profit for the year	4,409.6	1,149.4	1,456.3	1,787.0	1,590.7
Profit attributable to:					
— Equity holders of the Company	4,383.7	1,121.7	1,411.5	1,755.2	1,560.6
— Non-controlling interests	25.9	27.7	44.8	31.8	30.1

Consolidated Statements of Cash Flows	For the year ended 30 June				
	2017	2016	2015	2014	2013
Net cash generated from/(used in) operating activities	3,513.3	6,460.5	5,606.4	3,482.4	(1,703.1)
Net cash used in investing activities	(3,166.4)	(1,360.6)	(2,187.9)	(2,480.1)	(4,367.0)
Net cash (used in)/generated from financing activities	(4,844.0)	(1,497.5)	(4,007.4)	890.7	7,752.7
Net (decrease)/increase in cash and cash equivalents	(4,497.1)	3,602.4	(588.9)	1,893.0	1,682.6

In millions of RMB

Consolidated Balance Sheets	2017	As at 30 June			2013
		2016	2015	2014	
<b>Total assets</b>	66,166.8	67,291.6	65,033.7	66,983.0	64,433.9
Inventories	4,679.1	3,605.5	3,553.2	4,523.3	3,778.8
Trade and bills receivables	5,399.2	4,597.7	5,351.5	4,894.6	5,600.3
Other receivables and prepayments	1,220.7	954.6	1,397.6	2,231.0	2,493.5
Tax recoverable	50.1	46.7	28.0	13.0	1.3
Derivative financial instruments	—	—	—	3.5	—
Short-term bank deposits	10.8	274.0	563.6	—	—
Cash and cash equivalents and restricted cash	6,496.8	11,056.1	7,334.0	7,938.4	6,070.5
<b>Total current assets</b>	17,856.7	20,534.6	18,227.9	19,603.8	17,944.4
Property, plant and equipment	46,415.1	44,860.8	45,010.9	45,599.2	44,690.8
Land use rights	1,520.8	1,521.8	1,472.4	1,479.8	1,522.7
Intangible assets	230.7	245.3	251.5	223.2	225.7
Investments in associate and joint venture	119.8	65.8	64.2	52.7	10.1
Deferred income tax assets	2.4	15.9	6.8	24.3	40.2
Other receivables and prepayments	21.3	47.4	—	—	—
<b>Total non-current assets</b>	48,310.1	46,757.0	46,805.8	47,379.2	46,489.5
<b>Total liabilities</b>	36,082.0	40,870.8	39,508.2	42,383.5	41,153.0
Trade and bills payables	2,291.2	4,098.0	3,963.6	3,243.2	3,403.5
Other payables and advance from customers	1,842.7	1,315.2	1,181.5	1,649.5	1,673.2
Current income tax liabilities	565.8	434.9	423.2	354.3	354.1
Borrowings	12,116.1	11,992.9	12,188.1	12,349.7	8,616.1
Derivative financial instruments	—	1.1	2.5	2.7	—
<b>Total current liabilities</b>	16,815.8	17,842.1	17,758.9	17,599.4	14,046.9
Borrowings	16,833.0	20,852.4	19,802.4	23,124.4	25,690.0
Deferred income tax liabilities	2,433.2	2,176.3	1,912.3	1,628.3	1,372.5
Other payables	—	—	34.6	31.4	43.6
Deferred government grants	—	—	—	—	—
<b>Total non-current liabilities</b>	19,266.2	23,028.7	21,749.3	24,784.1	27,106.1
<b>Capital and reserves attributable to equity holders of the Company</b>	29,748.7	26,074.2	25,226.7	24,072.6	22,783.6
<b>Non-controlling interests</b>	336.1	346.6	298.8	526.9	497.3

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



## ENVIRONMENT

### Developing Recycled Economic Development Model in Full Force

Adhering to the philosophy of “No environmental management, no paper making” and targeting the development of “Ecological ND Paper”, ND Paper advocates the recycled economic development model of “Reduce, Reuse and Resource”. We not only use recyclable paper as its raw materials, but also keeps abreast of the latest standards to continually step up the efforts on environmental protection, so as to ensure our various environmental and energy consumption indices are better than government standards, establishing itself as an exemplary model of environmentally friendly enterprise with a strong edge in resource conservation.

## A1. Emissions

### Advanced Wastewater Treatment Facilities

ND Paper adopts internationally leading production technologies for paper making to control the volume of wastewater generated at source. Each of the production lines is installed with an advanced white water recycling system which can effectively reduce a large amount of wastewater generated and discharged.

At the end of the wastewater treatment process, we adopt a four-stage water treatment process (physical + IC anaerobic + aerobic + Fenton advanced treatment), such that our processed wastewater outperforms the industrial standard, the "Discharge Standard of Water Pollutants for Pulp and Paper Industry" (《製漿造紙工業水污染物排放標準》) (GB3544-2008) and the discharge standards of regions where our production bases are located. A large amount of methane produced during the anaerobic biological treatment of wastewater is transmitted to the boiler for heat and electricity generation as a clean energy after biological desulfurization.



The environmental benchmarks such as chemical oxygen demand (COD), ammonia nitrogen, suspended solids (SS), total nitrogen, total phosphorus, chromaticity, biological oxygen demand and pH value in the discharged water are also better than national emission standards.



### Internationally Leading Gas Treatment Facilities and Enclosed Coal Storage Domes

Each of the production bases of ND paper has its own heat and electricity boiler to provide steam and electricity for production lines. The adoption of circulating fluidized bed boilers enables reduction in nitrogen oxide at source. For the treatment of exhaust gas, the Group adopts the state-of-the-art and highly efficient desulfurization process (limestone injection and oxidized magnesium wet scrubber at the end), two-tier dust removal process (electrostatic bag filter), low-nitrogen combustion and SCR/SNCR denitrification processes. Through these processes, we have achieved a desulfurization efficiency ratio of over 95%, a denitrification efficiency ratio of over 85% and a dust removal efficiency ratio as high as 99.9%. This reduces the generation and emission of pollutants in the flue gas, ensuring various indicators of flue gas outperforming the relevant national emission standards.

In addition, ND Paper also adopts the latest wet electrostatic precipitating technology to the boilers in an active approach, which can further reduce dust emission upon operation, thereby meeting the national standard of ultra-low emission (with the size of dust smaller than  $10\text{mg}/\text{m}^3$ ) and effectively improving the quality of the environment.

We are also the pioneer in the industry in constructing fully automatic and enclosed coal storage domes, which can effectively avoid fugitive dust pollution during the loading, transportation and storage of coal, thereby offering better protection for the surroundings and further improvements to the working and living environment of our staff.



ND Paper is in compliance with the national standards in terms of environmental benchmarks relating to  $\text{SO}_2$ , Dust and  $\text{NO}_x$ .

## Solid Waste Disposal

ND Paper is the first of its kind to invest in sludge drying equipment and environmentally friendly industrial waste incinerators to effectively manage its solid wastes. Advanced exhaust gas treatment facilities, bag dust removal unit and semi-dry desulfurization facilities are utilized in incinerators, while emission monitoring units have been installed to ensure real-time online monitoring of gas emission.

In order to enhance our overall utilization rate of solid wastes, we reuse all pulp wastes generated in paper manufacturing in the paper-making workshops and incinerate all solid wastes generated in paper manufacturing after selection, which can generate steam and electricity for production. The water content in sludge is less than 40%, which is an achievement from our research and development as well as continuous promotion and application of the overall utilization techniques of paper making, sludge drying and incineration. We have successfully incinerated sludge generated from wastewater treatment through the frame membrane filter drying process, which does not only reduce secondary pollution, but also turns all dried sludge into renewable fuel, thus saving a large amount of coal and realizing recycling and zero discharge of sludge. We also sell other solid wastes such as waste coal ashes in the power plants and boiler slag to qualified agencies which use such wastes as construction materials.

For hazardous wastes, we carry out standardized management in strict compliance with national management requirements in relation to hazardous waste, with measures including identifying hazardous waste in our plant area in accordance with the "Directory of National Hazardous Wastes", setting up standardized warehouses in plant area for the storage of hazardous waste and commissioning qualified units with the operating license for disposal of hazardous waste to conduct detoxification treatment.





## A2. Use of Resources

### Forest in the City

“There is no waste on this planet, only misplaced resources”. ND Paper has established its general approach to upholding scientific development, green development and using recovered paper for paper making since its establishment. Among the raw material structure of our products, recovered paper accounted for over 95% of the total fibre raw materials, and over 14 million tonnes of recovered paper have been recycled and reused through our production every year. With the completion of the large-scale recovered paper recycling in paper manufacturing, we also achieved integrated recycling and reuse of various wastes generated during our production processes through research and development, technology upgrades as well as equipment enhancement.

For energy consumption, the major energy source of the Nine Dragons Group is coal that generates electricity and steam for production. Coal consumption can be substantially reduced through immense efforts in research, development and upgrade of energy-saving technologies, formulation of energy-saving plans and enhancement or elimination of equipment with high energy consumption, including replacing less efficient motors with variable-frequency motors, upgrading drum pulpers and wind turbines and eliminating lightings and refrigerating equipment.

Moreover, coal consumption can be reduced through methane generated from sewage treatment plants and dried sludge from the wastewater in paper manufacturing, which can replace partial coal combustion for electricity and heat generation.

#### Use of solid waste

- The use of low-grade fuels significantly reduces waste discharge while lowering coal consumption and hence reducing the emission of greenhouse gases such as carbon dioxide
- Heat energy and electricity generated by incinerating solid substances can be used for paper-making

- Methane mainly consists of methane gas
- Technological 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. Standard coal consumption can be reduced by 60,000 tonnes per annum after the system has been put into operation

#### Methane collection and treatment system

For water resources consumption, each of our paper machines is equipped with an advanced white water recycling system, resulting in a 100% recycling of white water generated in paper manufacturing. Meanwhile, we enhance our efforts in reusing the processed wastewater at the source of production, thereby reducing water resources consumption.

## A3. The Environment and Natural Resources

### Green Products

We have always regarded optimization and upgrade of product structure as the main target of our technological innovation and focused our resources on the research and development of light weight high performance products, including testlinerboard, light weight high performance corrugating medium, recycled printing and writing paper, recycled corrugating medium, unbleached linerboard, white top linerboard, coated duplex board and coated white top linerboard. This series of environmentally friendly product with strong edge in resource conservation is leading the development of light weight paper packaging.



### Certification in respect of Environmental Protection

While obtaining the certification of "China Environmental Labelling Product", the Group has also proactively implemented the international standardized management system and passed ISO9001 certification for quality management systems, ISO14001 certification for environmental management systems, OHSAS18001 certification for occupational health and safety management systems and FSC certification for forest environmental protection systems.

### Impact on Natural Resources

As mentioned above, recovered paper accounted for over 95% of raw materials in the production of ND Paper. It is estimated that compared to producing paper solely with kraft pulp, one tonne of recovered paper is able to produce approximately 0.8 tonne of finished paper and thus can save three to four cubic meters of wood, approximately 1.2 tonnes of standard coal, 600W of electricity and over 100 tonnes of water. Recovered paper recycled by the Nine Dragons Group amounted to more than 14 million tonnes per annum, which significantly reduced logging and consumption of water resources and energy, thereby reducing waste discharge and relieving the burden of the environment.





### Impact on the Environment

In recent years, ND Paper has invested substantial capital in solving the problem of odour in the plant area. For the treatment of wastewater generated from paper making, we adopted the internationally advanced technology of anaerobic IC treatment. The main principle of the treatment is to decompose the organic substances in wastewater by utilizing anaerobic microorganisms, during which methane will be generated and we will collect and transmit the same to the boiler as a clean energy for incineration. In addition, odour would also be generated from various pools in sewage stations, including the acidification pool and thickening pool. In order to thoroughly resolve the odour problem arising from treatment of wastewater generated from paper-making operations, we implemented tank topped-out and ventilation at the odoriferous sources, and carried out biological deodorization processes and alkaline sprinkling cleaning treatment for odour, or send it to boilers for incineration. The above measures are pioneering moves for wastewater treatment in the paper-making industry, which effectively alleviate odour in the plant area as well as develop garden-like factories.

In the ordinary course of production and operation, we also attach importance to noise emission, with aim to providing a comfortable environment for our employees and local residents. In order to reduce noise emission at source, we have installed acoustic insulation panels and mufflers for equipments that produce heavy noise, and set up noise-insulated control rooms in the paper-making workshops 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 workshops to ensure their safety. We actively communicate with local residents and listen to their comments and recommendations. Meanwhile, we conduct noise monitoring around the plant area on a regular basis to ensure compliance with the national Emission Standard of Noise for Industrial Enterprises at Boundary (《工業企業廠界環境噪音排放標準》) (GB12348-2008), minimizing the impact of noise on the daily life of local residents.

Furthermore, we spare no effort in establishing a green culture, aiming at further improving the level of environmental management and implementing energy saving and environmental protection measures, thereby driving healthy and green development of the industry.

#### Advocacy 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 published key environmental data for the paper manufacturing industry to the public, such as sulphur dioxide and COD, which is currently monitored in real time by local environmental authorities via intranet

#### Energy Saving and Environmental Protection Measures at Office Areas

- Energy-saving lights are used and lights of different zones are controlled by individual switches
- Air-conditioning is constantly set at over 26 degree Celsius
- Lights and computers are turned off during rest hours or long breaks

#### Construction of Environmental Protection Management System

- A range of fundamental management systems, including the Group's environmental protection centralized control system, an operational management ledger, and a ledger for facilities and equipment inspection and maintenance, have been established
- Meanwhile, such system will also incorporate the core environmental protection equipment, process operation parameters and online monitoring data into the environmental protection SMS alarm platform, so as to maintain 24-hour online monitoring of the environmental protection operation condition of all bases of the Group

## EMPLOYMENT AND LABOR PRACTICES

### B1. Employment

#### Employment and Benefits

ND Paper organizes employee recruitment in strict compliance with the provisions of relevant laws, such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. We exercise equality in the recruitment process regardless of the candidates' gender, age (except for minors), region and race. Candidates who meet the job requirements will be able to obtain equal working opportunities without any discrimination. The employees engaged will enter into labor contracts in writing with the Company once they join and report to the Company, which adequately protect the rights of labors.

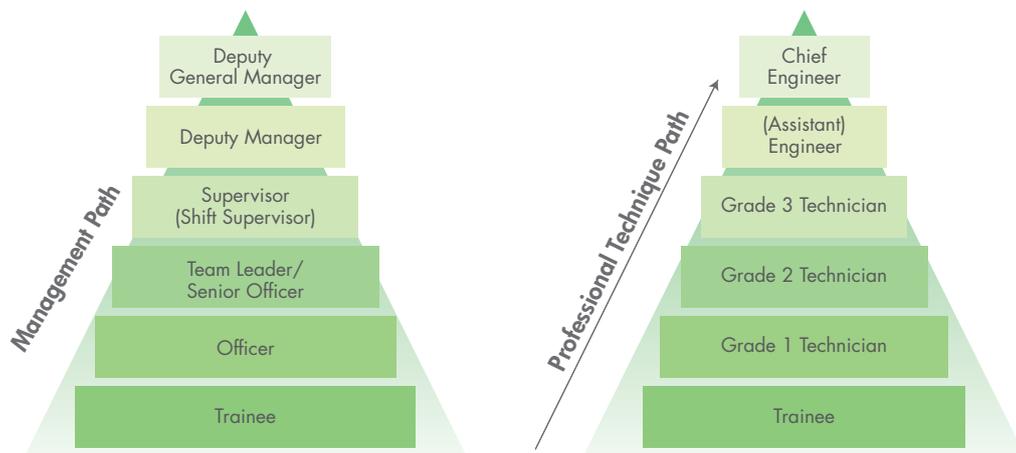
Upholding the mission of "Taking a leading position in the industry in terms of production output and efficiency, quality management of employees and software management as well as employees' benefits and remuneration", ND Paper provides all employees with competitive remuneration package among its peers and plentiful benefits, including meal allowance, shift allowance, attendance bonus, high temperature allowance, subsidies for environment protection, phone bill allowance and business travel allowance. We have built our own housing complexes with pleasant environment to provide dormitories to all employees. Besides, with a view to enriching employees' life after work, we also provide various living and entertainment facilities for free, such as gym rooms, swimming pools, basketball courts, football fields and badminton courts.

#### Working Hours and Holidays

ND Paper arranges working hours of employees in strict compliance with the provisions of laws, ensuring that employees can at least have one day off after six days of work. Pursuant to the Regulation on Public Holidays for National Annual Festivals and Memorial Days (《全國年節及紀念日放假辦法》), we arrange day offs for employees on national statutory holidays and give overtime pay to those who are unable to take day off in accordance with the regulation. Pursuant to the Regulation on Paid Annual Leave for Employees (《職工帶薪年休假條例》), we provide paid annual leaves to all employees. Pursuant to the Special Rules on Labor Protection for Female Employees (《女職工勞動保護特別規定》), we provide maternity leave and breastfeeding leave to female employees.

#### Staff Development

ND Paper has established management path and technology path for employees' selection, encouraging them to take both paths for career development. Employees in positions requiring professional techniques can achieve promotion and development by following the professional technique path. With their positions remaining unchanged, they can realize improvement in their position rank and remuneration in the enterprise.





## **B2. Health and Safety: Compliance and Implementation of the Group's Relevant Regulations**

ND Paper takes out social insurance (including work injury insurance) for all existing employees, and sets up a fire safety management department responsible for employees' health and safety management. The Company also provides all sorts of safety protection supplies for all employees, and organizes physical examination in respect of occupational health for staff every year.

## **B3. Development and Training: Provide More Internal and External Courses on the Company's Paper Training and Any Courses Paid by the Company**

During the financial year from July 2016 to June 2017, 983 people of the Group participated in the external trainings, principally including special operations training, professional skills training, middle-level/grass-roots management cadres cultivation, Nine Dragons Class student cultivation, etc.

During the current financial year, the Group organized a total of 6,395 internal trainings and an attendance of 148,594 participated in such trainings, among which 158 were senior management, accounting for approximately 0.1% of the total attendance; 4,980 were middle-level management, accounting for 3.35% of the total attendance.

During the current financial year, the Group carried out 164,985 hours of training in total with average training hours completed per employee of 10.18, among which 295 hours were attended by the senior management, accounting for 0.17% of the total hours; 6,568 hours were attended by the middle-level management, accounting for 3.98% of the total hours.

According to the types of training, an attendance of 21,226 participated in the professional ethics training, accounting for 14.78% of the total attendance; an attendance of 46,166 participated in the professional skills training, accounting for 32.15% of the total attendance; an attendance of 56,378 participated in the safety training, accounting for 39.26% of the total attendance; an attendance of 5,767 participated in the clean and civilized production training, accounting for 4.02% of the total attendance; an attendance of 6,868 participated in automatic production trainings, accounting for 4.78% of the total attendance; and an attendance of 9,088 participated in other types of training, accounting for 6.33% of the total attendance.

## **B4. Labor Standards: Policies Relating to Preventing Child or Forced Labor and Compliance and Implementation Thereof**

The Group prohibits itself from recruiting children under age of 16 in strict compliance with national regulations, and the youngest among the existing employees are over 18.

The Group has a staff union in place with members from different departments, who can represent the interests of grass-roots employees. "Respect and care for our staff" is one of ND Paper's core values. The Company attaches importance to organizing staff union activities and demonstrating its roles so as to put our humanized management concepts into practice.



ND Paper has been at the forefront of the industry in fulfilling its social responsibilities. Dongguan Nine Dragons Paper Industries Co., Ltd. has taken the lead in introducing SA8000 Social Responsibility Management System in the industry since 2013, and was awarded the certificate in February 2015.

## B5. Supply Chain Management

### Number of suppliers by locations

Dongguan base: 2,310	Taicang base: 2,065	Chongqing base: 1,880
Tianjin base: 1,906	Quanzhou base: 1,364	Shenyang base: 1,195
Leshan base: 1,203	Yongxin base: 1,161	Vietnam base: 1,149

- 1) Practices relating to engaging suppliers: A comprehensive evaluation is conducted on suppliers in terms of company qualification (including time of inception, registered capital, shareholders of the company, scope of operation, necessary qualifications and certificates of the industry, etc.), entities of the company, manufacturing capability (including main products and production capacity, production equipment, inventory, etc.), technical competence (including patents, number of technicians, etc.), after-sale service ability, ISO certification, the capability of quality management and control, honour(s) awarded to the company, business relationships between the suppliers, corporate reputation, geographical advantages of the suppliers and other. Suppliers evaluated as qualified are recorded into supplier system as qualified suppliers and the failure listed as unqualified suppliers.
- 2) The number of suppliers to which the relevant practices are implemented: There are currently 6,285 suppliers in total within system with evaluation record.
- 3) How the relevant practices are implemented and monitored: The suppliers are required to provide the Company with all information for filing and evaluation in accordance with the Company's requirements, with the suppliers evaluated as qualified being recorded into supplier system as qualified suppliers, and the unqualified not being recorded into supplier system. The Group identifies whether the supplier is in normal operating condition by tracking of the business and enterprise information of suppliers on a regular basis. Reevaluation is made for suppliers with abnormal operating condition. Meanwhile, the suppliers will be tracked regularly to determine the existence of dishonesty, and suppliers with dishonest behaviors will be frozen.

## B6. Product Responsibility

Whether there are any policies on advertising, labelling and privacy matters as well as methods of redress relating to the health and safety of products and services provided by the Group:

### — *Percentage of total products sold or shipped subject to recalls for safety and health reasons*

ND Paper always adheres firmly to the green philosophy of "No environmental management, no paper-making" by adding no environmentally and physically harmful substances during the process of production and regularly inspecting the substances of papers, which are concerns of the customers, through authoritative testing organizations such as SGS. By now, there has been no such circumstance where products sold or shipped are subject to recalls for safety and health reasons. At the same time, all bases of the Group are making proactive efforts in obtaining ISO9000, 14000 and OHS18000 system certifications in order to pave the way for green, environmentally friendly and ecological paper manufacturing.



- *Number of products and service related complaints received and how they are dealt with*  
Benefited from its professional customer service team and well-established workflow of customer service, ND Paper is able to carry out all-direction works, including pre-sale, sale and after-sale works. We actively visit our customers on a regular basis and actively and professionally answer the questions raised by them. Also, we convene analysis meeting periodically and carry out customer satisfaction investigation works quarterly on the multiple questions raised by customers, so as to continue to improve the quality of products and level of service, thus satisfying the customers in a real sense.
- *Description of quality assurance process and recall procedures of products*  
ND Paper carries out its operation in strict compliance with ISO quality management systems related documents and its quality assurance methods and standards are mainly based on related national standards and industrial standards. In the meantime, accurate management and control is achieved through domestically and internationally advanced online monitoring and production, quality management system, i.e. DCS, QCS and other systems. Also, we have comprehensive product traceability management system and stringent products recall management practices in place.
- *Description of consumer data protection and privacy policies, and how they are implemented and monitored*  
ND Paper specifically develops a stringent information confidential system (e.g. “The Group’s Internal Information Confidential Management Practices” (《集團內部信息保密管理規範》)).

For the purpose of ensuring that customer data and privacy is given adequate protection, and as required by the Information Confidential Management Practices, the related responsible persons must keep complete secrecy of all the confidential materials and confidential information, but shall never spread them without authorization. Meanwhile, the responsible persons are required to keep confidential of the data and information, and confidential materials and confidential information leak resulting from mismanagement is not allowed. The responsible persons shall not photograph, copy and make private copies of any confidential documents and data without authorization, and shall not discuss the secret matters in public place and refer to any secret matters in private communication. The copies of confidential materials shall be regarded and managed as if they are the original, and the waste leaf generated during the process of copying shall be destroyed in a timely manner. The passing of confidential materials, for which personal service is required, shall be performed in compliance with secrecy measures. We shall implement classified management for documents and shall manage and control the limits of authority of the responsible persons to browse and download such documents in accordance with secrecy requirements.

## **B7. Anti-corruption**

- During the current financial year, there is no concluded litigation cases regarding corrupt practices brought against the Group and its employees
- Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored



1. To apply the SAP and OA, an office automation system. Through which, routinization and standardization of all businesses is achieved, and their related loopholes will be reduced by continuous revision and improvement based on feedbacks during operation until they disappear;
2. To establish specialized audit regulatory departments. At group level, a regular operating management audit and special audit are conducted by the "Group Audit Department (集團審計部)" quarterly to each of the production bases under the Group on a periodic basis, while the "Regulatory Commission (監管會)" is set up in each of the production bases under the Group, respectively, to conduct supervision over and management to daily works;
3. To sign the "Letter of Undertaking of Integrity (廉潔承諾書)" by all the purchasing, sales and supervision personnel, and the personnel holding positions related to economic activities in all the other departments of the Group and each of its production bases;
4. To enter into the "Non-improper Commercial Practices Agreement (禁止不正當商業行為協議)" concurrently while entering into the commercial contracts between the Group and each of its production bases and foreign parties;
5. To strictly prohibit all the in-service staff of the Group from taking part-time job or participating in the operation of affairs connected with the Group's activities without permission. Any in-service personnel, whose families (including his/her immediate relatives, spouse and children) establish a company by themselves, is required to file registration to regulatory department of the Company. In the event that the organizations, in which the relatives and friends of the in-service personnel (including his/her immediate relatives, spouse, children, classmates, comrades-in-arms, etc.) work, are doing business with the Group, such personnel shall submit a list of those relatives and friends to the Group and avoid contact with them during the course of business. It is strictly prohibited from divulging any information of the Group to the ex-service personnel;
6. To undertake incorruptible education and training to staff holding key positions on a regular basis;
7. To conduct a service satisfaction survey to customers and suppliers on a regular basis by the Group by issuing questionnaires and collecting advice, complaints and suggestions;
8. To open a specialized email box for complaints, i.e. the "集團投訴 claim\_group/NDDG/ndpaper" in the Group and establish several "Chairlady Mailbox (董事長信箱)" on site in each of the production bases, in order to collect the employees' complaints and suggestions. The commercial contracts entered into with foreign parties shall be attached with the "Complaint Handling Guidelines (投訴處理指引)" and there is a notice board about the method of complaints being placed at the loading and unloading site in respective production bases;
9. Among all the matters complained about, those related to each production base will be investigated and handled by the Regulatory Commission thereof, and for those with more significant influence or cover a wider range, a special investigation will be conducted and handled by the Group Audit Department.



**COMMUNITY**

ND Paper has been fulfilling its social responsibilities proactively with a grateful heart. It has invested more than RMB200 million to various community welfare projects in recent years.

**I. The Group’s Leaders Personally Took Part in Various Community Projects**

- 1. **Mr. Liu (CEO) made donations to St. Paul’s Children’s Hospital in Brazil (巴西聖保羅兒童醫院)**



- 2. **Participated in “Guangdong Poverty Alleviation Day” and donated RMB30 million in June 2017**

ND Paper proactively supports various effective poverty alleviation measures implemented by the country. It has participated in “Guangdong Poverty Alleviation Day” for eight consecutive years and made an aggregate donation of over RMB110 million, contributing to the mission of “building a moderately prosperous society” promoted by the country.



## II. Major Community Welfare Projects ND Paper Participated in from July 2016 to June 2017

### 1. Supported "A Piece of Paper, Donate Your Love" Project in March 2017

"A Piece of Paper, Donate Your Love" project is a large charity project initiated by China Charity Federation in March 2008. It is to call people to donate old and waste paper. The proceeds from such donation will be applied to provide charity medical treatment to children with congenital heart diseases from underprivileged families in ethnic minority areas of the country.

ND Paper has supported the project since 2016 and has made an aggregate donation of more than RMB3.4 million.



### 2. The Group, as a representative of key enterprises in Dongguan, provided targeted support to Tibet by donating RMB5 million to the School of Gala in Yajiang County, Ganzi, Sichuan (四川甘孜州雅江县呷拉中学) in September 2016.





### 3. New term of Nine Dragons Class commenced

It is a loving care project initiated and continuously held by ND Paper to provide re-education as well as job and development opportunities for students from underprivileged regions, which is also one of the important channels for reserving and cultivating talents for the Company.

58 students enrolled in the 2016 (the twelfth term) Nine Dragons Class, covering provinces and municipalities such as Guangdong, Guangxi, Jiangsu, Chongqing, Sichuan, Tianjin, Fujian, Hebei, Liaoning and Hunan.



### 4. Proactively supported various community welfare projects in Hong Kong

ND Paper proactively puts its patriotism and love for Hong Kong into practice and spares no efforts in driving the prosperity and development of Hong Kong. From July 2016 to June 2017, ND Paper made a total donation of more than HK\$23 million, including HK\$18 million to Hong Kong New Home Association, HK\$5 million to Our Hong Kong Foundation and HK\$0.2 million on "ACCA Community Day".





5. Various community welfare projects were continuously initiated by all bases of the Group, which contributed to development of local economy and the society.

(1) Employees of the Dongguan base organized the "Loving care event to promote respect for the elderly in Mid-Autumn Festival (中秋節愛心敬老活動)" in September 2016.



The employees organized visits and presented birthday blessings to people with disability and the elderly living alone in the community, giving them sunshine-like warmth.





Launched tree planting activity in March 2017



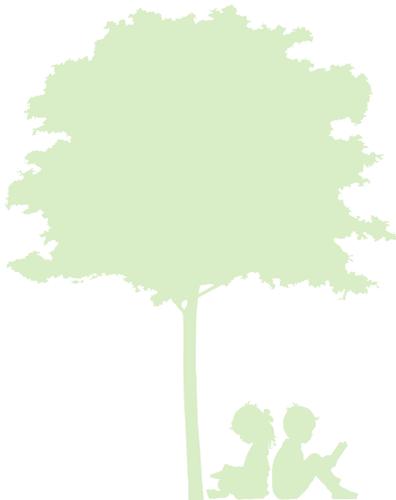
Helped unemployed female workers in the community to start their own businesses



ND Paper organized education aid activities to donate books to local students as well as visit and show sympathy to those from underprivileged families.

(2) Taicang base provided subsidies for 30 underprivileged children in its surrounding area together with the "Great Love in a Small Town" Charity Centre (「小城大爱」慈善中心)

It donated printing and writing paper to schools and units nearby, aiming at promoting the concept of environmental protection while doing charity works.

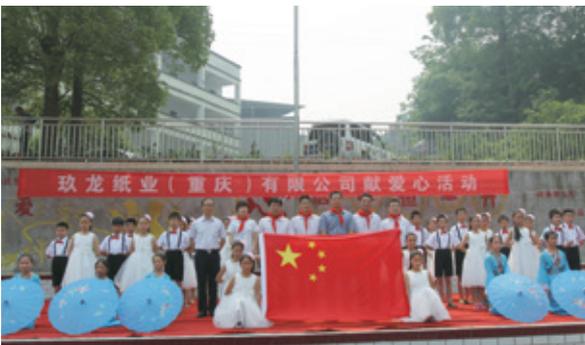




(3) Chongqing base donated teaching facilities to Jiangjin Shunjiang Elementary School (江津順江小學) in October 2016



Chongqing base showed its sympathy to villagers in need in the surroundings in March 2017.



Chongqing base donated teaching facilities to elementary schools nearby in May 2017.



(4) Tianjin base donated school uniforms, daily necessities and cash to Ninghe Special Education School (寧河特殊教育學校) in October 2016.



It organized charity sales of artworks created by children with intellectual disability.



Each and every delicate artworks was hard work made by the children wholeheartedly, which also represented ND Paper people's great love and encouragement to those children.

Tianjin base donated clothes to underprivileged elementary schools nearby in May 2017.





(5) Leshan base aided people with disability in May 2017.



(6) Shenyang base initiated "Care for Students and Love for Schools (情系莘莘学子、情暖菁菁校园)" charitable donation project for schools nearby in May 2017.





(7) Yongxin base made donations to underprivileged university students nearby in August 2017.



(8) Vietnam base donated food and cash to Puxian Orphanage (普賢孤兒家) in October 2016 and January 2017.



## INVESTOR RELATIONS

ND Paper has been firmly adhering to a high standard of corporate governance and disclosures. Our proactive approach to investor relations has made us highly recognized by investors worldwide. We have 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 investors. ND Paper has also persistently disseminated relevant and uniform information to investors. Such protocol allows the Group'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 HKSE 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 FY2017, ND Paper has organized 12 non-deal roadshows covering Hong Kong, Mainland China, Taiwan, Singapore, USA, UK and Europe. It has participated in 22 investor conferences and events in Hong Kong, Mainland China, Taiwan, Macao and Singapore, and 21 group conference calls/video conferences arranged by various financial institutions.

### Major Investor Relations Activities in FY2017

Time	Event	Organizer/Arranger	Location
July, 2016	Investor conference — Citi China Mid-Cap/A-share Conference 2016	Citi	Hong Kong
July, 2016	Non-deal roadshow	DBS Bank	Hong Kong
July, 2016	Group conference call	First Shanghai Securities	Hong Kong
August, 2016	Group luncheon	Daiwa Capital Markets	Hong Kong
August, 2016	Group meeting	Orient Securities	Hong Kong
September, 2016	Post-results non-deal roadshow	Citi	Hong Kong
September, 2016	Post-results non-deal roadshow	Bank of America Merrill Lynch	Singapore
October, 2016	Post-results non-deal roadshow	Citi	New York/Boston/San Francisco/Los Angeles
October, 2016	Group luncheon	Daiwa Capital Markets	Hong Kong
October, 2016	Post-results non-deal roadshow	First Shanghai Securities	Shenzhen
October, 2016	Post-results non-deal roadshow	Jefferies	Taipei
October, 2016	Post-results non-deal roadshow	UBS	London/Edinburgh/Paris/Stockholm
October, 2016	Post-results non-deal roadshow	CICC	Shanghai/Beijing
November, 2016	Investor conference — Bank of America Merrill Lynch China Conference 2016	Bank of America Merrill Lynch	Beijing

Time	Event	Organizer/Arranger	Location
November, 2016	Investor conference — Citi 11th China Investor Conference 2016	Citi	Macao
November, 2016	Investor conference — Daiwa Capital Markets Hong Kong Investor Conference 2016 (二零一六年大和資本市場香港投資者會議)	Daiwa Capital Markets	Hong Kong
November, 2016	Investor conference — Morgan Stanley Fifteenth Annual Asia Pacific Summit	Morgan Stanley	Singapore
December, 2016	Group conference call	GF Securities	Hong Kong
December, 2016	Group video conference	Okasan Securities	Hong Kong
December, 2016	Group conference call	Galaxy Securities	Hong Kong
December, 2016	Group conference call	China Merchants Securities	Hong Kong
January, 2017	Group conference call	Waterland Securities	Hong Kong
January, 2017	Investor conference — UBS Greater China Conference 2017	UBS	Shanghai
January, 2017	Investor conference — dbAccess China Conference 2017	Deutsche Bank	Beijing
January, 2017	Group conference call	Capital Securities	Hong Kong
January, 2017	Group conference call	TF Securities	Hong Kong
January, 2017	Group meeting	Orient Securities	Hong Kong
January, 2017	Group conference call	Fubon Securities	Hong Kong
February, 2017	Post-results non-deal roadshow	Citi	Hong Kong
February, 2017	Post-results non-deal roadshow	J.P. Morgan	Hong Kong
March, 2017	Post-results non-deal roadshow	Bank of America Merrill Lynch	Singapore
March, 2017	Group conference call	Yuanta Securities	Hong Kong
March, 2017	Group conference call	TF Securities	Hong Kong
March, 2017	Group conference call	First Shanghai Securities	Hong Kong
March, 2017	Post-results non-deal roadshow	UBS	Shenzhen/Beijing/Shanghai
March, 2017	Investor conference — Hong Kong Investor Summit 2017	Morgan Stanley	Hong Kong
March, 2017	Investor conference — Credit Suisse 20th Annual Asian Investment Conference	Credit Suisse	Hong Kong



Time	Event	Organizer/Arranger	Location
April, 2017	Investor conference — Guotai Junan China Market Investment Forum (國泰君安中國市場投資論壇)	Guotai Junan	Hong Kong
April, 2017	Investor conference — Macquarie Greater China Conference	Macquarie	Hong Kong
May, 2017	Investor conference — Shenwan Hongyuan Hong Kong Investment Forum (申萬宏源香港投資論壇)	Shenwan Hongyuan	Hong Kong
May, 2017	Group conference call	China Merchants Securities	Hong Kong
May, 2017	Group video conference	Mizuho Securities	Hong Kong
May, 2017	Group conference call	Fubon Securities	Hong Kong
June, 2017	Group meeting	Orient Securities	Hong Kong
June, 2017	Group conference call	First Shanghai Securities	Hong Kong
June, 2017	Investor conference — J.P. Morgan 13th Global China Summit	J.P. Morgan	Beijing
June, 2017	Group meeting	Concord Securities	Taipei
June, 2017	Investor conference — Yuanta Securities Asian Forum (元大證券亞洲論壇)	Yuanta Securities	Taipei
June, 2017	Group meeting	CSC	Hong Kong
June, 2017	Group conference call	TF Securities	Hong Kong
June, 2017	Group conference call	President Securities	Hong Kong
June, 2017	Group conference call	Cathay Securities	Hong Kong
June, 2017	Group conference call	GF Securities	Hong Kong

Effective communications are further enhanced by plant tours conducted for fund managers, research analysts, institutional investors and media. This allows them for better understanding of ND Paper's business model and production processes on-site. The Group 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 16 plant tours conducted for delegates from various asset management companies and brokers.

ND Paper maintains a relatively popular profile among investor communities. Over 30 local and international research institutions have published reports on ND Paper.



In 2016, ND paper was selected by The Hong Kong Society of Financial Analysts as the only research object in Hong Kong for CFA Institute Research Challenge. CFA Institute Research Challenge, which has been successfully organized in Hong Kong for twelve years, is a world-renowned university competition with an objective to help the next generation of analysts gain the best hands-on experience in financial research by providing them with mentoring and intensive training in analysis.



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 general 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 7 December 2016 and a Special General Meeting was held at Studio, W Hotel in Hong Kong on 29 June 2017. All resolutions proposed in the two general meetings were duly passed by shareholders by way of poll.



Investor Relations Contact:

Nine Dragons Paper (Holdings) Limited

Corporate Communications Department

Unit 1, 22/F, One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong

Tel: (852) 3929-3800

Fax: (852) 3929-3890

Email: [info\\_hk@ndpaper.com](mailto: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 FY2017, 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.

### BOARD

As the date of this Annual Report, the Board comprised nine Directors, including five executive Directors, one non-executive director and three INEDs. Mr. Zhang Lianpeng has been appointed as non-executive Director of the Company with effect from 1 August 2017. Ms. Cheung is the spouse of Mr. Liu, sister of Mr. Zhang and the aunt of Mr. Zhang Lianpeng. Mr. Lau Chun Shun is the son of Ms. Cheung and Mr. Liu, a nephew of Mr. Zhang and the cousin of Mr. Zhang Lianpeng. Mr. Zhang Lianpeng is the son of Mr. Zhang, the nephew of Ms. Cheung and Mr. Liu and the cousin of Mr. Lau Chun Shun. 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 Meetings, Board Committee meetings and general meeting for the Year is set out below:

	Board	Private	Remuneration Committee	Audit Committee	Nomination Committee	Corporate Governance Committee	2016 AGM	2017 Special General Meeting
Number of Meetings	5	1	2	4	2	1	1	1
<b>Executive Directors</b>								
Ms. Cheung (Chairlady) (Note 1)	4/5	1/1			2/2	1/1	1/1	1/1
Mr. Liu (Deputy Chairman and Chief Executive Officer) (Note 1)	4/5		2/2				1/1	1/1
Mr. Zhang (Deputy Chief Executive Officer) (Note 1)	4/5		2/2		2/2	1/1	1/1	1/1
Mr. Lau Chun Shun (Note 1)	4/5						1/1	1/1
Mr. Zhang Yuanfu (Chief Financial Officer)	5/5						1/1	1/1
<b>Independent Non-Executive Directors</b>								
Ms. Tam Wai Chu, Maria	5/5	1/1	2/2	4/4	2/2	1/1	1/1	1/1
Mr. Ng Leung Sing	5/5	1/1	2/2	4/4	2/2	1/1	1/1	1/1
Mr. Lam Yiu Kin	5/5	1/1	2/2	4/4	2/2	1/1	1/1	1/1

Note:

(1) They excused one board meeting as the agenda was to consider the renewal of continuing connected transactions of the Company.

## 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 3 INEDs out of the 9-member Board, reaches the requirements of the Listing Rules which provides that every board of Directors of a listed issuer must include at least 3 INEDs and the number of INEDs must represent at least one-third of the Board.

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.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the code provisions in paragraph A.4.3 of Appendix 14 of the Listing Rules, any further appointment of INED serving more than 9 years should be subject to a separate resolution to be approved by shareholders. Ms. Tam Wai Chu, Maria has served on the Board for more than 9 years.

The Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in Rule 3.13 of the Listing Rules and affirmed that Ms. Tam remains independent. The Board considers that Ms. Tam remains independent of management and free of any relationship which could materially interfere with the exercise of their independent judgment. The Nomination Committee reviewed and assessed the independence of Ms. Tam and the Board also reviewed and satisfied that Ms. Tam remains independent notwithstanding the length of her service.

## 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 FY2017, 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 80 to 84.

### **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, Mr. Zhang and Mr. Lau Chun Shun.

### **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, Mr. Lam Yiu Kin, Mr. Liu and Mr. Zhang.

A separate report prepared by the Remuneration Committee which summarized its works performed during FY2017, and also set out details of the share options to the Directors and the employees on pages 55 to 59 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 three INEDs, namely, Mr. Lam Yiu Kin (Chairman), Ms. Tam Wai Chu, Maria and Mr. Ng Leung Sing. Mr. Lam is a qualified accountant with extensive experience in financial reporting and controls. Ms. Tam is a barrister and practicing in Hong Kong. Mr. Ng possesses extensive banking, finance and management experience in Hong Kong.

A separate report prepared by the Audit Committee which summarized its works performed during FY2017 is set out on pages 60 to 61 of this Annual Report.

## NOMINATION COMMITTEE

Currently, the Nomination Committee comprises three INEDs and two executive Directors, namely, Ms. Cheung (Chairlady), Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing, Mr. Lam Yiu Kin and Mr. Zhang.

The Nomination 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.

During FY2017, the Nomination Committee reports directly to the Board and the work performed by the Nomination Committee are:

- determined 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 which shall take into consideration the principle of diversity;
- reviewed the structure, size, composition and diversity of the Board and make recommendations on any proposed changes to the Board;
- assessed the independence of INEDs;
- made recommendations to the Board on the appointment or re-appointment of Directors; and
- reviewed the board diversity policy and make recommendations on any required changes to the Board.

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. The board diversity policy sets out the approach to achieve diversity on the Board, including makes 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. The Company believes that diversity can strengthen the performance of the Board, 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, and the draft minutes were sent to all committee members.

## CORPORATE GOVERNANCE COMMITTEE

Currently, the Corporate Governance Committee comprises three INEDs and two executive Directors, namely Mr. Ng Leung Sing (Chairman), Ms. Tam Wai Chu, Maria, Mr. Lam Yiu Kin, 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.

During FY2017, the Corporate Governance Committee reports directly to the Board and the work performed by the Corporate Governance Committee are:

- developed and reviewed the Company's policy and practices on corporate governance and made recommendations to the Board;
- reviewed and monitored the Company's policies and practices in compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct applicable to employees and Directors;
- reviewed the annual corporate governance report and recommended to the Board for consideration and approval for disclosure;
- reviewed the time required from a Director to perform his responsibilities;
- reviewed the Committee's terms of reference and recommended to the Board on any changes; and
- reviewed and monitored the training and continuous professional development of Directors.

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, and the draft minute was sent to all committee members.

## RISK CONTROL COMMITTEE

The Risk Control Committee comprises senior and experienced members of management. 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.

## 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. Mr. Zhang Lianpeng who was appointed as a non-executive Director on 1 August 2017 has received the induction training.

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
<b>Executive Directors</b>		
Ms. Cheung	✓	✓
Mr. Liu	✓	✓
Mr. Zhang	✓	✓
Mr. Lau Chun Shun	✓	✓
Mr. Zhang Yuanfu	✓	✓
<b>Independent Non-Executive Directors</b>		
Ms. Tam Wai Chu, Maria	✓	✓
Mr. Ng Leung Sing	✓	✓
Mr. Lam Yiu Kin	✓	✓
<b>Company Secretary</b>		
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 Chairlady, 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 Chairlady 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 assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

During FY2017, the Company Secretary confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

## 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 FY2017, 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 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 7 December 2016.

## 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](mailto: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 writing to the Company Secretary at the office of the Company at Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, by email to [info\\_hk@ndpaper.com](mailto: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 Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, 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) concerned and deposited at the Company's principal place of business at Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, 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 and 2016 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, Mr. Lam Yiu Kin, 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 INED.

### SUMMARY OF MAJOR WORK DONE IN FY2017

During FY2017, the Remuneration Committee held two meetings. The following is a summary of the major tasks completed by the Remuneration Committee during the Year:

- 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;
- reviewed the movement of the share options under the 2006 Share Option Scheme and 2016 Share Option Scheme; and
- reviewed the bonus payments to the Directors and the Bonus Distribution policy.

## SHARE OPTION SCHEMES

### 2006 Share Option Scheme

The Company adopted the 2006 Share Option Scheme on 12 February 2006, which has a term of 10 years and expired on 3 March 2016. All outstanding options granted under the 2006 Share Option Scheme will continue to be valid and exercisable in accordance with the provisions of the 2006 Share Option Scheme. No further option will be granted under the 2006 Share Option Scheme.

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 Grant Date shall not exceed 1% of the Shares in issue as at the Grant Date. 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 Grant Date; (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 Grant Date; and (iii) the nominal value of a Share.

The maximum number of shares in respect of which options may be granted under the 2006 Share Option Scheme and any other share option scheme of the Company shall not exceed such number of shares as required under the Listing Rules, being 10% of the Shares in issue immediately prior to the listing of the Shares on the Stock Exchange, being 400,000,000 shares. Under the Listing Rules, a listed issuer may seek approval by its shareholders in general meeting for "refreshing" the 10% limit under the scheme. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2006 Scheme and any other share option scheme of the Company must not exceed 30% of the shares in issue from time to time (or such number of shares as required under the Listing Rules). No options may be granted if such grant will result in this 30% limit being exceeded.

### Movement of Share Options

As at 30 June 2017, i) a total of 303,602,286 shares options were granted under the 2006 Share Option Scheme, representing approximately 6.50% of the total number of issued shares of the Company; and ii) an aggregate of 18,000,000 shares are issuable for options granted under the 2006 Share Option Scheme, representing approximately 0.39% of the total number of issued shares of the Company.

Details of options granted, exercised, cancelled/lapsed and outstanding under the 2006 Share Option Scheme during the Year are as follows:

Grantees	Number of Share options				Balance as at 30 June 2017	Approximate percentage of shareholding*
	Balance as at 1 July 2016	Granted during the Year	Exercised during the Year	Cancelled/Lapsed during the Year		
<b>i) Directors (Notes 1 &amp; 2)</b>						
Ms. Cheung	4,500,000	—	—	—	4,500,000	0.10%
Mr. Liu	4,500,000	—	—	—	4,500,000	0.10%
Mr. Zhang	4,500,000	—	—	—	4,500,000	0.10%
Mr. Lau Chun Shun	4,500,000	—	—	—	4,500,000	0.10%
<b>ii) Employees and others (Note 3)</b>						
	8,000,000	—	(8,000,000)	—	—	0.00%
<b>Total:</b>	<b>26,000,000</b>	<b>—</b>	<b>(8,000,000)</b>	<b>—</b>	<b>18,000,000</b>	

\* The issued share capital of the Company was 4,674,220,811 as at 30 June 2017.

Notes:

(1) Details of the options granted to Directors are as follows:

Name of Director	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 2016	Granted during the Year	Exercised during the Year	Cancelled/Lapsed during the Year		Balance as at 30 June 2017
Ms. Cheung Yan	29 February 2016	5.19	1 September 2016 to 28 February 2019	4,500,000	—	—	—	4,500,000	5.18
Mr. Liu Ming Chung	29 February 2016	5.19	1 September 2016 to 28 February 2019	4,500,000	—	—	—	4,500,000	5.18
Mr. Zhang Cheng Fei	29 February 2016	5.19	1 September 2016 to 28 February 2019	4,500,000	—	—	—	4,500,000	5.18
Mr. Lau Chun Shun	29 February 2016	5.19	1 September 2016 to 28 February 2019	4,500,000	—	—	—	4,500,000	5.18

(2) All options granted have a vesting period of 6 months from the Grant Date and may be exercised on or after 1 September 2016. All options granted have a validity period of 3 years from 29 February 2016 to 28 February 2019.

(3) Details of the options granted to Employees and others are as follows:

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 2016	Granted during the Year	Exercised During the Year	Cancelled/Lapsed during the Year		Balance as at 30 June 2017
30 September 2015 (Note 4)	4.134	1 April 2016 to 29 September 2018	8,000,000	—	(8,000,000)	—	—	3.94

(4) All options granted have a vesting period of 6 months from the Grant Date and may be exercised on or after 1 April 2016. All options granted have a validity period of 3 years from 30 September 2015 to 29 September 2018.

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

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

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the financial year/period is to be expensed through the Group’s income statement over the vesting period of the options. The fair values of share options granted by the Company were determined by using binominal valuation model (the “Model”). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management’s best estimate.

Key assumptions of the Model are:

Grant Date	Risk-free rate	Expected dividend yield	Expected volatility of the market price of the Shares	Fair value (approximately) HK\$
30 September 2015	0.637%	Per annum 2.700%	42%	7,800,000
29 February 2016	0.745%	Per annum 1.800%	46%	26,606,000

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.

### 2016 Share Option Scheme

The 2006 Share Option Scheme has expired on 3 March 2016. In order to provide the Company with the flexibility of granting share options to the Directors, employees and other persons as incentives or rewards for their contribution or potential contribution to the Group after the expiry of the 2006 Share Option Scheme, the Directors has adopted the Share Option Scheme on 11 December 2015, which has a term of 10 years and will expire on 3 March 2026. Terms of the 2016 Share Option Scheme are substantially the same as those under the 2006 Share Option Scheme.

The principal terms of 2016 Share Option Scheme are as follows:

It is a share incentive scheme established to recognise and acknowledge the contributions or potential contributions of the eligible participants to the Group. Pursuant to 2016 Share Option Scheme, the Board may, at its discretion, offer to grant an option to any director, employee, executive, officer or any supplier, customer, consultant, agent and adviser of the Group.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the 2016 Share Option Scheme to eligible participants in any 12-month period up to the Grant Date shall not exceed 1% of the Shares in issue as at the Grant Date. 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 2016 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 Grant Date; (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 Grant Date; and (iii) the nominal value of a Share.

The maximum number of shares in respect of which options may be granted under the 2016 Share Option Scheme and any other share option scheme of the Company shall not exceed such number of shares as required under the Listing Rules, being 10% of the Shares in issue as at the adoption date of the 2016 Share Option Scheme, being 466,622,081 shares. Under the Listing Rules, a listed issuer may seek approval by its shareholders in general meeting for “refreshing” the 10% limit under the scheme. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2016 Share Option Scheme and any other share option scheme of the Company must not exceed 30% of the shares in issue from time to time (or such number of shares as required under the Listing Rules). No options may be granted if such grant will result in this 30% limit being exceeded.

As at the date of the Annual Report, no option was granted under the 2016 Share Option Scheme.

### **DIRECTORS’ SERVICES CONTRACTS**

None of the Directors who are proposed for re-election at the 2017 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

As at the date of this Annual Report, all the members of the Audit Committee are appointed from the INEDs, namely, Mr. Lam Yiu Kin (Chairman), Ms. Tam Wai Chu, Maria and Mr. Ng Leung Sing.

## TERMS OF 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 FY2017

The Audit Committee holds regular meetings and organizes additional meetings if and when necessary. During FY2017, the Committee held four meetings. The following is a summary of the tasks completed by the Audit Committee during FY2017:

- reviewed the financial statements for FY2016 and for the six months ended 31 December 2016 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 FY2017 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 purchase terms and the fairness of the Group's basis of selecting its recovered paper suppliers;
- reviewed the exchange rate risk and hedging policy; 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 2017 AGM, PricewaterhouseCoopers be re-appointed as the Company's external auditor for FY2018.

For FY2017, the external auditor of the Company received approximately RMB8.1 million for audit services and RMB0.8 million for tax and other services.

# INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognizes and acknowledges that certain aspects of risks are inherent in its businesses and operations and the markets in which the Group operates, and undertakes to determine, evaluate and monitor significant risks ongoingly in pursuit of its corporate initiatives and strategic objectives such that sustainable growth and long term shareholder value are achieved. The Board has established and maintained comprehensive risk management and internal control systems to identify and manage the significant risks of its businesses and operations and the external environment.

## RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Risk Management and Internal Control Framework (the "Framework") is a tool specifically designed by the Group for its risk management and internal control purpose. The Framework comprises an organizational control structure which emphasizes segregation of duties that facilitates the identification, assessment, management and report of significant risks. The Framework encompasses a well-defined internal control structure which focuses on monitoring the efficiency and effectiveness of the Group's operations and activities and compliance with applicable laws and regulations.

The risk management and internal control process is embedded in the Group's daily businesses and operations, which involves understanding the context, identifying potential exposures, assessing the likelihood of consequences, determining the risk level, establishing appropriate mitigating measures followed by appropriate reporting.

The Business Unit leaders organize their risk management and internal controls through constant monitoring and discussion with peers, evaluate the overall operational and business environment for material risks, design appropriate control measures to address the potential exposures, escalate and report the significant risks to the Risk Control Committee, and provide assurance. The Functional Unit heads exercise the risk management and internal controls in their daily businesses, operations and decision making processes, escalate and report material risks to the Business Unit heads. On annual basis, the Business Unit leaders submit material risks assessments to the Risk Control Committee for review and consolidation.

Phase 1 Establish Risk Context ↓	Risk Control Committee establishes risk assessment criteria and risk context for the Group. ↓
Phase 2 Risk Identification ↓	Departments identify the risks that potentially impact the key processes of their operations. ↓
Phase 3 Risk Assessment ↓	Departments assess and score the risks identified along with their impact on the business and the likelihood of their occurrence. ↓
Phase 4 Risk Response ↓	Departments assess effectiveness of existing controls and provide proposals where required. ↓
Phase 5 Risk Reporting & Monitoring	Departments monitor risk mitigating activities. Risks are regularly reported at appropriate management levels within the Group.

The Group's Internal Audit Department takes the responsibility to review and assess the risk management and internal control system, summarizes and presents to the Audit Committee a Risk Assessment Report, and confirms the adequacy and effectiveness of the Group's risk management and internal control system.

## RISK CONTROL COMMITTEE

At the top of the risk governance structure is the Board Level Control. The Board oversees the running and ensures adequacy and effectiveness of the Framework. The Executive Committee set up a Risk Control Committee, which comprises senior and experienced members of management, to implement the Framework. The Risk Control Committee supervises the risk management and internal control process, facilitates its implementation with appropriate guidelines and tools, tracks material risks and mitigating activities, and determines significant control failings or weaknesses that have been identified. The Risk Control Committee entrusts the execution of the risk management and internal control process to the Business and Functional Units. Through discussion with the respective Business and Functional Unit leaders on any critical and significant risks and how the risks have been or will be managed, the Risk Control Committee summarizes and compiles a Risk Assessment Report for discussion with the Board.

## PRINCIPAL RISKS

### 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.

## ASSESSMENT

The Board has reviewed the report of the Risk Control Committee. In addition, proper whistleblowing arrangement was in place in the Group and across the different business units so that employees can report their concerns, or any misconduct, improper or fraudulent acts committed by other personnel in the Group. All reported whistleblowing concerns were handled and investigated confidentially and independently and followed up by appropriate remedial actions.

The Board has considered and endorsed the assessment of the effectiveness of risk management and controls systems in the Group, namely that throughout FY2017 there were no areas of concern identified which might materially affect the operational, financial reporting and compliance controls of the Group, and that the existing risk management and internal control systems remain effective and adequate. The resources, qualifications, experience, training programmes and budget of the employees of the Group's accounting and financial reporting and internal audit functions were adequate. The Group has complied with the risk management and internal control code provisions in 2017.

## PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company complies with the requirements of Part XIVA of the SFO and the Listing Rules. The Company discloses inside information to the public as soon as reasonably practicable after any inside information has come to its knowledge unless the information falls within any of the "Safe Harbours" as provided for in the SFO. Before the information is fully disclosed to the public, the Company ensures the information is kept strictly confidential. If the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Company would immediately disclose the information to the public. The Company is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact, to provide for equal, timely and effective access by the public to the inside information disclosed.

For the purpose of handling and disseminating inside information in accordance with the SFO and the Listing Rules, the Company has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information with the Company, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, and disseminating information to specified persons on a need-to-know basis.

# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

## PROFILE OF EXECUTIVE DIRECTORS

**Ms. Cheung Yan**, JP, 60, 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 21 years of experience in paper manufacturing and over 31 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, executive member of All-China Federation of Industry & Commerce, 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, Honorary President of World Dongguan Entrepreneurs, Honorary Life President of Hong Kong Federation of Overseas Chinese Associations and President 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, "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 was also awarded "Outstanding Entrepreneur in China" ("全國優秀企業家") by China Enterprise Association in May 2014, "Asian CEO of the Year" ("亞洲最佳CEO獎") by RISI and "Outstanding Contribution Award in Paper Industry in China" ("全國造紙行業傑出貢獻獎") by China Paper Association in June 2014. Ms. Cheung was appointed as a Justice of the Peace (JP) in July 2016. Ms. Cheung is the wife of Mr. Liu Ming Chung, the sister of Mr. Zhang Cheng Fei, the mother of Mr. Lau Chun Shun and the aunt of Mr. Zhang Lianpeng.

**Mr. Liu Ming Chung**, 55, 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 26 years of experience in international trade and over 18 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 Yan, the brother-in-law of Mr. Zhang Cheng Fei, the father of Mr. Lau Chun Shun and the uncle of Mr. Zhang Lianpeng.

**Mr. Zhang Cheng Fei**, 49, 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 23 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 father of Mr. Zhang Lianpeng, the younger brother of Ms. Cheung Yan, Mr. Liu Ming Chung's brother-in-law and the uncle of Mr. Lau Chun Shun.

**Mr. Lau Chun Shun**, 36, 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 has over 8 years experience in procurement, marketing and distribution, sales and corporate management. Mr. Lau holds a bachelor degree in Economics from the University of California, Davis and a master degree in Industrial Engineering from Columbia University. Mr. Lau is a member of the Chinese People's Political Consultative Conference of Dongguan, Vice Chairman of Dongguan Federation of Industry and Commerce and Vice President of New Home Association. Mr. Lau is the son of Ms. Cheung Yan and Mr. Liu Ming Chung, the nephew of Mr. Zhang Cheng Fei and the cousin of Mr. Zhang Lianpeng.

**Mr. Zhang Yuanfu**, 54, 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, Mr. Zhang 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 31 years of experience in auditing, accounting and corporate finance. Mr. Zhang 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 NON-EXECUTIVE DIRECTOR

**Mr. Zhang Lianpeng**, 25, has been the Non-Executive Director of the Company since 2017. He graduated from The New York University with a Bachelor of Arts Degree. He previously worked in the U.S. and has experience in administration, project management, accounting and corporate financing. He is the son of Mr. Zhang Cheng Fei, the nephew of Ms. Cheung Yan and Mr. Liu Ming Chung and the cousin of Mr. Lau Chun Shun.

## PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Tam Wai Chu, Maria**, *GBM, JP, 71*, 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, Macau Legend Development Limited and China Shenhua Energy Company Limited, all the shares of which are listed on the Stock Exchange. Ms. Tam is a deputy to the National People's Congress of The People's Republic of China and a member of the Hong Kong Basic Law Committee. 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, 68*, has been appointed as an INED of the Company since March 2013. Mr. Ng is 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, People's Republic of China. He is also an independent non-executive director of 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 Legislative Council of the Hong Kong Special Administrative Region, an independent non-executive director of MTR Corporation Limited and 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.

**Mr. Lam Yiu Kin**, aged 62, has been appointed as an INED of the Company since 2016. Mr. Lam is a fellow member of each of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England & Wales, the Chartered Accountants of Australia and New Zealand, and Hong Kong Institute of Certified Public Accountants ("HKICPA"). He graduated from The Hong Kong Polytechnic University with a higher diploma in Accountancy in 1975. He was conferred an Honorary Fellow of The Hong Kong Polytechnic University in 2002.

Mr. Lam was previously a member of the Listing Committee and the Financial Reporting Advisory Panel of the Stock Exchange from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, and a partner of PricewaterhouseCoopers from 1993 to 2013. From 2014 to 2015, Mr. Lam was an independent non-executive director of Kate China Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. In all, Mr. Lam has over 40 years of extensive experience in accounting, auditing and business consulting. Mr. Lam is currently an independent non-executive director of each of Global Digital Creations Holdings Limited; Spring Asset Management Limited as the manager of Spring Real Estate Investment Trust; Vital Mobile Holdings Limited; Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.; Shougang Concord Century Holdings Limited; COSCO Shipping Ports Limited; WWPKG Holdings Company Limited and CITIC Telecom International Holdings Limited.

## PROFILE OF SENIOR MANAGEMENT

**Mr. Lin Xin Yang**, 47, 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 24 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**, 45, 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 24 years 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**, 56, 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 29 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. Sun Zuo Hua**, 43, joined the Group in June 2011 and has served as the General Manager of Nine Dragons Paper Industries (Chongqing) Co., Ltd. since December 2014. Prior to joining the Group, he has worked in Shandong Chenming Paper Holdings limited and was served as a general manager of a subsidiary. He has over 22 years of experience in paper manufacturing management. Mr. Sun was graduated from Shandong Weifang University of Science and Technology, major in Economic Management.

**Mr. Ye Jian**, 42, 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 22 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**, 43, 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 21 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. Zhu Qi Han**, 37, joined the Group in 2003 and has served as the General Manager of Nine Dragons Paper Industries (Shenyang) Co. Ltd. since July 2015, in charge of its overall management. Mr. Zhu has over 14 years of experience in marketing of paper industry, procurement management of recycled paper and operational management in carton manufacturing. Prior to joining the Group, he was served as the general manager of Nine Dragons Packaging (Taicang) Company Limited. Mr. Zhu was graduated from Shanghai University of Sport.

**Mr. Zhang Du Ling**, 47, 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 21 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. Ng Kwok Fan, Benjamin**, 61, 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 Chartered Professional Accountants of Canada and the CFA Institute.

**Mr. Chu Yiu Kuen, Ricky**, 46, has served as the Group's Deputy Chief Financial Officer in charge of financial operation since October 2008. Mr. Chu has more than 23 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**, 49, 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 27 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. Chu Xin Qi**, 53, 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 28 years of experience in finance management. Mr. Chu is a senior economist and he graduated in 1990 from Shandong College of Economics with a Diploma in Finance.

# DIRECTORS' REPORT

The Directors are pleased to present the audited consolidated financial statements of ND Holdings for FY2017.

## 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.

## BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year, the material factors underlying its results and financial position and material attributable factors of the development and likely future developments of the Group's business, are provided throughout this Annual Report, particularly in the following separate sections:

- (a) Review of the Company's business — "Management's Discussion and Analysis";
- (b) The Company's risk management framework — "Internal Controls and Risk Management";
- (c) The Company's financial risk management — "Note 3 to the Consolidated Financial Statements";
- (d) Future development in the Company's business — "Chairlady's Report";
- (e) Analysis using financial key performance indicators — "Financial Highlights" and "Management's Discussion and Analysis";
- (f) Discussion on the Company's environmental policies and performance — "Environmental, Social and Governance";
- (g) Discussion on the Company's compliance with the relevant laws and regulations — "Corporate Governance", "Independent Auditors' Report" and "Directors' Report"; and
- (h) An account of the Company's key relationships with its employees, customers and suppliers and others — "Environmental, Social and Governance" and "Directors' Report".

## RESULTS AND APPROPRIATIONS

The results of the Group for FY2017 are set out in the accompanying financial statements on page 87.

An interim dividend of RMB5.0 cents (equivalent to approximately HK5.65 cents) per share for the six months ended 31 December 2016 (six months ended 31 December 2015: RMB2.0 cents) was paid to shareholders on 21 July 2017.

The Board has resolved to recommend the payment of a final dividend of RMB25.0 cents (equivalent to approximately HK29.6 cents) per share for FY2017, which are expected to be paid on Friday, 26 January 2018 subject to the approval of 2017 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 Thursday, 28 December 2017. The translation of RMB into HKD is made at the exchange rate of HK\$1.00 = RMB0.84429 as at 21 September 2017 for illustration purpose only. The actual translation rate for the purpose of dividend payment in HKD 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 18 to 19.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2017 are set out in note 9 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 2017, the Company's reserve available for cash distribution and/or distribution in specie, representing the retained earnings, amounted to approximately RMB62,388,000 (30 June 2016: RMB1,757,000). In addition, the Company's share premium account and contributed surplus of approximately RMB8,765,002,000 and RMB1,561,117,000, respectively, as at 30 June 2017 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 75.5% of the Group's total purchases and the purchase attributable to the Group's largest supplier was about 31.9% of the Group's total purchases. The aggregate amount of turnover attributable to the Group's five largest customers was approximately 4.2% of total turnover of the Group.

ACN and ACN Tianjin are two of the Group's five largest suppliers. ACN is a company indirectly owned by Ms. Cheung and Mr. Liu. ACN Tianjin is a company indirectly owned as to 70% by Ms. Cheung and Mr. Liu. Ms. Cheung is the wife of Mr. Liu, the sister of Mr. Zhang, the mother of Mr. Lau Chun Shun and the aunt of Mr. Zhang Lianpeng. Mr. Liu is the husband of Ms. Cheung, the brother-in-law of Mr. Zhang, the father of Mr. Lau Chun Shun and the uncle of Mr. Zhang Lianpeng.

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

### Non-Executive Director

Mr. Zhang Lianpeng (appointed on 1 August 2017)

### INEDs

Ms. Tam Wai Chu, Maria  
Mr. Ng Leung Sing  
Mr. Lam Yiu Kin

In accordance with Bye-laws of the Company, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Ms. Tam Wai Chu, Maria will retire from office by rotation and, being eligible, offer themselves for re-election at the 2017 AGM.

In accordance with Bye-laws 86(2) of the Company's Bye-laws, Mr. Zhang Lianpeng being appointed by the Board in the Year shall hold office until the 2017 AGM and, being eligible, offer himself for re-election at the 2017 AGM.

## 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 2017, 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 2017.

Name of Directors	Long Position/ Short Position	Number of Shares			Number of underlying shares (in respect of share options)		Total	Approximate percentage of shareholdings
		Personal Interests	Family Interests	Corporate Interests (Note 1)	Personal Interests	Family Interests		
Ms. Cheung	Long Position	85,597,758	27,094,184	2,992,120,000	4,500,000	4,500,000	3,113,811,942	66.62%
Mr. Liu	Long Position	27,094,184	85,597,758	2,992,120,000	4,500,000	4,500,000	3,113,811,942	66.62%
Mr. Zhang	Long Position	29,899,821	—	—	4,500,000	—	34,399,821	0.74%
Mr. Lau Chun Shun	Long Position	9,649,000	—	2,992,120,000	4,500,000	—	3,006,269,000	64.32%
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 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.

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 2017, 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 2017, 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 issued ordinary shares held in Best Result	Approximate percentage of shareholding
Best Result (Note)	Long Position	Beneficial Owner	2,992,120,000	64.01%
Ms. Cheung	Long Position	Interest of controlled corporation	2,992,120,000	64.01%
Goldnew Limited	Long Position	Interest of controlled corporation	2,992,120,000	64.01%
BNP Paribas Jersey Trust Corporation Limited	Long Position	Trustee of The Liu Family Trust	2,992,120,000	64.01%

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, (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 2017, 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 Continuing Connected Transactions and note 29 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 approximately RMB41,892,000 (2016: RMB17,905,000).

## 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 the date of this Annual Report.

In 2015, the Company has a facility agreement with China Development Bank Corporation, Hong Kong Branch in an aggregate amount of USD250 million 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 FY2017.

## 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 29 to the financial statements. Such transactions all complied with the applicable provisions under the Listing Rules.

## CONTINUING CONNECTED TRANSACTIONS

During FY2017 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 7 March 2016, 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 1 April 2016 to 31 March 2019. 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 2016 to 31 March 2017, the actual amount of transactions under the Come Sure Raw Paper Materials Supply Agreement was RMB246 million and was within the annual cap of RMB500 million. During the period from 1 April 2017 to 30 June 2017, the actual amount of transactions was RMB87 million and the annual cap for the period from 1 April 2017 to 31 March 2018 is RMB500 million.

### (b) Longteng Packaging Materials and Chemicals Purchase Agreement

Dongguan Longteng is a company wholly-owned by Mr. Zhang Cheng Ming and his family members. Mr. Zhang Cheng Ming is a brother of Mr. Zhang and Ms. Cheung. On 8 May 2014, Dongguan Longteng and the Company entered into a purchase agreement (the "Longteng Packaging Materials and Chemicals Purchase Agreement"), pursuant to which the Company agreed to purchase packaging materials and chemicals from Dongguan Longteng for the Group's production requirements from 1 July 2014 to 30 June 2017.

During FY2017, the actual amount of transactions under the Longteng Packaging Materials and Chemicals Purchase Agreement was RMB187 million and was within the annual cap of RMB600 million. The Longteng Packaging Materials and Chemicals Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

### (c) Nantong Tenglong Chemicals Purchase Agreement

Nantong Tenglong is a company wholly-owned by Mr. Zhang Cheng Ming and his family members. On 8 May 2014, Nantong Tenglong and the Company entered into a purchase agreement (the "Nantong Tenglong Chemicals Purchase Agreement"), pursuant to which the Group agreed to purchase chemicals from Nantong Tenglong for the Group's production requirements from 1 July 2014 to 30 June 2017.

During FY2017, the actual amount of transactions under the Nantong Tenglong Chemicals Purchase Agreement was RMB312 million and was within the annual cap of RMB1,150 million. The Nantong Tenglong Chemicals Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**(d) Longteng Packaging Paperboard Supply Agreement**

On 8 May 2014, Dongguan Longteng and the Company entered into a supply agreement (the "Longteng Packaging Paperboard Supply Agreement"), pursuant to which the Group agreed to supply packaging paperboard products to Dongguan Longteng from 1 July 2014 to 30 June 2017.

During FY2017, the actual amount of transactions under the Longteng Packaging Paperboard Supply Agreement was RMB368 million and was within the annual cap of RMB1,000 million. The Longteng Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**(e) Taicang Packaging Paperboard Supply Agreement**

Taicang Packaging is a company which is held as to 100% by Ms. Cheung, Mr. Liu and Mr. Zhang. On 8 May 2014, Taicang Packaging and the Company entered into a supply agreement (the "Taicang Packaging Paperboard Supply Agreement"), pursuant to which the Group agreed to supply packaging paperboard products to Taicang Packaging from 1 July 2014 to 30 June 2017.

During FY2017, the actual amount of transactions under the Taicang Packaging Paperboard Supply Agreement was RMB319 million and was within the annual cap of RMB380 million. The Taicang Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**(f) Honglong Packaging Paperboard Supply Agreement**

Honglong Packaging is beneficially held as to 60% by Ms. Cheung, Mr. Liu and Mr. Zhang. On 8 May 2014, Honglong Packaging and the Company entered into a supply agreement (the "Honglong Packaging Paperboard Supply Agreement"), pursuant to which the Group agreed to supply packaging paperboard products to Honglong Packaging from 1 July 2014 to 30 June 2017.

During FY2017, the actual amount of transactions under the Honglong Packaging Paperboard Supply Agreement was RMB183 million and was within the annual cap of RMB210 million. The Honglong Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**(g) ACN Recovered Paper Purchase Agreement**

ACN is indirectly wholly owned by Ms. Cheung and Mr. Liu. On 8 May 2014, ACN and the Company entered into a purchase agreement (the "ACN Recovered Paper Purchase Agreement"), pursuant to which the Group agreed to purchase recovered paper from ACN from 1 July 2014 to 30 June 2017.

During FY2017, the actual amount of transactions under the ACN Recovered Paper Purchase Agreement was RMB9,641 million and was within the annual cap of RMB19,000 million. The ACN Recovered Paper Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

### (h) Tianjin ACN Wastepaper Purchase Agreement

Tianjin ACN is a company which is indirectly owned as to 30% by the Company and as to 70% beneficially owned by Ms. Cheung and Mr. Liu. On 8 May 2014, Tianjin ACN and the Company entered into a purchase agreement (the "Tianjin ACN Wastepaper Purchase Agreement"), pursuant to which the Group agreed to purchase recovered paper from Tianjin ACN from 1 July 2014 to 30 June 2017.

During FY2017, the actual amount of transactions under the Tianjin ACN Wastepaper Purchase Agreement was RMB7,352 million and was within the annual cap of RMB10,000 million. The Tianjin ACN Wastepaper Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

## 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:

- (a) in the ordinary and usual course of the business of the Group;
- (b) 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;
- (c) in accordance with the relevant agreements governing such transactions; and
- (d) 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 (Revised) "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.56.

## 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.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-Laws, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective offices or trusts.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## **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 FY2017 have been audited by PricewaterhouseCoopers who retires 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 2017 AGM.

On behalf of the Board

**Cheung Yan**

*Chairlady*

Hong Kong, 21 September 2017

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

## OPINION

### What we have audited

The consolidated financial statements of Nine Dragons Paper (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 85 to 148, which comprise:

- the consolidated balance sheet as at 30 June 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matter identified in our audit is revenue recognition on sales of goods.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition on sales of goods</p> <p>Refer to note 2.23(a) to the consolidated financial statements</p> <p>During the year ended 30 June 2017, the Group has recognised revenue from sales of goods of RMB39,154,808,000. Revenue is recognised when the Group has delivered products to the customers, the customers have accepted the products, the collectability of the related receivables is reasonably assured.</p> <p>We focused on this area due to the huge volume of revenue transactions generated in various locations and from many customers, and thus significant time and resource were devoted in this area.</p>	<p>We understood, evaluated and validated management's key controls in respect of the Group's sales transactions from sales orders, sales contracts, sales invoices, recording of sales based on the goods delivery notes accepted by customers, through to cash receipts. In addition, we tested the general control environment of the Group's information technology systems and the specific automatic controls that were related to revenue recording to assess the completeness and accuracy of the revenue entries being recorded in the accounting system.</p> <p>We conducted testing of revenue recorded covering different customers by examining the relevant supporting documents including sales orders, sales contracts, sales invoices and goods delivery notes accepted by customers. We also circulated confirmations to selected customers to confirm the balances of trade receivables as at the balance sheet date and transaction amounts of revenue for the year. The items tested were selected on a sample basis by considering the amount, nature and characteristics of the customers through the whole year.</p> <p>Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date by inspecting the goods delivery notes to assess whether revenue was recognised in the correct reporting periods.</p> <p>Based on the work performed, we found the Group's revenue from sales of goods being tested were recognised in a manner consistent with the Group's accounting policy of revenue recognition.</p>

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

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
*(continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
*(continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 21 September 2017

# CONSOLIDATED BALANCE SHEET

	Note	30 June 2017 RMB'000	30 June 2016 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	46,415,144	44,860,821
Land use rights	7	1,520,792	1,521,765
Intangible assets	8	230,664	245,275
Investments in associate and joint venture	10	119,749	65,759
Other receivables and prepayments	12	21,305	47,500
Deferred income tax assets	17	2,425	15,884
		<b>48,310,079</b>	46,757,004
<b>Current assets</b>			
Inventories	11	4,679,114	3,605,520
Trade and bills receivables	12	5,399,248	4,597,675
Other receivables and prepayments	12	1,220,678	954,649
Tax recoverable		50,103	46,665
Restricted cash		24,000	53,634
Short-term bank deposits		10,833	274,008
Cash and cash equivalents	13	6,472,756	11,002,470
		<b>17,856,732</b>	20,534,621
<b>Total assets</b>		<b>66,166,811</b>	67,291,625
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	14	478,977	478,272
Share premium	14	8,765,002	8,730,315
Other reserves	15	1,539,236	1,323,109
Retained earnings		18,965,490	15,542,523
		<b>29,748,705</b>	26,074,219
<b>Non-controlling interests</b>		<b>336,084</b>	346,642
<b>Total equity</b>		<b>30,084,789</b>	26,420,861

	Note	30 June 2017 RMB'000	30 June 2016 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	16,832,996	20,852,384
Deferred income tax liabilities	17	2,433,172	2,176,336
		<b>19,266,168</b>	23,028,720
<b>Current liabilities</b>			
Trade and bills payables	18	2,291,195	4,097,964
Other payables and advance from customers	18	1,842,678	1,315,229
Current income tax liabilities		565,855	434,853
Borrowings	16	12,116,126	11,992,892
Derivative financial instruments		—	1,106
		<b>16,815,854</b>	17,842,044
<b>Total liabilities</b>		<b>36,082,022</b>	40,870,764
<b>Total equity and liabilities</b>		<b>66,166,811</b>	67,291,625

The notes on pages 92 to 148 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 85 to 148 were approved by the board of directors of the Company on 21 September 2017 and were signed on its behalf.

**Ms. Cheung Yan**  
Chairlady

**Mr. Liu Ming Chung**  
Deputy Chairman and Chief Executive Officer

# CONSOLIDATED INCOME STATEMENT

For the year ended 30 June			
	Note	2017 RMB'000	2016 RMB'000
Sales	19	<b>39,154,808</b>	32,092,770
Cost of goods sold	21	<b>(31,178,547)</b>	(26,231,444)
<b>Gross profit</b>		<b>7,976,261</b>	5,861,326
Other income, other expenses and other losses — net	20	<b>681,674</b>	590,954
Exchange losses on operating activities — net		<b>(117,037)</b>	(337,597)
Selling and marketing costs	21	<b>(837,882)</b>	(736,018)
Administrative expenses	21	<b>(1,142,334)</b>	(1,047,598)
<b>Operating profit</b>		<b>6,560,682</b>	4,331,067
Finance costs — net		<b>(959,266)</b>	(1,271,570)
— Finance income	23	<b>106,689</b>	138,740
— Finance costs	23	<b>(1,065,955)</b>	(1,410,310)
Exchange losses on financing activities — net		<b>(282,588)</b>	(1,434,494)
Share of profit of an associate and a joint venture — net	10	<b>116,170</b>	42,430
<b>Profit before income tax</b>		<b>5,434,998</b>	1,667,433
Income tax expense	24	<b>(1,025,364)</b>	(518,054)
<b>Profit for the year</b>		<b>4,409,634</b>	1,149,379
<b>Profit attributable to:</b>			
— Equity holders of the Company		<b>4,383,668</b>	1,121,742
— Non-controlling interests		<b>25,966</b>	27,637
		<b>4,409,634</b>	1,149,379
<b>Basic earnings per share for profit attributable to equity holders of the Company during the year</b> <i>(expressed in RMB per share)</i>	25	<b>0.9387</b>	0.2404
<b>Diluted earnings per share for profit attributable to equity holders of the Company during the year</b> <i>(expressed in RMB per share)</i>	25	<b>0.9372</b>	0.2403

The notes on pages 92 to 148 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
<b>Profit for the year</b>	<b>4,409,634</b>	1,149,379
<b>Other comprehensive income</b> <i>(Items that may be reclassified subsequently to profit or loss):</i>		
Currency translation differences	<b>3,690</b>	32,852
<b>Total comprehensive income for the year</b>	<b>4,413,324</b>	1,182,231
<b>Attributable to:</b>		
— Equity holders of the Company	<b>4,385,969</b>	1,142,280
— Non-controlling interests	<b>27,355</b>	39,951
	<b>4,413,324</b>	1,182,231

The notes on pages 92 to 148 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total			
	RMB'000 (Note 14)	RMB'000 (Note 14)	RMB'000 (Note 15)	RMB'000	RMB'000	RMB'000		
<b>Balance at 1 July 2015</b>	478,272	8,730,315	1,240,359	14,777,793	25,226,739	298,790	25,525,529	
<b>Comprehensive income</b>								
Profit for the year	—	—	—	1,121,742	1,121,742	27,637	1,149,379	
<b>Other comprehensive income</b>								
Currency translation differences	—	—	20,538	—	20,538	12,314	32,852	
<b>Total comprehensive income</b>	—	—	20,538	1,121,742	1,142,280	39,951	1,182,231	
<b>Transactions with owners</b>								
2015 final and 2016 interim dividends paid to equity holders of the Company	—	—	—	(326,635)	(326,635)	—	(326,635)	
Dividends paid to non-controlling interests	—	—	—	—	—	(70,407)	(70,407)	
Capital injection by a non-controlling interest	—	—	—	—	—	94,140	94,140	
Acquisition of additional interests in a subsidiary	—	—	10,705	—	10,705	(15,832)	(5,127)	
Share options granted to directors and employees	—	—	21,130	—	21,130	—	21,130	
<b>Total transactions with owners</b>	—	—	31,835	(326,635)	(294,800)	7,901	(286,899)	
Appropriation to statutory reserve and enterprise expansion fund	—	—	30,377	(30,377)	—	—	—	
<b>Balance at 30 June 2016</b>	478,272	8,730,315	1,323,109	15,542,523	26,074,219	346,642	26,420,861	

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	(Note 14)	(Note 14)	(Note 15)				
<b>Balance at 1 July 2016</b>	<b>478,272</b>	<b>8,730,315</b>	<b>1,323,109</b>	<b>15,542,523</b>	<b>26,074,219</b>	<b>346,642</b>	<b>26,420,861</b>
<b>Comprehensive income</b>							
Profit for the year	—	—	—	4,383,668	4,383,668	25,966	4,409,634
<b>Other comprehensive income</b>							
Currency translation differences	—	—	2,301	—	2,301	1,389	3,690
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>2,301</b>	<b>4,383,668</b>	<b>4,385,969</b>	<b>27,355</b>	<b>4,413,324</b>
<b>Transactions with owners</b>							
2016 final and 2017 interim dividends paid to equity holders of the Company	—	—	(513,583)	(233,711)	(747,294)	—	(747,294)
Dividends paid to non-controlling interests	—	—	—	—	—	(38,763)	(38,763)
Acquisition of additional interests in a subsidiary	—	—	(850)	—	(850)	850	—
Share options granted to directors and employees	—	—	7,507	—	7,507	—	7,507
Exercise of share options	705	34,687	(6,238)	—	29,154	—	29,154
<b>Total transactions with owners</b>	<b>705</b>	<b>34,687</b>	<b>(513,164)</b>	<b>(233,711)</b>	<b>(711,483)</b>	<b>(37,913)</b>	<b>(749,396)</b>
Appropriation to statutory reserve and enterprise expansion fund	—	—	726,990	(726,990)	—	—	—
<b>Balance at 30 June 2017</b>	<b>478,977</b>	<b>8,765,002</b>	<b>1,539,236</b>	<b>18,965,490</b>	<b>29,748,705</b>	<b>336,084</b>	<b>30,084,789</b>

The notes on pages 92 to 148 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

			For the year ended 30 June	
	Note	2017 RMB'000	2016 RMB'000	
<b>Cash flows from operating activities</b>				
Cash generated from operations	27(a)	5,248,895	8,070,232	
Income tax paid		(627,517)	(270,313)	
Interest paid		(1,108,075)	(1,339,445)	
Net cash generated from operating activities		<b>3,513,303</b>	6,460,474	
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment		(3,615,052)	(1,800,024)	
Purchase of intangible assets		(8,890)	—	
Proceeds from disposal of property, plant and equipment	27(b)	22,196	15,248	
Payments for land use rights		(44,333)	(38,085)	
Proceeds from disposal of land use rights		553	—	
Proceeds from government grants for purchase of property, plant and equipment		47,100	—	
Cash advances made to a joint venture		—	(7,443)	
Disposal of a subsidiary, net of cash disposed		—	681	
Interest received		106,689	138,740	
Changes in short-term bank deposits		263,175	289,609	
Dividends received from an associate		62,163	40,708	
Net cash used in investing activities		<b>(3,166,399)</b>	(1,360,566)	
<b>Cash flows from financing activities</b>				
Exercise of share options		29,154	—	
Proceeds from borrowings		30,439,346	39,466,880	
Repayments of borrowings		(34,699,453)	(40,526,975)	
Changes in restricted cash		29,634	(30,534)	
Payments for derivative financial instruments		—	(104,185)	
Payments for acquisition of additional interests in subsidiaries		—	(5,127)	
Dividends paid to non-controlling interests		(35,756)	(65,024)	
Dividends paid to equity holders of the Company		(606,907)	(326,635)	
Capital injection made by a non-controlling interest		—	94,140	
Net cash used in financing activities		<b>(4,843,982)</b>	(1,497,460)	
<b>Net (decrease)/increase in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of the year		11,002,470	7,310,840	
Exchange (losses)/gains on cash and cash equivalents		(32,636)	89,182	
<b>Cash and cash equivalents at end of the year</b>	13	<b>6,472,756</b>	11,002,470	

The notes on pages 92 to 148 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") are mainly engaged in the manufacture and sales of packaging paper, recycled printing and writing paper and high value specialty board products principally 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 consolidated financial statements are presented in Renminbi thousand, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors of the Company (the "BoD") on 21 September 2017.

## 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 all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). These consolidated financial statements have been prepared under the historical cost convention.

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.

#### (a) Effect of adopting amendments to standards relevant to the Group

The following amendments to standards are relevant and mandatory for the Group's financial year beginning on 1 July 2016. The adoption of these amended standards do not have any significant impact to the results and financial position of the Group.

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle

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

### 2.1 Basis of preparation *(continued)*

#### (b) New standards, interpretations and amendments to standards relevant to the Group and have been issued but are not effective

The following new standards, interpretations and amendments to standards relevant to the Group have been issued but are not effective for the financial year beginning on 1 July 2016 and have not been early adopted by the Group:

HKAS 7 (Amendment)	Changes in Liabilities Arising from Financial Activities <sup>1</sup>
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities <sup>1</sup>
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures <sup>2</sup>
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HK(IFRIC) 23	Uncertainty over Income Tax Treatments <sup>3</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1.</sup> Effective for annual period beginning on 1 July 2017.

<sup>2.</sup> Effective for annual period beginning on 1 July 2018.

<sup>3.</sup> Effective for annual period beginning on 1 July 2019.

<sup>4.</sup> Effective date to be determined.

HKFRS 15, "Revenue from Contracts with Customers" is expected to be adopted by the Group for the financial year beginning on 1 July 2018. HKFRS 15 recognised revenue when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The underlying principal is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This is not the same as transfer of risks and rewards concept as currently adopted by the Group according to HKAS 18, "Revenue". The directors of the Company are now assessing the impact of HKFRS 15 to the Group's revenue recognition policy.

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

### 2.1 Basis of preparation *(continued)*

#### (b) **New standards, interpretations and amendments to standards relevant to the Group and have been issued but are not effective** *(continued)*

HKFRS 9, "Financial instruments" is expected to be adopted by the Group for the financial year beginning on 1 July 2018. The major changes to the existing policies adopted by the Group includes:

- *Changes on classification and measurement of financial assets and liabilities*

HKFRS 9 replaces the multiple classification and measurement models for financial assets in HKAS 39 with a single model that has three classification categories: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification and measurement of financial liabilities under HKFRS 9 remains the same as in HKAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss.

The directors of the Company do not expect the changes on the classification and measurement models introduced by HKFRS 9 would have material impact on the Group's existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39 (Note 2.11), which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9.

- *Changes on the impairment model*

HKFRS 9 introduce a new, forward looking, expected credit loss impairment model. The new rules mean that entities will have to record a day one loss equal to the 12-month expected credit loss on initial recognition of financial assets. HKFRS 9 contains a "three stages" approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest method. Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit loss rather than 12-month expected credit loss. The model includes operational simplifications for trade receivables. For trade receivables that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime expected credit loss.

The directors of the Company expect the new impairment model introduced by HKFRS9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39 (Note 2.13). The Group is in the process of assessing the impact of HKFRS 9.

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

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

### 2.2 Consolidation

These consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 30 June 2017.

#### (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.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### (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 capacities 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

#### (d) Separate financial statements of the Company

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.

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

### 2.3 Equity method, associates and joint arrangements

#### (a) Equity method

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 investment in an associate or a joint venture includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate or a joint venture, any difference between the cost of the associate or joint venture and the Group's share of the net fair value of the associate's or joint venture's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in the associate or joint venture 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 the associate or joint venture equals or exceeds its interest in the associate or joint venture, 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 or joint venture.

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

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

Gains and losses on dilution of equity interests in the associate or joint venture are recognised in the consolidated income statement.

#### (b) 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 an associate are accounted for using the equity method of accounting.

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

### 2.3 Equity method, associates and joint arrangements *(continued)*

#### (c) 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 arrangement and determined it to be a joint venture. Joint venture is accounted for using the equity method.

### 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 executive directors of the Company that make 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"). These 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 or valuations where items are re-measured. 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 other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings, restricted cash, short-term bank deposits and cash and cash equivalents are presented in the consolidated income statement within "exchange losses on financing activities — net". All other foreign exchange gains and losses are presented in the consolidated income statement within "exchange losses on operating activities — net".

#### (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;

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

### 2.5 Foreign currency translation *(continued)*

#### (c) Group companies *(continued)*

- 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 currency translation differences are recognised in other comprehensive income.

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.

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 logistics equipment	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.

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

### 2.6 Property, plant and equipment *(continued)*

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 income, other expenses and other 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 consolidated balance sheet represent up-front prepayment made for operating leases for land use rights paid 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 CGU or groups of CGU 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 can be reregistered 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 register 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 impairment, 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 and impairment. 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 item. 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).

#### (d) Sea area use rights

Sea area use rights are stated at cost less accumulated amortisation and impairment. Cost represents consideration paid for the rights to use the sea area. Amortisation is calculated using the straight-line method over its estimated useful life of 50 years.

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

### 2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill and trademark, 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 of disposal 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 (CGU). Non-financial assets other than goodwill and trademark that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

### 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. As at 30 June 2017, the Group's financial assets were mainly loans and receivables.

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 and bills receivables", "other receivables", "restricted cash", "short-term bank deposits" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.15 and 2.16).

#### (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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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

### 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.

### 2.14 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.

### 2.15 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.

### 2.16 Restricted cash, short-term bank deposits and cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in "restricted cash". Restricted cash and short-term bank deposits are excluded from cash and cash equivalents in the consolidated statement of cash flows.

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

### 2.17 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.

### 2.18 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.

### 2.19 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.

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 the consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

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

### 2.20 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, associate and joint venture, 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.

Generally the Group is unable to control the reversal of the temporary difference for the associate. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

#### (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)*

### 2.21 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\$1,500, as appropriate. 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 or hold shares for a specific period of time).

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

### 2.21 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.

#### (d) Share-based compensation granted among group companies

The grant by the Company of options over its equity instruments to the employees of its subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the Company's balance sheet.

### 2.22 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.

### 2.23 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 ("VAT"), return, rebate and discount after eliminating sales within the group companies.

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

### 2.23 Revenue and other income recognition *(continued)*

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.

**(a) Revenue from sales of goods**

Revenue from 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) Other income from sales of electricity**

Other income from sales of electricity are recognised when electricity is generated and transmitted to the power grids operated by the provincial electricity power company.

**(d) Other income from rendering of transportation service**

Other income from rendering of transportation service is recognised when the services are provided.

### 2.24 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.

### 2.25 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.

### 2.26 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.

##### (a) Foreign exchange risk

The Group mainly operates in mainland China, Hong Kong, Macau and Vietnam and is exposed to foreign exchange risk arising from various currency exposures, primary with respect to the United States Dollars ("US\$"), Euros ("EURO") and Hong Kong Dollars ("HK\$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the Group's foreign exchange risks, foreign currency borrowings, currency structured instruments and other appropriate financial instruments may be used to hedge material exposure. At 30 June 2017, if RMB had weakened/strengthened by 5.0% against US\$, EURO and HK\$, with all other variables held constant, post-tax profit for the year ended 30 June 2017 would have been RMB496,836,000 lower/higher (2016: RMB616,595,000) and other reserves would have been RMB11,748,000 lower/higher (2016: RMB166,000 lower/higher), respectively, mainly as a result of unrealised foreign exchange losses/gains on translation of foreign currency-denominated financial instruments (including cash and cash equivalents, trade and other receivables, trade and other payables and borrowings) into the functional currency of the group entities and the translation of financial statements of the Group's foreign operations into the Group's presentation currency.

##### (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, the management will consider to use appropriate financial instruments to hedge material exposure if necessary.

At 30 June 2017, 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 RMB35,060,000 lower/higher (2016: RMB39,724,000), 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 cash at banks, trade receivables, 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 cash at banks of the major counterparties with external credit ratings as at 30 June 2017.

*Counterparties with external credit rating (Note)*

	30 June 2017 RMB'000	30 June 2016 RMB'000
Aa1	—	20,152
Aa3	466	161,197
A1	1,654,342	5,668,053
A2	2,724,082	2,763,326
A3	56,417	90,296
Baa1	461,478	1,231,915
Baa2	213,095	150,836
Baa3	520,161	—
others	876,170	1,241,963
	<b>6,506,211</b>	<b>11,327,738</b>

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

Credit risk related to receivables (including trade receivables, bills receivables and other receivables) is the risk that the receivables cannot be collected on the due date. Management reviews its receivables for objective evidence of impairment. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered as objective evidence that a receivable is impaired. In determining this, management makes judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect on the market and economic environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded as an expense. Specifically for the Group's trade receivables, 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. The Group's bills receivables are issued by banks with good reputation. The Group's other receivables are deposits or receivables arose from normal operations, which based on management's assessment, the credit risk is not significant. Management does not expect any losses from non-performance of the debtors as at 30 June 2017.

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.1 Financial risk factors *(continued)*

##### (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), cash and cash equivalents (Note 13) and short-term bank deposits on the basis of expected cash flow.

The table below analyses the Group's financial liabilities 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
<b>At 30 June 2017</b>				
Borrowings (including interests) (Note)	12,895,025	9,894,796	7,182,524	256,369
Trade, bills and other payables	3,264,296	—	—	—
Financial guarantee contracts provided to a joint venture	37,592	—	—	—
<b>At 30 June 2016</b>				
Borrowings (including interests) (Note)	12,831,405	8,250,041	13,182,450	—
Trade, bills and other payables	4,889,697	—	—	—
Financial guarantee contracts provided to a joint venture	39,504	—	—	—

Note: Interest on borrowings is calculated on borrowings held as at 30 June 2017 and 2016, respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2017 and 2016, 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, restricted cash and short-term bank deposits. Total capital is "Total equity" as shown in the consolidated balance sheet.

The gearing ratio is calculated as follows:

	<b>30 June 2017</b> RMB'000	30 June 2016 RMB'000
Total borrowings (Note 16)	<b>28,949,122</b>	32,845,276
Less: cash and cash equivalents, restricted cash and short-term bank deposits	<b>(6,507,589)</b>	(11,330,112)
Net debt	<b>22,441,533</b>	21,515,164
Total equity	<b>30,084,789</b>	26,420,861
Gearing ratio	<b>74.6%</b>	81.4%

The decrease in gearing ratio during the year ended 30 June 2017 was mainly resulted in the increase in total equity during the year.

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 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).

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

### 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) 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 5% shorter/longer from management's estimate, the carrying amount of the plant and machinery as at 30 June 2017 would be RMB541,233,000 lower (2016: RMB469,989,000) or RMB489,687,000 higher (2016: RMB425,228,000).

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

##### (b) Income taxes

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. Significant judgement is also required in determining the tax rate that would be applicable when related temporary difference that gives rise to deferred income tax are recycled for those group entities currently entitling preferential tax rate. 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 executive 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 and high value specialty paper 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 2017 is RMB37,418,009,000 (2016: RMB29,859,611,000), and the total of its revenue from external customers from other countries is RMB1,736,799,000 (2016: RMB2,233,159,000). The breakdown of the major products of the total sales is disclosed in Note 19.

As at 30 June 2017, the total of non-current assets other than deferred tax assets located in the PRC is RMB46,674,513,000 (2016: RMB46,238,133,000), and the total of these non-current assets located in other countries is RMB1,633,141,000 (2016: RMB502,987,000).

## 6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles, transportation, and logistics equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 July 2015</b>						
Cost	8,066,943	44,611,326	833,514	827,026	1,166,005	55,504,814
Accumulated depreciation	(2,146,532)	(7,554,651)	(426,170)	(366,600)	—	(10,493,953)
Net book amount	5,920,411	37,056,675	407,344	460,426	1,166,005	45,010,861
<b>Year ended 30 June 2016</b>						
Opening net book amount	5,920,411	37,056,675	407,344	460,426	1,166,005	45,010,861
Additions	—	107,762	29,640	80,567	1,596,029	1,813,998
Transfer	339,404	907,236	59,049	—	(1,305,689)	—
Disposals (Note 27)	(5,863)	(33,548)	(3,776)	(2,960)	—	(46,147)
Depreciation (Notes 21 and (b))	(343,702)	(1,419,994)	(83,572)	(76,621)	—	(1,923,889)
Exchange differences	1,205	2,017	11	51	2,714	5,998
Closing net book amount	5,911,455	36,620,148	408,696	461,463	1,459,059	44,860,821
<b>At 30 June 2016</b>						
Cost	8,386,437	45,549,942	909,541	852,054	1,459,059	57,157,033
Accumulated depreciation	(2,474,982)	(8,929,794)	(500,845)	(390,591)	—	(12,296,212)
Net book amount	5,911,455	36,620,148	408,696	461,463	1,459,059	44,860,821
<b>Year ended 30 June 2017</b>						
Opening net book amount	5,911,455	36,620,148	408,696	461,463	1,459,059	44,860,821
Additions	—	23,115	56,792	48,557	3,640,339	3,768,803
Transfer	145,230	913,820	78,559	—	(1,137,609)	—
Disposals (Note 27)	(11,999)	(160,079)	(1,470)	(7,033)	—	(180,581)
Depreciation (Notes 21 and (b))	(354,396)	(1,491,000)	(104,816)	(69,682)	—	(2,019,894)
Exchange differences	60	(185)	(4)	(38)	(13,838)	(14,005)
Closing net book amount	5,690,350	35,905,819	437,757	433,267	3,947,951	46,415,144
<b>At 30 June 2017</b>						
Cost	8,488,934	46,189,238	1,034,496	839,377	3,947,951	60,499,996
Accumulated depreciation	(2,798,584)	(10,283,419)	(596,739)	(406,110)	—	(14,084,852)
Net book amount	5,690,350	35,905,819	437,757	433,267	3,947,951	46,415,144

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

- (a) Certain property, plant and equipment of the Group with carrying values of approximately RMB1,074,532,000 as at 30 June 2017 (2016: RMB1,106,747,000) 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	
	2017 RMB'000	2016 RMB'000
Cost of goods sold	1,690,234	1,668,062
Administrative expenses	259,754	186,147
Selling and marketing costs	66,370	65,940
Other expenses	3,536	3,740
	<b>2,019,894</b>	1,923,889

## 7. LAND USE RIGHTS

	RMB'000
<b>At 1 July 2015</b>	
Cost	1,769,277
Accumulated amortisation	<u>(296,878)</u>
Net book amount	<u>1,472,399</u>
<b>Year ended 30 June 2016</b>	
Opening net book amount	1,472,399
Additions	83,989
Amortisation (Note 21)	(36,045)
Exchange differences	<u>1,422</u>
Closing net book amount	<u>1,521,765</u>
<b>At 30 June 2016</b>	
Cost	1,853,266
Accumulated amortisation	<u>(331,501)</u>
Net book amount	<u>1,521,765</u>
<b>Year ended 30 June 2017</b>	
Opening net book amount	<b>1,521,765</b>
Additions	<b>40,730</b>
Disposals	<b>(156)</b>
Amortisation (Note 21)	<b>(41,657)</b>
Exchange differences	<b>110</b>
Closing net book amount	<u><b>1,520,792</b></u>
<b>At 30 June 2017</b>	
Cost	<b>1,893,756</b>
Accumulated amortisation	<u><b>(372,964)</b></u>
Net book amount	<u><b>1,520,792</b></u>

The land is outside Hong Kong and held on leases of between 30 years to 50 years.

Amortisation of RMB41,657,000 (2016: RMB36,045,000) is included in the "cost of goods sold" of the consolidated income statement.

As at 30 June 2017, the Group is in the process of applying the title certificates for certain of its land use rights with an aggregate carrying value of RMB52,502,000 (2016: RMB58,582,000). 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.

## 8. INTANGIBLE ASSETS

	Goodwill	Trademark	Patent	Customer relationship	Computer software	Sea area use right	Total
	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 July 2015</b>							
Cost	221,830	56,566	4,524	30,709	11,016	33,728	358,373
Accumulated amortisation and impairment	(75,136)	—	(3,962)	(21,497)	(5,883)	(367)	(106,845)
Net book amount	146,694	56,566	562	9,212	5,133	33,361	251,528
<b>Year ended 30 June 2016</b>							
Opening net book amount	146,694	56,566	562	9,212	5,133	33,361	251,528
Amortisation (Notes 21 and (a))	—	—	(562)	(3,071)	(1,319)	(1,301)	(6,253)
Closing net book amount	146,694	56,566	—	6,141	3,814	32,060	245,275
<b>At 30 June 2016</b>							
Cost	221,830	56,566	4,524	30,709	11,016	33,728	358,373
Accumulated amortisation and impairment	(75,136)	—	(4,524)	(24,568)	(7,202)	(1,668)	(113,098)
Net book amount	146,694	56,566	—	6,141	3,814	32,060	245,275
<b>Year ended 30 June 2017</b>							
Opening net book amount	146,694	56,566	—	6,141	3,814	32,060	245,275
Addition	—	—	—	—	8,890	—	8,890
Amortisation (Notes 21 and (a))	—	—	—	(3,071)	(4,708)	(722)	(8,501)
Impairment	—	(15,000)	—	—	—	—	(15,000)
Closing net book amount	146,694	41,566	—	3,070	7,996	31,338	230,664
<b>At 30 June 2017</b>							
Cost	221,830	56,566	4,524	30,709	19,906	33,728	367,263
Accumulated amortisation and impairment	(75,136)	(15,000)	(4,524)	(27,639)	(11,910)	(2,390)	(136,599)
Net book amount	146,694	41,566	—	3,070	7,996	31,338	230,664

- (a) Amortisation of RMB7,779,000 and RMB722,000 (2016: RMB4,952,000 and RMB1,301,000) are charged to the “administrative expenses” and capitalised in construction in progress included in “property, plant and equipment”, respectively.

## 8. INTANGIBLE ASSETS *(continued)*

### (b) Impairment test for goodwill

Goodwill is allocated to the Group's CGU identified. The goodwill of the Group is related to acquisition of three production lines, which is considered as one CGU for impairment test purpose. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-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 five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

	30 June 2017	30 June 2016
Gross margin (Note (i))	17%	17%
Long-term growth rate (Note (ii))	1%	1%
Discount rate (Note (iii))	14%	14%

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 business.

For the year ended 30 June 2017, management of the Group was of the view there was no impairment of goodwill (2016: nil).

As at 30 June 2017, 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, no impairment will be required.

## 8. INTANGIBLE ASSETS *(continued)*

### (c) 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 calculation are as follows:

	30 June 2017	30 June 2016
Royalty rate (Note (i))	2%	2%
Long-term growth rate (Note (ii))	2%	2%
Discount rate (Note (iii))	13%	12%

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 2017, management of the Group was of the view there was impairment of RMB15,000,000 for trademark due to the sales relating to the trademark are not performing as well as management's expectation (2016: nil).

As at 30 June 2017, 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, no further impairment will be required.

## 9. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2017:

	Place of incorporation	Principal activities/ place of operation	Issued and fully paid share capital/paid-in capital	Attributable equity interest held
<b>Directly held:</b>				
Nine Dragons Paper (BVI) Group Limited ("NDP (BVI)")	British Virgin Islands (the "BVI"), limited liability company	Investment holdings/BVI	US\$10,000	100%
<b>Indirectly held:</b>				
Nine Dragons Worldwide Investment Limited	Hong Kong, limited liability company	Investment holdings/ Hong Kong	HK\$1	100%
Nine Dragons Worldwide (China) Investment Group Co., Ltd. <sup>2</sup>	PRC, limited liability company	Investment holdings/ PRC	US\$3,217,491,293	100%
Dongguan Nine Dragons Paper Industries Co., Ltd. <sup>1</sup> (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$833,181,000	99.9%
Nine Dragons Paper Industries (Taicang) Co., Ltd. <sup>1</sup> (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$450,720,000	99.5%
Nine Dragons Paper Industries (Chongqing) Co., Ltd. <sup>1</sup> (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$461,540,080	99.9%
Nine Dragons Paper Industries (Tianjin) Co., Ltd. <sup>1</sup> (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$596,195,500	99.9%
Nine Dragons Paper Industries (Quanzhou) Co., Ltd. <sup>2</sup>	PRC, limited liability company	Manufacture of paper/ PRC	US\$188,466,600	100%
Nine Dragons Pulp And Paper (Leshan) Co., Ltd. <sup>2</sup> (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	RMB462,210,000	100%
Nine Dragons Paper Industries (Shenyang) Co. Ltd. <sup>2</sup>	PRC, limited liability company	Manufacture of paper/ PRC	US\$202,055,000	100%
Hebei Yongxin Paper Co., Ltd. <sup>1</sup> ("Hebei Yongxin") (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$68,995,000	99.99%
Cheng Yang Paper Mill Co., Ltd. (Note (a))	Vietnam, limited liability company	Manufacture of paper/ Vietnam	US\$100,000,000	67%

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:

<sup>1</sup> Sino-foreign equity joint venture enterprise

<sup>2</sup> Wholly foreign-owned enterprise

(a) 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 consolidated financial statements. Therefore, no separate disclosure on these subsidiaries is presented.

## 10. INVESTMENTS IN ASSOCIATE AND JOINT VENTURE

	Associate	Joint venture	Total
	RMB'000	RMB'000	RMB'000
<b>At 1 July 2015</b>	25,113	39,127	64,240
Share of profit/(loss)	44,976	(2,546)	42,430
Dividends received	(40,708)	—	(40,708)
Exchange differences	—	(203)	(203)
<b>At 30 June 2016</b>	29,381	36,378	65,759
<b>At 1 July 2016</b>	<b>29,381</b>	<b>36,378</b>	<b>65,759</b>
Share of profit/(loss)	117,908	(1,738)	116,170
Dividends received	(62,163)	—	(62,163)
Exchange differences	—	(17)	(17)
<b>At 30 June 2017</b>	<b>85,126</b>	<b>34,623</b>	<b>119,749</b>

(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	
	2017 RMB'000	2016 RMB'000
The Group's share of the associate's:		
Profit before income tax	157,211	59,967
Profit for the year	117,908	44,976
Other comprehensive income for the year	—	—
Total comprehensive income for the year	117,908	44,976

## 10. INVESTMENTS IN ASSOCIATE AND JOINT VENTURE *(continued)*

(c) Particulars of the Group's joint venture are set out below.

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

(d) The summarised financial information in respect of the Group's interests in the joint venture is set out below:

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
The Group's share of the joint venture's:		
Loss before income tax	(1,738)	(2,546)
Loss for the year	(1,738)	(2,546)
Other comprehensive loss for the year	(17)	(203)
Total comprehensive loss for the year	(1,755)	(2,749)

## 11. INVENTORIES

	30 June 2017 RMB'000	30 June 2016 RMB'000
At cost:		
Raw materials	2,849,572	2,592,540
Finished goods	1,829,542	1,012,980
	<b>4,679,114</b>	<b>3,605,520</b>

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB31,178,547,000 for the year end 30 June 2017 (2016: RMB26,231,444,000).

## 12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2017 RMB'000	30 June 2016 RMB'000
Trade receivables		
— third parties	3,027,667	1,994,747
— related parties (Note 29(d))	47,295	30,499
	<b>3,074,962</b>	2,025,246
Bills receivable		
— third parties	2,230,220	2,542,278
— related parties (Note 29(d))	94,066	30,151
	<b>2,324,286</b>	2,572,429
	<b>5,399,248</b>	4,597,675
VAT recoverable	431,413	412,422
Other receivables and deposits		
— third parties	332,995	207,899
— related parties (Note 29(d))	43,138	44,656
	<b>376,133</b>	252,555
Prepayments		
— third parties	434,437	337,172
Less: other receivables and prepayments included in non-current assets	(21,305)	(47,500)
	<b>1,220,678</b>	954,649

- (a) As at 30 June 2017, the fair value of trade, bills and other receivables approximate their carrying amounts due to their short-term maturities.

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

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

As at 30 June 2017, the ageing analysis of trade receivables based on invoice date was as follows:

	30 June 2017 RMB'000	30 June 2016 RMB'000
0–30 days	2,730,132	1,669,939
31–60 days	335,500	338,020
61–90 days	8,129	14,244
Over 90 days	1,201	3,043
	<b>3,074,962</b>	2,025,246

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:

	30 June 2017 RMB'000	30 June 2016 RMB'000
Fully performing under credit term (Note (i))	3,067,402	1,985,168
Past due but not impaired (Note (ii))	7,560	40,078
Total trade receivables	<b>3,074,962</b>	2,025,246

- (i) Trade receivables that are fully performing under credit term relate to customers who have long-term trading relationship or have good payment histories.

## 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 are no recent history of default. The ageing analysis of these receivables is as follows:

	<b>30 June 2017</b> RMB'000	30 June 2016 RMB'000
0–30 days	—	13,063
31–60 days	<b>6,359</b>	22,169
61–90 days	—	3,216
Over 90 days	<b>1,201</b>	1,630
	<b>7,560</b>	40,078

(d) Bills receivables are mainly with maturity period of 90 to 180 days (2016: 90 to 180 days). Bills receivables as at 30 June 2017 represents the bank acceptance notes and commercial bills (2016: bills receivables were mainly bank acceptance notes).

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

	<b>30 June 2017</b> RMB'000	30 June 2016 RMB'000
RMB	<b>5,587,000</b>	4,641,084
HK\$	<b>126,084</b>	155,479
Others	<b>62,297</b>	53,667
	<b>5,775,381</b>	4,850,230

(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.

(g) Prepayments mainly represent advance to suppliers for purchase of raw materials and prepaid expenditures.

(h) No impairment provision was provided for the trade, bills and other receivables and deposits during the year ended 30 June 2017 (2016: RMB69,988,000).

(i) Other receivables due from related parties as at 30 June 2017 were unsecured, interest free and repayable on demand (2016: same).

### 13. CASH AND CASH EQUIVALENTS

	30 June 2017 RMB'000	30 June 2016 RMB'000
Cash and cash equivalents		
– Cash in hand	1,378	2,374
– Cash at banks (Note (c))	6,471,378	11,000,096
	<b>6,472,756</b>	11,002,470
Cash and cash equivalents denominated in:		
– RMB	5,448,776	9,315,943
– US\$	733,111	803,665
– HK\$	127,931	490,791
– EURO	131,966	366,583
– Others	30,972	25,488
	<b>6,472,756</b>	11,002,470

- (a) As at 30 June 2017, the maximum exposure to credit risk is the carrying amount of cash at banks of RMB6,471,378,000 (2016: RMB11,000,096,000).
- (b) 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.
- (c) Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 30 June 2017, the weighted average effective interest rate of these deposits was 0.66% (2016: 0.58%).

### 14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid					
<b>Year ended 30 June 2016</b>					
At 1 July 2015 and 30 June 2016	4,666,220,811	466,622	478,272	8,730,315	9,208,587
<b>Year ended 30 June 2017</b>					
Balance as at 1 July 2016	4,666,220,811	466,622	478,272	8,730,315	9,208,587
Issuance of shares upon the exercise of share options	8,000,000	800	705	34,687	35,392
Balance as at 30 June 2017	<b>4,674,220,811</b>	<b>467,422</b>	<b>478,977</b>	<b>8,765,002</b>	<b>9,243,979</b>

## 15. OTHER RESERVES

	Contributed surplus RMB'000 (Note (a))	Capital reserve RMB'000	Share option reserve RMB'000 (Note (b))	Statutory reserve and enterprise expansion fund RMB'000 (Note (c))	Currency translation reserve RMB'000	Total RMB'000
<b>At 1 July 2015</b>	660,542	220,751	18,968	407,833	(67,735)	1,240,359
Share options granted to directors and employees	—	—	21,130	—	—	21,130
Acquisition of additional interests in a subsidiary	—	10,705	—	—	—	10,705
Appropriation to statutory reserve and enterprise expansion fund	—	—	—	30,377	—	30,377
Currency translation differences	—	—	—	—	20,538	20,538
<b>At 30 June 2016</b>	<b>660,542</b>	<b>231,456</b>	<b>40,098</b>	<b>438,210</b>	<b>(47,197)</b>	<b>1,323,109</b>

	Contributed surplus RMB'000 (Note (a))	Capital reserve RMB'000	Share option reserve RMB'000 (Note (b))	Statutory reserve and enterprise expansion fund RMB'000 (Note (c))	Currency translation reserve RMB'000	Total RMB'000
<b>At 1 July 2016</b>	<b>660,542</b>	<b>231,456</b>	<b>40,098</b>	<b>438,210</b>	<b>(47,197)</b>	<b>1,323,109</b>
Share options granted to directors and employees	—	—	7,507	—	—	7,507
Acquisition of additional interests in a subsidiary	—	(850)	—	—	—	(850)
Appropriation to statutory reserve and enterprise expansion fund	—	—	—	726,990	—	726,990
Exercise of Share Option	—	—	(6,238)	—	—	(6,238)
Dividends	(513,583)	—	—	—	—	(513,583)
Currency translation differences	—	—	—	—	2,301	2,301
<b>At 30 June 2017</b>	<b>146,959</b>	<b>230,606</b>	<b>41,367</b>	<b>1,165,200</b>	<b>(44,896)</b>	<b>1,539,236</b>

(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

Share options are granted to directors and to selected employees. Options are conditional on the directors and employees completing 0.5 year' service (the vesting period). The options are exercisable starting 0.5 year from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

## 15. OTHER RESERVES (continued)

### (b) Share options reserve (continued)

Details of the share options are as follows:

Grant date	Exercise price in HK\$ per share	Exercisable period	Number of share options			As at 30 June 2017
			As at 1 July 2016	Granted	Exercised	
30 September 2015	4.134	1 April 2016 to 29 September 2018	8,000,000	—	(8,000,000)	—
29 February 2016	5.19	1 September 2016 to 28 February 2019	18,000,000	—	—	18,000,000
			26,000,000	—	(8,000,000)	18,000,000

The weighted average share price at the time when the 8,000,000 share options were being exercised during the year ended 30 June 2017 was HK\$7.29 per share.

The outstanding share options of 18,000,000 options were exercisable as of 30 June 2017 (2016: 8,000,000).

The fair value of options granted was determined using the Binomial Valuation Model. Key assumptions of the model are as below:

Grant date	Risk-free rate	Expected dividend yield	Expected volatility of the market price of the share	Fair value (approximately)
				HK\$'000
30 September 2015	0.637%	Per annum 2.700%	42%	7,800,000
29 February 2016	0.745%	Per annum 1.800%	46%	26,606,000

### (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 other 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 capitals. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capitals 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 capitals 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.

## 16. BORROWINGS

	30 June 2017 RMB'000	30 June 2016 RMB'000
Non-current		
– Long-term bank and other borrowings	16,832,996	20,453,784
– Medium-term notes	—	398,600
	<b>16,832,996</b>	20,852,384
Current		
– Short-term bank borrowings	9,843,130	10,674,355
– Current portion of long-term bank and other borrowings	1,873,196	1,318,537
– Current portion of medium-term notes	399,800	—
	<b>12,116,126</b>	11,992,892
	<b>28,949,122</b>	32,845,276

- (a) As at 30 June 2017, borrowings of RMB244,024,000 (2016: RMB426,018,000) are secured by certain property, plant and equipment (Note 6) of the Group; borrowings of RMB23,983,279,000 (2016: RMB28,914,145,000) are guaranteed by the Company; and borrowings of RMB79,633,000 (2016: RMB359,433,000) are guaranteed by the Company and secured by restricted cash.
- (b) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet date was as follows:

	30 June 2017 RMB'000	30 June 2016 RMB'000
6 months or less	17,570,106	23,711,227
6–12 months	5,209,735	4,039,065
1–5 years	6,169,281	5,094,984
	<b>28,949,122</b>	32,845,276

**16. BORROWINGS** *(continued)*

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

	30 June 2017		
	Bank and other borrowings RMB'000	Medium-term notes RMB'000	Total RMB'000
Within 1 year	11,716,326	399,800	12,116,126
Between 1 and 2 years	9,530,511	—	9,530,511
Between 2 and 5 years	7,054,034	—	7,054,034
Over 5 years	248,451	—	248,451
	<b>28,549,322</b>	<b>399,800</b>	<b>28,949,122</b>

	30 June 2016		
	Bank and other borrowings RMB'000	Medium-term notes RMB'000	Total RMB'000
Within 1 year	11,992,892	—	11,992,892
Between 1 and 2 years	7,340,269	398,600	7,738,869
Between 2 and 5 years	13,113,515	—	13,113,515
	<b>32,446,676</b>	<b>398,600</b>	<b>32,845,276</b>

(d) The effective interest rates of borrowings as at 30 June 2017 were as follows:

	30 June 2017		
	RMB	US\$	EURO
Long-term bank and other borrowings	4.03%	3.94%	1.60%
Short-term bank borrowings	4.10%	2.17%	1.22%
Medium-term notes	7.56%	—	—

	30 June 2016		
	RMB	US\$	EURO
Long-term bank and other borrowings	4.28%	3.27%	1.54%
Short-term bank borrowings	4.12%	1.76%	1.21%
Medium-term notes	7.56%	—	—

**16. BORROWINGS** *(continued)*

- (e) The carrying amounts of current borrowings approximate their fair values due to their short-term maturities.

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, which are categorised as level 2 fair value measurement. As the Group's non-current borrowings are mainly carried at floating rates, as at 30 June 2017 and 2016, the carrying amounts of non-current borrowings approximate their fair values.

- (f) The carrying amounts of all the Group's borrowings as at 30 June 2017 were denominated in the following currencies:

	<b>30 June 2017</b> RMB'000	30 June 2016 RMB'000
RMB	<b>18,406,556</b>	19,300,874
EURO	<b>5,853,473</b>	10,881,695
US\$	<b>4,023,093</b>	2,662,707
HK\$	<b>493,761</b>	—
VND	<b>172,239</b>	—
	<b>28,949,122</b>	32,845,276

- (g) The Group has the following undrawn borrowing facilities:

	<b>30 June 2017</b> RMB'000	30 June 2016 RMB'000
At floating rates:		
— expiring within one year	<b>30,508,535</b>	29,333,822
— expiring beyond one year	<b>2,159,847</b>	2,134,539
	<b>32,668,382</b>	31,468,361

**17. DEFERRED INCOME TAX**

	<b>30 June 2017</b> <b>RMB'000</b>	30 June 2016 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	<b>(2,425)</b>	(15,884)
Deferred income tax liabilities:		
– to be recovered within 12 months	<b>10,301</b>	8,186
– to be recovered after more than 12 months	<b>2,422,871</b>	2,168,150
	<b>2,433,172</b>	2,176,336
Deferred tax liabilities, net	<b>2,430,747</b>	2,160,452

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

	<b>For the year ended 30 June</b>	
	<b>2017</b> <b>RMB'000</b>	2016 RMB'000
Beginning of the year	<b>2,160,452</b>	1,905,561
Charged to the consolidated income statement (Note 24)	<b>270,283</b>	254,741
Exchange differences	<b>12</b>	150
End of the year	<b>2,430,747</b>	2,160,452

## 17. DEFERRED INCOME TAX (continued)

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:

### Deferred income tax liabilities

	Accelerated tax depreciation
	RMB'000
At 1 July 2015	2,014,994
Charged to the consolidated income statement	263,035
Exchange differences	150
At 30 June 2016	2,278,179
At 1 July 2016	<b>2,278,179</b>
Charged to the consolidated income statement	<b>225,875</b>
Exchange differences	<b>12</b>
At 30 June 2017	<b>2,504,066</b>

### Deferred income tax assets

	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 July 2015	(78,576)	(30,857)	(109,433)
Charged/(credited) to the consolidated income statement	9,563	(17,857)	(8,294)
At 30 June 2016	(69,013)	(48,714)	(117,727)
At 1 July 2016	<b>(69,013)</b>	<b>(48,714)</b>	<b>(117,727)</b>
Charged/(credited) to the consolidated income statement	<b>53,369</b>	<b>(8,961)</b>	<b>44,408</b>
At 30 June 2017	<b>(15,644)</b>	<b>(57,675)</b>	<b>(73,319)</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 RMB795,661,000 (2016: approximately RMB631,543,000) 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 be reversed in the foreseeable future.

**18. TRADE, BILLS AND OTHER PAYABLES AND ADVANCE FROM CUSTOMERS**

	30 June 2017 RMB'000	30 June 2016 RMB'000
Trade payables		
— third parties	1,155,946	856,920
— related parties (Note 29(d))	282,451	173,309
	<b>1,438,397</b>	1,030,229
Bills payable		
— third parties	852,798	2,837,735
— related parties (Note 29(d))	—	230,000
	<b>852,798</b>	3,067,735
	<b>2,291,195</b>	4,097,964
Advance from customers		
— third parties	337,036	365,928
Other payables		
— third parties	1,391,565	870,492
— related parties (Note 29(d))	—	3,178
	<b>1,391,565</b>	873,670
Staff welfare benefits payable	114,077	75,631
	<b>1,842,678</b>	1,315,229

(a) Trade payables are settled in accordance with agreed terms with suppliers.

(b) The ageing analysis of trade payables based on invoice date as at 30 June 2017 is as follows:

	30 June 2017 RMB'000	30 June 2016 RMB'000
0–90 days	1,404,215	1,010,871
91–180 days	17,693	7,070
181–365 days	11,475	7,001
Over 365 days	5,014	5,287
	<b>1,438,397</b>	1,030,229

**18. TRADE, BILLS AND OTHER PAYABLES AND ADVANCE FROM CUSTOMERS** *(continued)*

- (c) Bills payables are mainly with maturity period of 90 to 180 days (2016: same).
- (d) Other payables mainly represent payables for acquisition of property, plant and equipment, payables for finance costs and other operating expenses.

**19. SALES**

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

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
Sales of packaging paper	36,722,348	30,006,173
Sales of recycled printing and writing paper	2,181,592	1,851,945
Sales of high value specialty board products	250,868	234,652
	<b>39,154,808</b>	<b>32,092,770</b>

**20. OTHER INCOME, OTHER EXPENSES AND OTHER LOSSES — NET**

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
Other income		
— VAT refund (Note (a))	631,954	423,977
— subsidy income	152,460	129,297
— sales of electricity	75,459	72,437
— income from transportation services	30,024	98,053
Other expenses		
— cost of sales of electricity	(51,696)	(35,695)
— cost of transportation services	(16,511)	(87,146)
Other losses — net		
— losses on disposal of property, plant and equipment	(150,481)	(26,375)
— Others	10,465	16,406
	<b>681,674</b>	<b>590,954</b>

- (a) Effective from 1 July 2015, pursuant to the preferential VAT policies collectively issued by the Ministry of Finance and the PRC State Administration of Taxation, the Group's VAT paid in relation to the production and sales of paper products using the recycle paper as raw materials was eligible for 50% of refund.

## 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	
	2017 RMB'000	2016 RMB'000
Depreciation (Note 6)	2,019,894	1,923,889
Less: amount charged to other expenses	(3,536)	(3,740)
	2,016,358	1,920,149
Amortisation of intangible assets (Note 8)	7,779	4,952
Employee benefit expenses (Note 22)	1,610,104	1,347,452
Raw materials and consumables used (net of claims)	28,585,959	23,251,542
Changes in finished goods	(816,562)	(19,074)
Repairs and maintenance expenses	796,499	586,854
Transportation expenses	149,327	178,985
Operating leases		
— Land use rights (Note 7)	41,657	36,045
— Buildings	3,158	2,476
Auditor's remuneration	8,100	8,100
Non-deductible VAT for indirect export sales	51,104	73,198
Others	705,280	624,381
	33,158,763	28,015,060

## 22. EMPLOYEE BENEFIT EXPENSES

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
Wages and salaries	1,369,781	1,102,270
Allowances and benefits	232,816	224,052
Share options granted to directors and employees (Notes 15)	7,507	21,130
	1,610,104	1,347,452

## 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	
	2017 RMB'000	2016 RMB'000
Gross scheme contributions	81,507	81,203

### (b) Directors' and senior management's emoluments

The remuneration of each of the director and chief executive officer of the Company for the year ended 30 June 2017 is set out below:

Name of director	Fees RMB'000	Allowance RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Share options RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
<i>Executive directors</i>							
Ms. Cheung Yan	4,600	1,840	—	—	1,877	—	8,317
Mr. Liu Ming Chung (i)	4,370	1,610	—	—	1,877	—	7,857
Mr. Zhang Cheng Fei	4,140	1,610	—	—	1,877	—	7,627
Mr. Zhang Yuan Fu	877	—	4,079	470	—	16	5,442
Mr. Lau Chun Shun	1,558	—	888	—	1,876	16	4,338
<i>Independent non-executive directors</i>							
Ms. Tam Wai Chu, Maria	463	—	—	127	—	—	590
Mr. Lam Yiu Kin (iii)	463	—	—	95	—	—	558
Mr. Ng Leung Sing	463	—	—	127	—	—	590
	16,934	5,060	4,967	819	7,507	32	35,319

## 22. EMPLOYEE BENEFIT EXPENSES *(continued)*

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

The remuneration of each of the directors and chief executive officer of the Company for the year ended 30 June 2016 is set out below:

Name of director	Fees RMB'000	Allowance RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Share options RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
<i>Executive directors</i>							
Ms. Cheung Yan	4,600	1,840	—	—	3,723	—	10,163
Mr. Liu Ming Chung (i)	4,370	1,610	—	—	3,723	—	9,703
Mr. Zhang Cheng Fei	4,141	1,610	—	—	3,723	—	9,474
Mr. Zhang Yuan Fu	831	—	3,152	—	—	15	3,998
Mr. Lau Chun Shun	1,147	344	940	—	3,723	15	6,169
<i>Independent non-executive directors</i>							
Ms. Tam Wai Chu, Maria	439	—	—	102	—	—	541
Dr. Cheng Chi Pang (ii)	295	—	—	133	—	—	428
Mr. Lam Yiu Kin (iii)	146	—	—	—	—	—	146
Mr. Ng Leung Sing	439	—	—	102	—	—	541
	16,408	5,404	4,092	337	14,892	30	41,163

#### Notes

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

(ii) Resigned on 3 March 2016.

(iii) Appointed on 3 March 2016.

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 years presented.

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2017 include five (2016: five) directors whose emoluments are reflected in the analysis presented above.

## 23. FINANCE INCOME AND FINANCE COSTS

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
Finance income:		
Interest income from bank deposits	106,689	138,740
Finance costs:		
Interest on borrowings	(968,111)	(986,079)
Other incidental borrowing costs	(109,854)	(212,149)
Less: interest capitalised	56,398	18,622
	(1,021,567)	(1,179,606)
Bills discount charge	(45,494)	(127,940)
Gain/(loss) on currency and interest rate swap contracts and foreign exchange option contracts	1,106	(102,764)
	(1,065,955)	(1,410,310)

The capitalisation interest rate applied to funds borrowed generally and used for the development of construction in progress is 3.78% for the year ended 30 June 2017 (2016: 3.66%).

## 24. INCOME TAX EXPENSE

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
Current income tax		
— PRC corporate income tax and withholding income tax (Notes (a) and (b))	755,081	263,313
— Hong Kong profits tax (Note (c))	—	—
	755,081	263,313
Deferred income tax (Note 17)	270,283	254,741
	1,025,364	518,054

### (a) 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 2017 as those subsidiaries fulfil the requirements of High and New Technology Enterprise ("HNTE") according to relevant rules and regulations (2016: 15%). The HNTE designation should be reassessed every three years according to relevant rules and regulations.

**24. INCOME TAX EXPENSE** *(continued)***(b) PRC withholding income tax**

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The applicable withholding income tax rate of the intermediate holding company of the Company's PRC subsidiaries for the year ended 30 June 2017 was 5% (2016: 5%).

**(c) 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 2017 (2016: Nil).

**(d) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates of the group entities as follows:**

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
Profit before income tax	5,434,998	1,667,433
Tax calculated at applicable tax rates of the group entities	1,431,910	455,201
Effect of preferential tax rates	(511,008)	(162,739)
Tax losses for which no deferred income tax asset was recognised	13,731	14,590
Expenses not deductible	104,269	230,229
Effect of change in the estimated applicable tax rates for temporary difference to be recycled in the foreseeable future	(9,343)	(18,672)
Utilisation of previously unrecognised tax losses	(4,195)	(555)
Income tax expense	1,025,364	518,054

The weighted average applicable tax rate is based on tax calculated at applicable tax rates of the group entities over the profit before income tax of the Group for the year ended 30 June 2017, of which is 26.3% (2016: 27.3%).

## 25. EARNINGS PER SHARE

### — Basic

	For the year ended 30 June	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	<b>4,383,668</b>	1,121,742
Weighted average number of ordinary shares in issue (shares in thousands)	<b>4,669,721</b>	4,666,221
Basic earnings per share (RMB per share)	<b>0.9387</b>	0.2404

### — Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options.

For the year ended 30 June 2017, a calculation is done to determine the number of shares that could have been issued at fair value (determined as the average market price per share for the year) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as the number of shares issued for no consideration.

	For the year ended 30 June	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	<b>4,383,668</b>	1,121,742
Weighted average number of ordinary shares for basic earnings per share (shares in thousands)	<b>4,669,721</b>	4,666,221
Adjustment for share options (shares in thousands)	<b>7,699</b>	1,185
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	<b>4,677,420</b>	4,667,406
Diluted earnings per share (RMB per share)	<b>0.9372</b>	0.2403

## 26. DIVIDENDS

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
Interim dividend, paid, of RMB5.0 cents (2016: RMB2.0 cents) per ordinary share (Note (a))	233,711	93,324
Final dividend, proposed, of RMB25.0 cents (2016: RMB8.0 cents) per ordinary share (Note (b))	1,168,555	373,515
Special dividend, proposed, of RMB nil cents (2016: RMB3.0 cents) per ordinary share (Note (b))	—	140,068
	<b>1,402,266</b>	<b>606,907</b>

- (a) An interim dividend for the six months ended 31 December 2016 of RMB5.0 cents per ordinary share, totaling approximately RMB233,711,000 (six months ended 31 December 2015: RMB93,324,000) has been approved in a meeting held by the BoD on 23 February 2017.
- (b) At a meeting held on 21 September 2017, the BoD proposed a final dividend of RMB25.0 cents and no special dividend per ordinary share. These proposed dividend are not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 30 June 2018.

A final dividend for the year ended 30 June 2016 of RMB8.0 cents per ordinary share, totaling approximately RMB373,515,000 and a special dividend of RMB3.0 cents per ordinary share, totaling approximately RMB140,068,000, has been declared in the Company's Annual General Meeting on 7 December 2016 and paid during the year.

## 27. NOTES OF CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Cash generated from operations

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
<b>Profit for the year</b>	<b>4,409,634</b>	1,149,379
<b>Adjustments for</b>		
Income tax expense (Note 24)	<b>1,025,364</b>	518,054
Depreciation (Note 6)	<b>2,019,894</b>	1,923,889
Amortisation (Notes 7 and 8)	<b>49,436</b>	40,997
Impairment of trademark (Note 8)	<b>15,000</b>	—
Share options granted to directors and employees (Note 22)	<b>7,507</b>	21,130
Losses on disposal of property, plant and equipment (Note 20)	<b>150,481</b>	26,375
Gain on disposal of land use right	<b>(397)</b>	—
Share of profit of an associate and a joint venture (Note 10)	<b>(116,170)</b>	(42,430)
Finance income (Note 23)	<b>(106,689)</b>	(138,740)
Finance costs (Note 23)	<b>1,065,955</b>	1,410,310
Exchange losses on financing activities — net	<b>282,588</b>	1,434,494
Exchange losses on operating activities — net	<b>117,037</b>	337,597
	<b>8,919,640</b>	6,681,055
<b>Changes in working capital</b>		
Inventories	<b>(1,073,594)</b>	(52,275)
Trade, bills and other receivables, and prepayments	<b>(1,094,270)</b>	1,141,850
Trade, bills and other payables and advance from customers	<b>(1,502,881)</b>	299,602
<b>Cash generated from operations</b>	<b>5,248,895</b>	8,070,232

### (b) Proceeds from disposal of property, plant and equipment

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
Net book value of property, plant and equipment being disposed (Note 6)	<b>180,581</b>	46,147
Losses on disposal of property, plant and equipment (Note 20)	<b>(150,481)</b>	(26,375)
Changes in other receivables	<b>(7,904)</b>	(4,524)
<b>Proceeds from disposal of property, plant and equipment</b>	<b>22,196</b>	15,248

## 28. COMMITMENTS

### (a) Capital commitments

The Group has material capital commitments contracted but not provided for on property, plant and equipment as follows:

	30 June 2017 RMB'000	30 June 2016 RMB'000
Not later than one year	3,778,224	1,871,060
Later than one year and not later than five years	516,731	85,022
	<b>4,294,955</b>	1,956,082

### (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 2017 RMB'000	30 June 2016 RMB'000
Not later than one year	7,023	3,560
Later than one year and not later than five years	2,055	5,102
Later than five years	15,409	15,965
	<b>24,487</b>	24,627

## 29. RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related parties

Name	Relationship
America Chung Nam Inc. ("ACN")	A company beneficially owned by Ms. Cheung Yan and Mr. Liu Ming Chung, executive directors of the Company
Nine Dragons Packaging (Taicang) Company Limited ("Taicang Packaging")	A company beneficially owned by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei, executive directors of the Company
ACN Tianjin	An associate of the Group
Global Fame	A joint venture of the Group
Longen International Limited	A company owned by a joint venture of the Group
Dongguan Honglong Packaging Co., Ltd. ("Dongguan Honglong")	A company with 60%'s equity interests beneficially owned by Ms. Cheung Yan, Mr Liu Ming Chung and Mr. Zhang Cheng Fei, executive directors of the Company

### (b) Transactions with related parties

In addition to those disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year ended 30 June 2017. These transactions are conducted in the normal course of the Group's business:

	For the year ended 30 June	
	2017 RMB'000	2016 RMB'000
Sales of goods:		
Taicang Packaging	318,689	217,542
Dongguan Honglong	182,837	132,210
	<b>501,526</b>	349,752
Purchase of recovered paper (net of claims):		
ACN	9,640,771	9,013,493
ACN Tianjin	7,352,362	4,772,816
Taicang Packaging	17,868	18,344
	<b>17,011,001</b>	13,804,653

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

**29. RELATED PARTY TRANSACTIONS** *(continued)***(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	
	2017 RMB'000	2016 RMB'000
Salaries, allowance and benefits	28,786	31,323
Share options	—	3,899
	<b>28,786</b>	<b>35,222</b>

**(d) Balances with related parties**

	30 June 2017	30 June 2016
	RMB'000	RMB'000
Balances due from:		
— Taicang Packaging	84,879	19,068
— Dongguan Honglong	56,513	41,582
— Global Fame	37,537	44,656
— Longen International Limited	5,570	—
	<b>184,499</b>	<b>105,306</b>

	30 June 2017	30 June 2016
	RMB'000	RMB'000
Balances due to:		
— ACN	281,232	119,734
— ACN Tianjin	1,219	283,575
— Longen International Limited	—	3,178
	<b>282,451</b>	<b>406,487</b>

**(e) Provision of guarantee to the joint venture**

As at 30 June 2017, the Group has provided guarantee of RMB37,592,000 to Global Fame related to its borrowings (30 June 2016: RMB39,504,000).

### 30. 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 Yan and Mr. Liu Ming Chung, executive directors of the Company.

### 31. BALANCE SHEET OF THE COMPANY STANDING ALONE

Note	30 June 2017 RMB'000	30 June 2016 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	84	97
Interests in subsidiaries	10,978,572	2,450,263
	<b>10,978,656</b>	2,450,360
<b>Current assets</b>		
Other receivables and prepayments	1,326	1,451
Amounts due from subsidiaries	3,095,728	10,627,274
Cash and cash equivalents	46,814	507,523
	<b>3,143,868</b>	11,136,248
<b>Total assets</b>	<b>14,122,524</b>	13,586,608
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	478,977	478,272
Share premium	8,765,002	8,730,315
Other reserves (a)	1,602,484	2,114,798
Retained earnings (b)	62,388	1,757
<b>Total equity</b>	<b>10,908,851</b>	11,325,142
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	2,509,600	1,657,800
<b>Current liabilities</b>		
Other payables	245,764	107,416
Borrowings	458,309	496,250
	<b>704,073</b>	603,666
<b>Total liabilities</b>	<b>3,213,673</b>	2,261,466
<b>Total equity and liabilities</b>	<b>14,122,524</b>	13,586,608

**31. BALANCE SHEET OF THE COMPANY STANDING ALONE** *(continued)***(a) Movement of other reserves**

	Contributed surplus	Share option reserve	Total
	RMB'000	RMB'000	RMB'000
<b>At 1 July 2015</b>	2,074,700	18,968	2,093,668
Share options granted to directors and employees	—	21,130	21,130
<b>At 30 June 2016</b>	2,074,700	40,098	2,114,798
<b>At 1 July 2016</b>	<b>2,074,700</b>	<b>40,098</b>	<b>2,114,798</b>
2016 final dividends	(513,583)	—	(513,583)
Share options granted to directors and employees	—	7,507	7,507
Exercise of Share Option	—	(6,238)	(6,238)
<b>At 30 June 2017</b>	<b>1,561,117</b>	<b>41,367</b>	<b>1,602,484</b>

**(b) Movement of retained earnings**

	RMB'000
<b>At 1 July 2015</b>	303,573
Profit of the year	24,819
Dividends	(326,635)
<b>At 30 June 2016</b>	1,757
<b>At 1 July 2016</b>	<b>1,757</b>
Profit of the year	<b>294,342</b>
2017 interim dividends	<b>(233,711)</b>
<b>At 30 June 2017</b>	<b>62,388</b>

## OTHER INFORMATION

### SHAREHOLDERS

As at 30 June 2017, the Group had over 3,300 non-institutional shareholders.

### FINANCIAL CALENDAR

FY2017 interim results Announcement	published on 23 February 2017
FY2017 annual results Announcement	published on 21 September 2017
Closure of register of members for determining the entitlement of the attendance of the 2017 AGM	12 December 2017 to 18 December 2017 (both dates inclusive)
2017 AGM	18 December 2017
Ex-dividend date for final dividend	20 December 2017
Latest time to lodge transfer with the Share Registrar for entitlement of the final dividend	4:30 p.m. on 21 December 2017
Closure of register of members for determining the entitlement of the final dividend	22 December 2017 to 28 December 2017 (both dates inclusive)
Distribution of FY2017 final dividend#	26 January 2018

# subject to Shareholders' approval of the final dividend at the 2017 AGM

### ANNUAL GENERAL MEETING

The 2017 AGM will be held on Monday, 18 December 2017. The notice of the 2017 AGM which constitutes part of the circular to Shareholders will be sent together with this Annual Report. The notice of 2017 AGM and the proxy form will also be available on the website of HKExnews at [www.hkexnews.hk](http://www.hkexnews.hk) under Listing Company Information and the website of the Company at [www.ndpaper.com](http://www.ndpaper.com).

## SHARE INFORMATION

### Share Information as at 30 June 2017

Market capitalization:	HK\$48.6 billion
Number of issued shares:	4,674,220,811 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 2017

— Interim Dividend:	RMB5 cents per Share
— Final Dividend:	RMB25 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  
Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, 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
2016 Share Option Scheme	the share options scheme adopted by the Company on 11 December 2015
2017 AGM	Annual General Meeting to be held on 18 December 2017
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
Honglong Packaging	Dongguan Honglong Packaging Co., Ltd. (東莞弘龍包裝有限公司), a company established in 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
Nantong Tenglong	Nantong Tenglong Chemical Technology Co., Ltd. (南通騰龍化工科技有限公司), a company established in the PRC
PM	a prefix referring to the Group's paper machines. For example, PM1 refers to the Group's first paper machine
PRC	People's Republic of China
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
Tianjin ACN	ACN (Tianjin) Resources Co., Ltd. (中南(天津)再生資源有限公司), a company established in the PRC
tpa	tonnes per annum
US\$/USD	United States dollars
Year	the twelve months ended 30 June 2017
%	per cent



This 2016/17 Annual Report ("Annual Report") (in both English and Chinese versions) has been posted on the Company's website at [www.ndpaper.com](http://www.ndpaper.com) and on the website of HKExnews at [www.hkexnews.hk](http://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](mailto:ndpaper-ecom@hk.tricorglobal.com).



玖龍紙業(控股)有限公司\*

NINE DRAGONS PAPER (HOLDINGS) LIMITED