玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 2689

PLEASE USE *MORE*
RECYCLED PAPER

Annual Report 2017/2018

* For identification purposes only

CONTENTS

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.

Contents printed on Land Dragon 100% Recycled Fiber Offset Paper

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. Ken Liu *(Deputy Chairman)*
Mr. Zhang Yuanfu *(Chief Financial Officer)*
Mr. Zhang Lianpeng

Independent Non-Executive Directors

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

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	2018	2017	Change
Operating results (RMB million)			
Sales	52,781.8	39,154.8	34.8%
Gross profit	11,585.2	7,976.3	45.2%
Operating profit	10,434.7	6,560.7	59.0%
Profit before income tax	9,551.3	5,435.0	75.7%
Profit attributable to Company's equity holders	7,848.1	4,383.7	79.0%
Adjusted profit attributable to Company's equity holders[1]	7,868.8	4,765.3	65.1%
Financial position (RMB million)			
Net cash generated from operating activities	8,400.3	3,513.3	139.1%
Net debt	23,667.5	22,441.5	5.5%
Shareholders' funds	35,979.5	29,748.7	20.9%
Per share data (RMB cents)			
Earning per share — basic	167.9	93.9	78.8%
Earning per share — diluted	167.5	93.7	78.8%
Dividend per share			
— Interim	10.0	5.0	100.0%
— Final	40.0	25.0	60.0%
Other data (RMB million)			
Capital expenditures	6,386.6	3,612.3	76.8%
Key ratio (%)			
Gross profit margin	21.9	20.4	1.5 pts
Operating profit margin	19.8	16.8	3.0 pts
Net profit margin	14.9	11.2	3.7 pts
EBITDA/ratio	24.0	22.3	1.7 pts
Return on capital employed	12.5	9.0	3.5 pts

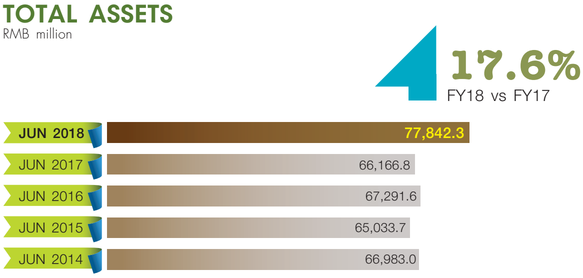
- Group revenue increased by 34.8% to approximately RMB52,781.8 million
- Profit attributable to equity holders of the Company increased by 79.0% to approximately RMB7,848.1 million
- Adjusted profit attributable to equity holders of the Company increased by 65.1% to approximately RMB7,868.8 million
- Net profit margin increased 3.7 percentage points to 14.9%

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).

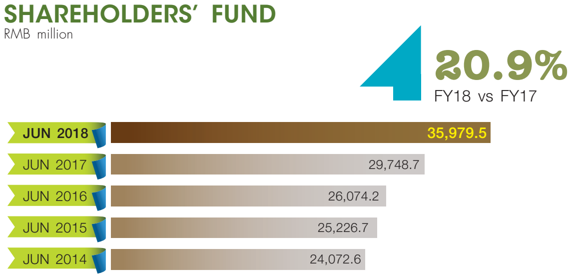
TOTAL ASSETS

RMB million



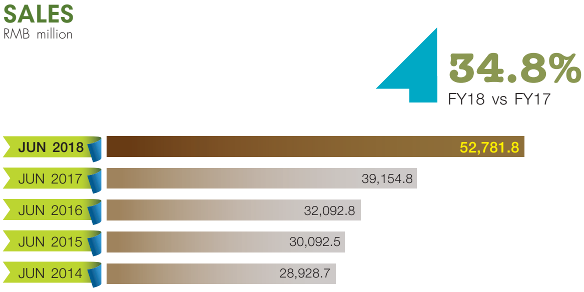
SHAREHOLDERS' FUND

RMB million



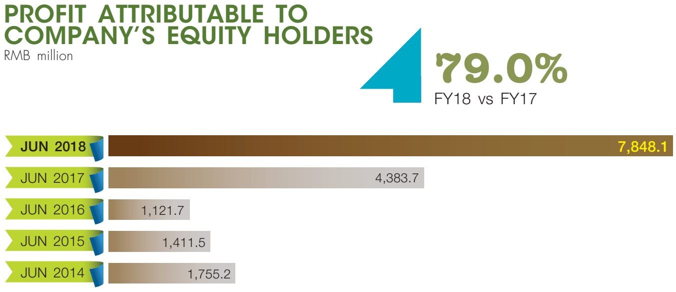
SALES

RMB million



PROFIT ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS

RMB million



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/m2, of which light weight high performance corrugating medium of 50, 60 and 70g/m2 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, Land Dragon and River 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 50-80g/m2. This product has passed FSC certification. The Group classifies different classes of products into 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.

05 PRODUCTS OFFERED BY US MILLS

1) Printing Paper

The Group's offering of printing and writing papers provides a broad range of products for nearly any project. Our mills produce coated freesheet, coated groundwood and uncoated freesheet grades for a variety of end uses, including catalogs, magazines, retail flyers, and commercial printing.

2) Specialty Paper

The Group's specialty papers are inventive and adaptable, with consistent quality, superior customer service and reliability. With primary focus in label and release liner applications, the Group's Rumford Division has over 20 years of experience selling into these markets.

3) Pulp

The Group's NBSK and NBHK pulp grades are known for their consistency and functional properties.

CHAIRLADY'S REPORT

Dear Shareholders,

During the Year, the Group's sales and profit both reached a record high since its inception. It showed that the enormous production and sales platform that ND Paper has been committed to developing has solidly ensured the leading position during the gradual and orderly improvement in the packaging paperboard market in China. Meanwhile, following the strengthening control on imported recovered materials under the environmental policies of China, the supply of imported recovered paper and the price of domestic recovered paper experienced significant volatility. The Group effectively adjusted its operating strategies, actively integrated upstream resources and capitalized on business development opportunities arising in the world in order to maintain the Group's various advantages such as economies of scale, raw material purchasing and cost control in line with the changing market.

During the Year, the government continued to rigorously monitor the environmental control of the manufacturing industry and imposed strict approval requirements on new capacities entering the market. As such, the supply-demand orders in the packaging paperboard market in China continued to improve, and thus supporting the pricing power of products. The government's strict control on the quota and quality of imported recovered paper has boosted a higher demand for domestic recovered paper, resulting in extreme volatility in prices. Driven by cost transfer, the price of packaging paperboard also experienced significant volatility. Under such changing market environment and leveraging on a diverse range of products, a strong global purchase network, a well-established market data system, flexible pricing and inventory strategies and an experienced sales team, the Group promptly adjusted its product pricing to offset the volatility of raw material prices and thus maintaining profit growth.

During the Year, the Group recorded a total sales of approximately RMB52,781.8 million, representing an increase of 34.8% as compared with the corresponding period last year and the total sales volume reached approximately 13.0 million tonnes. For profit performance, gross profit margin increased from 20.4% in the corresponding period last year to approximately 21.9%; profit attributable to equity holders was approximately RMB7,848.1 million. If the exchange losses on operating and financing activities (net of tax) were excluded, profit attributable to equity holders was approximately RMB7,868.8 million for the Year, representing an increase of 65.1% as compared with the corresponding period last year. During the Year, basic earnings per share of the Group was approximately RMB1.68. The Board has proposed a final dividend of RMB40.0 cents per share.

Currently in the packaging paperboard industry that is adjusting in response to the changes in the recovered paper import policy of China and the global market supply of recovered paper, the Group proactively explores and implements various short-term and long-term measures in order to cope with the government policies and market changes, ensure a stable supply of domestic and overseas raw materials and further strengthen the leadership position of ND Paper in the market. These measures include driving higher raw material supply quality and utilization efficiency, strengthening the cost advantage in terms of raw materials, optimizing logistics support, seeking equally cost effective fiber alternatives, actively promoting the plan in relation to production of recycled pulp in different countries overseas and identifying suitable virgin pulp resources investment projects.

In June 2018, ND Paper LLC, a wholly-owned subsidiary of the Group in the USA, acquired two fully-integrated paper and pulp mills, which are renowned century-old mills in Rumford, Maine and Biron, Wisconsin respectively. These two paper and pulp mills manufacture various paper products with pulp as raw materials, and sell pulp products in the market. The acquisition allows an upstream integration of the Group's business model and, in addition to successfully capturing local production and sales, is an important step for ND Paper to achieve global fiber sourcing and develop its customer base as well as truly achieving internationalization. In the future, it is expected to secure the supply of high quality virgin fiber for the Group to meet its production needs and reduce production costs. With the commencement of production of a new paper machine at Vietnam base in August 2017 and the above acquisition in the U.S., the total design production capacity of the Group has currently increased to approximately 15 million tpa.

Among the new paper machine projects of the Group in the PRC market, construction of the new paper machine located at our Chongqing base (Phase III) continues to progress on schedule during the Year, aiming to commence production in the fourth quarter of 2018 with a design production capacity of 0.55 million tpa. The construction of three new paper machines located at our Shenyang base, Hebei base and Quanzhou base (Phase II) are underway, aiming to commence production successively in the second quarter of 2019 with a total design production capacity of 1.45 million tpa. In addition, the construction of one new paper machine located at our Dongguan base is also underway, aiming to commence production in the third quarter of 2019 with a design production capacity of 0.6 million tpa. Meanwhile, in August 2018, a wholly-owned subsidiary of the Group in the USA entered into an agreement in relation to the acquisition of a recycled pulp manufacturing project in Fairmont, West Virginia. The project has an annual production capacity of 220,000 to 250,000 tonnes and is one of the three pulp mills in the world that produce air-dried recycled pulp. Upon completion of the abovementioned acquisition and new project, the total design production capacity of the Group will reach approximately 18 million tpa.

On financial management, as there are fund requirements for the construction of new paper machines and other development projects, the Group's total borrowings and net borrowings at the end of the Year both slightly increased as compared with the end of last year but the net gearing ratio (net liabilities to total equity) decreased from 74.6% at end of last year to approximately 65.3% at end of the Year; while the net finance costs also decreased. During the Year, the Group recorded an exchange loss of approximately RMB20.7 million on operating and financing activities (net of tax). As at the end of the Year, the Group's debt portfolio is comprised of approximately 55% denominated in RMB, approximately 23% denominated in USD and HKD and approximately 21% denominated in Euro.

Looking ahead, the global macroeconomy is expected to remain volatile, with the trade war casting more variables to the global markets. The recovered paper supply in the packaging paperboard industry in China will also continue to be affected by the government policies. Despite the market challenges under the influence of the ever-changing general environment, we believe that the demand fundamentals for packaging paperboards in the domestic consumption market will remain unchanged, and we would be able to maintain our advantages as we continue to explore cost reduction opportunities through our efforts and adjustments made in raw material structure. The Group will prudently monitor market trends and continue to pay attention to debts so as to make investments with promising prospect and profit. In the future, with a strong foothold in China, we are empowered to capture opportunities arising in the world. On one hand, the Group will reinforce its established competitive advantages in production and sales capabilities and customer network in China. On the other hand, it will adopt a more responsive and effective operating strategy to explore more upstream and downstream business opportunities globally in order to secure the necessary resources more effectively and increase synergies, and thus differentiating itself in the industry for the best shareholders' value in the long term.

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, 18 September 2018

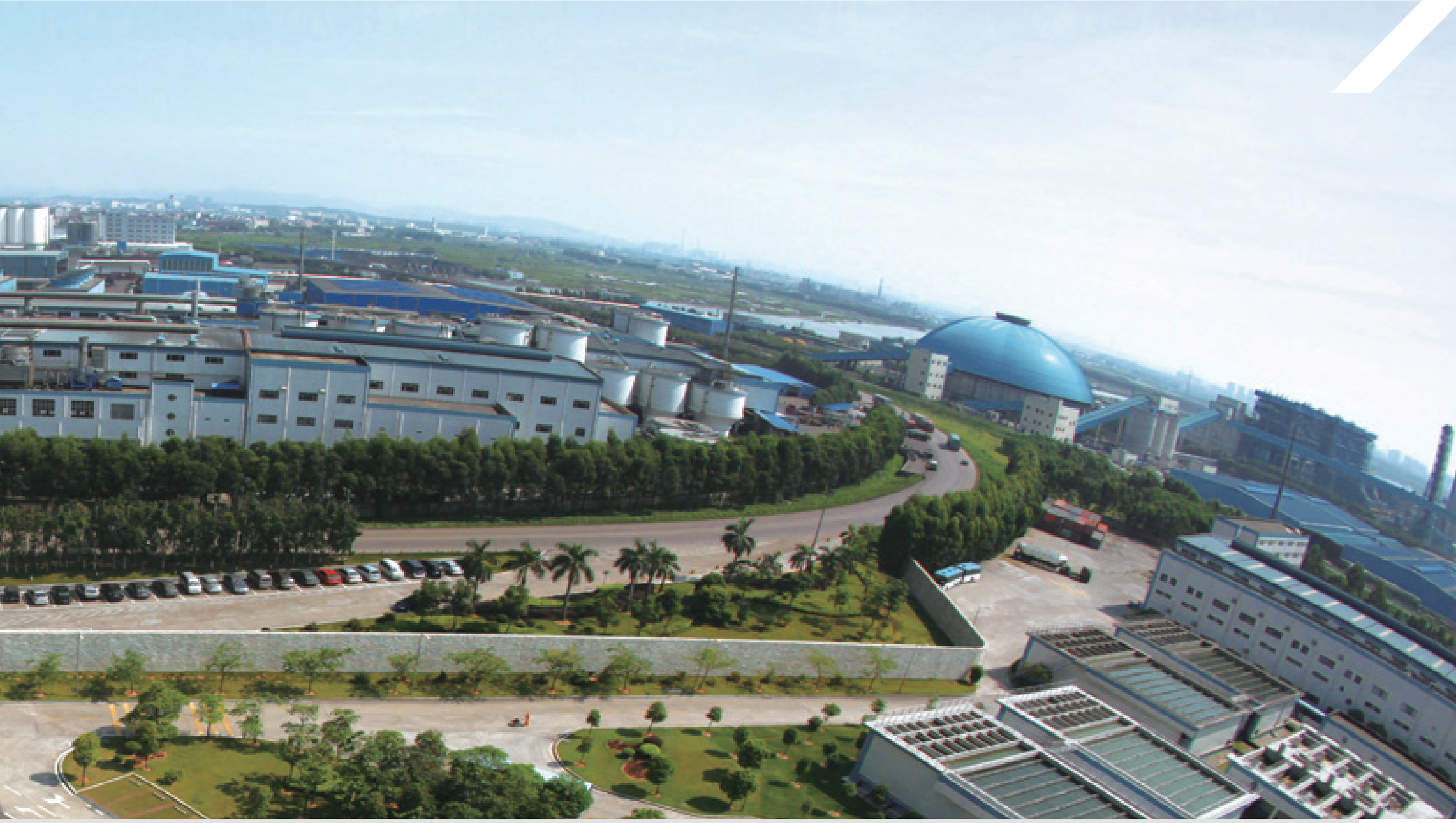
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS

Review of Operations

As the largest containerboard manufacturer in Asia, ND Paper is primarily engaged in the production and sale of a broad variety of quality packaging paperboard products, including linerboard (kraftlinerboard, testlinerboard, white top linerboard and coated 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. The Group employs advanced, highly automated imported equipment and systems for production, and has a highly proficient, service-oriented sales team to address the needs of its extensive network of customers. The Group also owns two fully-integrated pulp and paper mills in the USA.

During the Year, the Chinese government tightened control on the quota and quality of imported recovered paper, resulting in extreme volatility in the supply of imported recovered paper and prices of domestic recovered paper. Nevertheless, as the government exercised more rigorous measures in environmental inspection and enforcement, while much stricter approval requirements also limited the number of new capacities entering the market, supply-demand orders in the packaging paperboard market continued to improve, allowing the Group to adjust its product pricing in response to recovered paper price fluctuations in a timely manner. Such pricing power has



enabled the Group to stabilize at a reasonable profitability level amidst a challenging market environment. The Group's proactive strategy to achieve the appropriate balance among selling prices, sales volume and inventory levels for optimal profitability was effective, resulting in historical high sales revenue and profits during the Year.

The Group purchases its supplies and equipment in accordance with government policy and market conditions. Although the import of recovered paper into China has become more restrictive during the Year, the Group was still able to maintain a flexible procurement strategy that is based on the selection and purchase of raw materials offering the most optimal cost-value relationship by closely monitoring the market supply and price trends of different sources. As a large buyer of recovered paper in the market, the Group is able to secure relatively larger government import quota and leverage effectively on various overseas and domestic channels of recovered paper supply, thus allowing optimization of its raw material costs even during periods of price fluctuations. During the Year, the purchase value of domestic recovered paper accounted for approximately 66% of the total value of the Group's purchase of recovered paper.

During the Year, PM2(VN) at the Vietnam base commenced production in August 2017 and went into commercial production in January 2018. With an annual design production capacity of 350,000 tonnes for linerboard products, this new paper machine has brought the Group's total annual design production capacity to 14.08 million tonnes.

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

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

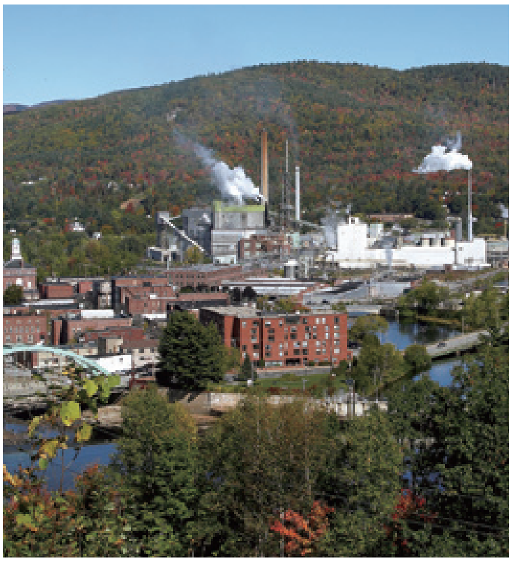
(Distribution by location)	
Dongguan	37.4%
Taicang	21.6%
Tianjin	15.3%
Chongqing	9.6%
Quanzhou	4.6%
Shenyang	2.5%
Hebei	3.6%
Leshan	2.2%
Vietnam	3.2%
Total	100.00%

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

(Distribution by location)

Dongguan	15
Taicang	8
Tianjin	5
Chongqing	3
Quanzhou	2
Shenyang	1
Hebei	2
Leshan	1
Vietnam	2
Total	39

In June 2018, the Group acquired two fully-integrated pulp and paper mills in the USA, further increasing the Group's total annual production capacity to approximately 15 million tonnes. The mill in Rumford, Maine operates three paper production lines, with a combined annual production capacity of 550,000 tonnes, which are capable of producing coated one-side, coated freesheet and coated groundwood grades. With two kraft pulping lines and a dryer, the mill has a combined annual pulping capacity of 520,000 tonnes for kraft pulp, both hardwood and softwood, of which 400,000 tonnes are for internal consumption and the rest of 120,000 tonnes are for market. The mill in Biron, Wisconsin operates two paper production lines, with a combined annual production capacity of 340,000 tonnes producing coated groundwood grades. While these mills provide cost competitive quality products to their established customer base, the acquisition represents an upstream integration of the Group's current business and is an important step in the Group's international development and global fiber sourcing strategy, with access to high quality virgin fiber and synergies, including cost savings, expected to be generated within the existing raw material sourcing and production processes of the Group.



The Group continued as the industry leader in environmental governance and compliance, and has successfully completed the necessary government environmental assessment and approval. Its production bases in China have been named "Environmental Credible Enterprise" by local environmental authorities for consecutive years, and continued to obtain ISO 14001 certification for environmental management systems and certification for clean production.

The Group's leadership position in the industry is also reflected in its technological differentiation and innovation in the various aspects of management, technology, products, environmental management, etc. To date, 449 patents have been obtained and another 189 patent applications or approvals are being processed.

As at 30 June 2018, the Group's operations in China and Vietnam employed a total of approximately 17,000 full-time staff and continued to obtain OHSAS 18001 certification for its occupational health and safety management system at its production bases. Its operations in the USA had approximately 1,000 employees.

Business Strategy and Development Plan

ND Paper has built an enormous production, sales, procurement and logistics platform with an efficient cost structure in the packaging paperboard market in China, offering its extensive network of customers a one-stop shop for a complete range of products and excellence in pre- and after-sales services. While the Group is already enjoying competitive advantages in various aspects, it also maintains continuous efforts in enhancing its existing operations, e.g. equipment upgrading, efficiency improvements, cost controls and environmental standards. It has developed a comprehensive and effective information system for intelligent management, progressing towards the goals of "informatization, automation and intelligentization".

In a market that is changing in response to tighter recovered paper import policy in China, the Group proactively explores and implements upstream developments globally in order to ensure a stable, reliable and cost efficient supply of raw material for its enormous production platform. Various short- and long-term measures are being taken, e.g. driving higher recovered paper supply quality and utilization efficiency, enhancing cost efficiency of raw materials, strengthening logistics supports, employing equally cost effective fiber alternatives, development of recycled pulp production overseas, locating virgin pulp projects, etc. In August 2018, a wholly-owned subsidiary of the Company in the USA entered into an agreement in relation to the acquisition of a recycled pulp mill in Fairmont, West Virginia, USA. The mill has an annual production capacity between 220,000 and 250,000 tonnes and is one of three pulp mills in the world that produce air-dried recycled pulp. Upon completion, this acquisition is expected to allow the Group to gain access to high quality recycled pulp and diversify its manufacturing base.

As for the Group's development in its core business in the Chinese packaging paperboard market, the construction plan of the following five new paper machines at existing production bases continued to progress during the Year:

Production Base	Product	Design Capacity	Target Commencement Date
Chongqing (Phase III)	Linerboard	550,000 tpa	4th quarter of 2018
Quanzhou (Phase II)	Linerboard	350,000 tpa	2nd quarter of 2019
Hebei (Phase II)	Linerboard	500,000 tpa	2nd quarter of 2019
Shenyang (Phase II)	Linerboard	600,000 tpa	2nd quarter of 2019
Dongguan	Linerboard	600,000 tpa	3rd quarter of 2019

Upon completion of all the above-mentioned projects, the Group's total design production capacity is expected to be approximately 18 million tpa.

FINANCIAL REVIEW

Sales

The Group achieved a revenue of approximately RMB52,781.8 million for FY2018, representing an increase of approximately 34.8% as compared with FY2017. 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 94.2% of the revenue, with the remaining revenue of approximately 5.8% generated from its recycled printing and writing paper and high value specialty paper products business.

The Group's revenue for FY2018 increased by approximately 34.8% as compared with FY2017, 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 FY2018 accounted for approximately 52.2%, 23.7%, 18.4% and 5.1% respectively of the total revenue, compared to 49.9%, 23.1%, 20.8% and 5.6% respectively in FY2017.

The Group's annual design production capacity in packaging paperboard, recycled printing and writing paper and the two US mills products as at 30 June 2018 was approximately 15.0 million tpa, comprising approximately 7.6 million tpa of linerboard, 3.4 million tpa of high performance corrugating medium, 2.6 million tpa of coated duplex board, approximately 0.5 million tpa of recycled printing and writing paper and the two US mills products of approximately 0.9 million tpa (including coated one-side, coated freesheet and coated groundwood grades) after the completion of acquisition on 29 June 2018. 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 FY2018 and FY2017.

The sales volume of linerboard for FY2018 increased by approximately 2.9%, while the sale volume of high performance corrugating medium remained stable for FY2018 as compared with FY2017, and the coated duplex board and recycled printing and writing paper for FY2018 decreased by approximately 6.9% and 3.8% respectively as compared with FY2017.

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 FY2018, revenue related to domestic consumption represented 97.0% of the Group's total revenue, while the remaining revenue of 3.0% were sales denominated in foreign currencies which primarily represented sales made to foreign invested processing enterprises.

For FY2018, sales to the Group's top five customers in aggregate accounted for approximately 4.4% (FY2017: 4.2%) of the Group's revenue, with that to the single largest customer accounted for approximately 1.1% (FY2017: 1.1%).

Gross profit

The gross profit for FY2018 was approximately RMB11,585.2 million, an increase of approximately RMB3,608.9 million or 45.2% as compared with RMB7,976.3 million in FY2017. The gross profit margin increased from 20.4% in FY2017 to approximately 21.9% in FY2018, mainly contributed by the increase in the selling price of the products while sales volume remained stable.

Other income, other expenses and other losses — net

Other income, other expenses and other losses (net) increased by approximately 61.6%, from RMB681.7 million in FY2017 to approximately RMB1,101.7 million in FY2018. The major contributor of the increase was derived from the value added tax refund increased by approximately RMB282.4 million to approximately RMB914.4 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 a fifty percent refund.

Selling and marketing costs

Selling and marketing costs were approximately RMB1,115.1 million in FY2018, increased by approximately 33.1% as compared with RMB837.9 million in FY2017. The increase in the selling and marketing costs was attributable to the increase in sales in FY2018. The total amount of selling and marketing costs as a percentage of the Group's revenue remained stable at 2.1% for FY2018 as compared with FY2017.

Administrative expenses

Administrative expenses increased by approximately 7.4% from RMB1,142.3 million in FY2017 to approximately RMB1,226.5 million in FY2018. The amount of administrative expenses as a percentage of the Group's revenue decreased from 2.9% in FY2017 to 2.3% in FY2018 due to revenue increased by 34.8% in FY2018 as compared with FY2017.

Operating profit

The operating profit for FY2018 was approximately RMB10,434.7 million, representing an increase of approximately RMB3,874.0 million or 59.0% over FY2017. The operating profit margin increased from 16.8% in FY2017 to approximately 19.8% in FY2018 mainly due to increase in gross profit margin from 20.4% in FY2017 to 21.9% in FY2018.

Finance costs

Finance costs decreased by approximately 3.9% to approximately RMB1,024.3 million in FY2018 from RMB1,066.0 million in FY2017. The decrease in finance cost was mainly contributed by the net effect of the increase of interest capitalised on property, plant and equipment of approximately RMB79.5 million and reduction of bills discount charges of approximately RMB44.2 million in FY2018 over FY2017.

Exchange losses on operating and financing activities — net

The exchange losses on operating and financing activities before tax for FY2018 in aggregation amounted to approximately RMB9.2 million (represented by exchange gains on operating activities before tax of approximately RMB89.4 million and exchange losses on financing activities before tax of approximately RMB98.6 million respectively), decreased substantially by approximately RMB390.4 million or 97.7% from RMB399.6 million in FY2017.

The aggregated exchange losses on operating and financing activities net of tax amounted to approximately RMB20.7 million in FY2018 as compared to RMB382.7 million in FY2017.

Income tax expense

Income tax charged for the FY2018 amounted to approximately RMB1,690.0 million and increased by approximately 64.8% or RMB664.6 million as compared with FY2017 mainly 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 17.7% in FY2018 as compared to 18.9% in FY2017.

Net profit

The profit attributable to equity holders of the Company increased by RMB3,464.4 million or by approximately 79.0% from RMB4,383.7 million in FY2017 to approximately RMB7,848.1 million in FY2018. If the exchange losses on operating and financing activities (net of tax) of approximately RMB20.7 million were excluded, the profit attributable to equity holders of the Company for FY2018 increased by approximately 65.1%, to approximately RMB7,868.8 million due to a substantial increase in the selling price of the products and a better profit margin of the Group.

In FY2017, the profit attributable to equity holders of the Company was RMB4,765.3 million if the exchange losses on operating and financing activities (net of tax) amounted to RMB382.7 million and the gain from derivative financial instruments (net of tax) amounted to RMB1.1 million were excluded.

Business Combination

The Group acquired 100% equity interests of two pulp and paper manufacturing mills located in Rumford, Maine and Biron, Wisconsin in the U.S. from Catalyst Paper Corporation during FY2018. The Acquisition was completed on 29 June 2018, the acquired businesses did not contribute material revenue or profit to the Group for the two days period ended 30 June 2018.

Dividend

In FY2018, the Group paid an interim dividend of RMB10.0 cents per share, which amounted to RMB467.4 million. The directors have proposed a final dividend of RMB40.0 cents per share, which will aggregate to approximately RMB1,869.7 million. The total dividend for the FY2018 amounted to RMB50.0 cents per share. The dividend pay out ratio was approximately 29.8% in FY2018.

Working capital

The inventories increased by approximately 43.0% to approximately RMB6,691.1 million in FY2018 from RMB4,679.1 million in FY2017. Inventories mainly comprise raw materials (mainly recovered paper, coal and spare parts) of approximately RMB3,619.3 million and finished goods of approximately RMB3,071.8 million.

The raw materials increased by approximately 27.0% to approximately RMB3,619.3 million in FY2018 from RMB2,849.6 million in FY2017. The increase in raw materials balance was mainly due to the substantial increase in the cost of recovered paper during FY2018, and the acquisition of two U.S. mills raw material at cost of approximately RMB328.5 million on 29 June 2018.

The finished goods increased by approximately 67.9% to approximately RMB3,071.8 million in FY2018 from RMB1,829.5 million in FY2017. The increase in finished goods was mainly due to the substantial increase in the cost of raw materials during FY2018, and the acquisition of two U.S. mills finished goods at cost of approximately RMB197.3 million on 29 June 2018.

In FY2018, raw material (excluding spare parts) turnover days remained relatively stable at approximately 25 days as compared to 25 days for FY2017 while the finished goods turnover days increased to approximately 27 days as compared to 21 days for FY2017.

Trade and bills receivables were approximately RMB5,998.3 million in FY2018, increased by approximately 11.1% from RMB5,399.2 million in FY2017. During FY2018, the turnover days of trade receivables were approximately 28 days which was within the credit terms granted by the Group to its customers.

Trade and bills payables were approximately RMB3,172.7 million in FY2018, increased by approximately 38.5% from RMB2,291.2 million in FY2017. The turnover days of trade and bills payable were approximately 28 days for FY2018 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 FY2018 primarily comes from its operating cash flows and borrowings, while the Group's financial resources are used in its capital expenditures, operating activities and repayment of borrowings.

The Group's cash generated from operations increased from RMB5,248.9 million in FY2017 to approximately RMB10,791.2 million in FY2018, representing an increase of approximately 105.6%. The increase was primarily attributable to the increase in profit and the changes in the working capital in particular the increase in trade, bills and other payables. In terms of available financial resources as at 30 June 2018, the Group had total undrawn banking facilities of approximately RMB32,321.3 million and cash and cash equivalents of approximately RMB9,044.7 million.

As at 30 June 2018, the shareholders' funds were approximately RMB36,265.6 million, an increase of approximately RMB6,180.8 million from that of FY2017. The shareholders' fund per share increased from RMB6.4 in FY2017 to approximately RMB7.8 in FY2018.

Debts Management

The Group's outstanding borrowings increased by approximately RMB3,763.1 million from RMB28,949.1 million as at 30 June 2017 to approximately RMB32,712.2 million as at 30 June 2018. The short-term and long-term borrowings amounted to approximately RMB18,141.1 million and RMB14,571.1 million respectively, accounting for 55.5% and 44.5% of the total borrowings respectively. As at 30 June 2018, about 99.7% of the Group's debts were on unsecured basis.

The net debt to total equity ratio of the Group decreased from 74.6% as at 30 June 2017 to approximately 65.3% as at 30 June 2018. 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 2018, total foreign currency borrowings amounted to the equivalent of approximately RMB14,601.6 million and loans denominated in RMB amounted to approximately RMB18,110.6 million, representing approximately 44.6% and 55.4% of the Group's borrowings respectively.

Cost of borrowing

The effective interest rates of long-term borrowings and short-term borrowings were 3.4% and 3.3% per annum as at 30 June 2018 and 3.5% and 3.3% per annum as at 30 June 2017. 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) increased slightly to approximately RMB1,160.2 million in FY2018 from RMB1,123.5 million in FY2017.

Capital expenditures

The Group's payments for the construction of factory buildings, purchase of plants, machineries and equipments during FY2018 were approximately RMB6,386.6 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 RMB4,492.1 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 FY2018, 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 2018	2017	2016	2015	2014
Sales	52,781.8	39,154.8	32,092.8	30,092.5	28,928.7
Cost of goods sold	41,196.6	(31,178.5)	(26,231.5)	(25,376.1)	(24,177.6)
Gross profit	11,585.2	7,976.3	5,861.3	4,716.4	4,751.1
Other income/(expenses) and other (losses)/gains, net	1,101.7	681.6	591.0	154.5	193.4
Exchange gains/(losses) on operating activities, net	89.4	(117.0)	(337.6)	(7.1)	24.7
Loss arising from disposal of a subsidiary	—	—	—	(26.6)	—
Selling and marketing costs	(1,115.1)	(837.9)	(736.0)	(679.1)	(525.6)
Administrative expenses	(1,226.5)	(1,142.3)	(1,047.6)	(917.7)	(820.7)
Operating profit	10,434.7	6,560.7	4,331.1	3,240.4	3,622.9
Finance income	102.9	106.7	138.7	130.2	70.4
Finance costs	(1,024.3)	(1,066.0)	(1,410.3)	(1,521.8)	(1,589.3)
Exchange (losses)/gains on financing activities, net	(98.6)	(282.6)	(1,434.5)	67.2	15.8
Share of profit of an associate and a joint venture, net	136.6	116.2	42.4	39.5	37.5
Profit before income tax	9,551.3	5,435.0	1,667.4	1,955.5	2,157.3
Income tax expense	(1,690.0)	(1,025.4)	(518.0)	(499.2)	(370.3)
Profit for the year	7,861.3	4,409.6	1,149.4	1,456.3	1,787.0
Profit attributable to:					
— Equity holders of the Company	7,848.1	4,383.7	1,121.7	1,411.5	1,755.2
— Non-controlling interests	13.2	25.9	27.7	44.8	31.8

Consolidated Statements of Cash Flows	For the year ended 30 June 2018	2017	2016	2015	2014
Net cash generated from/(used in) operating activities	8,400.3	3,513.3	6,460.5	5,606.4	3,482.4
Net cash used in investing activities	(7,375.8)	(3,166.4)	(1,360.6)	(2,187.9)	(2,480.1)
Net cash generated from/(used in) financing activities	1,582.8	(4,844.0)	(1,497.5)	(4,007.4)	890.7
Net increase/(decrease) in cash and cash equivalents	2,607.3	(4,497.1)	3,602.4	(588.9)	1,893.0

In millions of RMB

Consolidated Balance Sheets	2018	2017	As at 30 June 2016	2015	2014
Total assets	77,842.3	66,166.8	67,291.6	65,033.7	66,983.0
Inventories	6,691.1	4,679.1	3,605.5	3,553.2	4,523.3
Trade and bills receivables	5,998.3	5,399.2	4,597.7	5,351.5	4,894.6
Other receivables and prepayments	2,979.7	1,220.7	954.6	1,397.6	2,231.0
Tax recoverable	10.0	50.1	46.7	28.0	13.0
Derivative financial instruments	—	—	—	—	3.5
Short-term bank deposits	—	10.8	274.0	563.6	—
Cash and cash equivalents and restricted cash	9,044.7	6,496.8	11,056.1	7,334.0	7,938.4
Total current assets	24,723.8	17,856.7	20,534.6	18,227.9	19,603.8
Property, plant and equipment	51,121.4	46,415.1	44,860.8	45,010.9	45,599.2
Land use rights	1,483.0	1,520.8	1,521.8	1,472.4	1,479.8
Intangible assets	231.4	230.7	245.3	251.5	223.2
Investments in associate and joint venture	176.2	119.8	65.8	64.2	52.7
Deferred income tax assets	85.2	2.4	15.9	6.8	24.3
Other receivables and prepayments	21.3	21.3	47.4	—	—
Total non-current assets	53,118.5	48,310.1	46,757.0	46,805.8	47,379.2
Total liabilities	41,576.7	36,082.0	40,870.8	39,508.2	42,383.5
Trade and bills payables	3,172.7	2,291.2	4,098.0	3,963.6	3,243.2
Other payables and advance from customers	2,122.2	1,842.7	1,315.2	1,181.5	1,649.5
Current income tax liabilities	706.2	565.8	434.9	423.2	354.3
Borrowings	18,141.1	12,116.1	11,992.9	12,188.1	12,349.7
Derivative financial instruments	—	—	1.1	2.5	2.7
Total current liabilities	24,142.2	16,815.8	17,842.1	17,758.9	17,599.4
Borrowings	14,571.1	16,833.0	20,852.4	19,802.4	23,124.4
Deferred income tax liabilities	2,772.6	2,433.2	2,176.3	1,912.3	1,628.3
Other payables	90.8	—	—	34.6	31.4
Total non-current liabilities	17,434.5	19,266.2	23,028.7	21,749.3	24,784.1
Capital and reserves attributable to equity holders of the Company	35,979.5	29,748.7	26,074.2	25,226.7	24,072.6
Non-controlling interests	286.1	336.1	346.6	298.8	526.9

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 10mg/m3) 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 SO_2, Dust and NOx.

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.

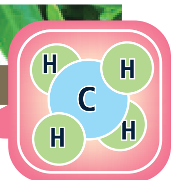
For energy consumption, the major energy source of the Nine Dragons Group is coal that generates electricity and steam for production. Coal consumption can be substantially reduced through immense efforts in research, development and upgrade of energy-saving technologies, formulation of energy-saving 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 collection and treatment system



- 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

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 ISO 9001 certification for quality management systems, ISO 14001 certification for environmental management systems, OHSAS 18001 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.

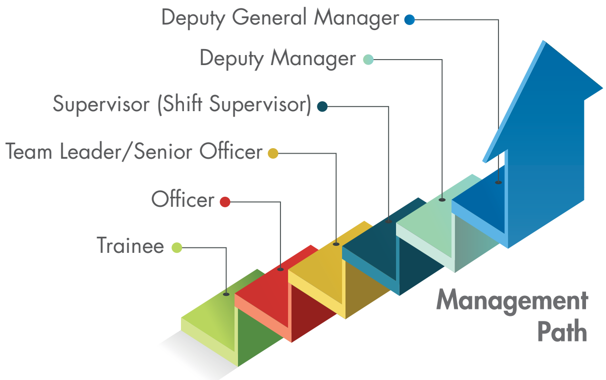
Upholding the mission of "Taking a leading position in the industry in terms of production output and efficiency, quality management of employees and software management as well as employees' benefits and remuneration", ND Paper provides all employees with competitive remuneration package among its peers 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.

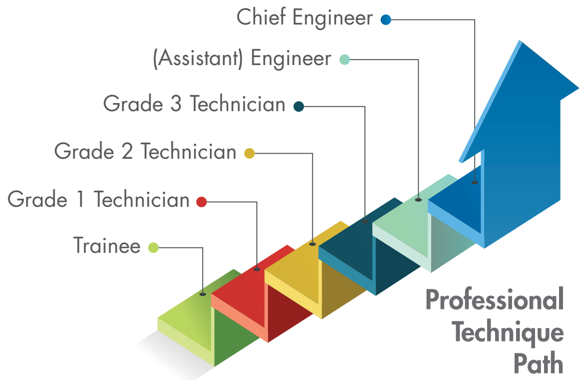
Working Hours and Holidays

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 2017 to June 2018, 2,477 people of the Group participated in external trainings, principally including special operations training and certification, middle-level executive reserve cultivation, Nine Dragons Class student cultivation, professional skills training, etc. Total funding provided by the Group was approximately RMB3.39 million.

During the Year, the Group organized a total of 5,681 trainings and an attendance of 164,558 participated in such trainings, among which 216 were senior management, accounting for approximately 0.13% of the total attendance; 5,863 were middle-level management, accounting for 3.56% of the total attendance.

During the Year, the Group carried out 194,741 hours of training in total with average training hours completed per employee of 11.3, among which 396 hours were attended by senior management, accounting for 0.2% of the total hours; 7,463 hours were attended by middle-level management, accounting for 3.8% of the total hours.

According to the types of training, an attendance of 17,794 participated in conceptual guidance and professional ethics training, accounting for 10.8% of the total attendance; an attendance of 49,476 participated in professional skills training, accounting for 30.1%; an attendance of 74,964 participated in safety training, accounting for 45.5%; an attendance of 5,538 participated in clean and civilized production training, accounting for 3.4%; and an attendance of 16,786 participated in other types of training, accounting for 10.2%.

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: 2,462	Taicang base: 2,196	Chongqing base: 2,086
Tianjin base: 2,070	Quanzhou base: 1,459	Shenyang base: 1,306
Leshan base: 1,269	Hebei base: 1,267	Vietnam base: 1,254

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 6,812 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. Re-evaluation 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 ISO 9000, 14000 and OHSAS 18001 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

Since its first paper machine commenced production in 1998, the Group has continuously been contributing to national and regional economic development by increasing tax revenue, upgrading the upstream/downstream supply chains, promoting local economic development, creating job opportunities and building a harmonious society. The Group has always been fulfilling its social responsibility and committed more than RMB260 million in philanthropy in recent years. ND paper has persistently supported government programs for targeted poverty alleviation.

ND Paper has established the "Nine Dragons Class" for many years, funding higher education as well as providing job opportunities for underprivileged students in remote regions. Hitherto a total of over 800 students have been trained. By way of vocational education, poverty alleviation can be achieved as this establishes for the next generation of poor families a good platform that encourages them to make positive changes to the future of themselves and their families through their own diligent efforts. This also cultivates for the nation and the industry talents with consciousness and skills for sustainable developments, while keeping a heart of gratitude and love to society.

- ND Paper has established a number of "Caring Bases" to provide "Caring Lunches" to children staying in poor mountain regions;
- RMB3.5 million was donated to support the "A Piece Of Caring Paper" activity of the China Charity Federation, helping children with congenital heart disease while actively promoting waste paper recycling;
- Actively engaged in poverty alleviation work for minority ethnic groups in poor regions by donating RMB5 million to improve the education facilities at Ga-la Middle School in Ganzi Yajiang;
- Donated RMB1 million to "Lighting Life in Tibet', a charity project initiated by overseas Chinese;
- Donated to the construction of "Heart Resettling Houses" for disaster-stricken areas several times;
- Promptly donated RMB15 million, 10 million and 12 million for earthquake disaster relief in Wenchun, Yushu and Ya'an respectively, to assist the people in those areas to rebuild their homes;
- Awarded a number of honors such as "China Charity Prize", "Guangdong Overseas Chinese Special Contribution Award in Commemoration of Three Decades of Economic Reform", "Chinese Merchants Contribution Award", "Poverty Alleviation Cotton Tree Golden Cup Award", etc.;
- In Hong Kong, aggregate donations of over HK$50 million have been made to various organizations for building a loving community.

I. The Group's Management Took Part in Various Community Projects in Person

1. ND Paper donated RMB10 million to the Talent Program of The First Affiliated Hospital, Sun Yat-sen University in Guangzhou.

2. Participated in "Guangdong Poverty Alleviation Day" and donated RMB40 million in June 2018

ND Paper proactively supports various effective poverty alleviation measures implemented by the country. It has participated in "Guangdong Poverty Alleviation Day" for 9 consecutive years and made an aggregate donation of over RMB150 million, contributing to the mission of "building a moderately prosperous society" promoted by the country.

II. Major Community Activities ND Paper Participated in from July 2017 to June 2018

1. Targeted poverty alleviation projects

Supported underprivileged families to develop farming for crops such as naili plum, peach, mulberry, lemon, gonggan mandarin, passion fruit, white lotus, as well as honey, raising cattle, chicken, etc., while also assisted in the rebuilding of village roads and improvements on village environments.

2. Actively supporting various community activities in Hong Kong

Over the one-year period, ND Paper has made various donations in Hong Kong totaling over HK$25 million, including HK$18 million to New Home Association, HK$5 million to Our Hong Kong Foundation, HK$1.2 million to Hong Kong Federation Of Overseas Chinese Associations, HK$720,000 to Queen Elizabeth Hospital, etc..

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. Up till June 2018, a total of 13 terms have been held.

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

Each production base of the Group often provides assistance to needy families in its local community, and arranges for education and social welfare establishments such activities as caring lunches, book donations, scholarships and education subsidies, school uniform and equipment donations, visiting the aged and veterans, etc., so as to promote the spirit of positive thinking, proactivity, harmony, care and respect for the aged and teachers.

Dongguan Base


Visiting veteran


Book donation

Taicang Base

Visiting the aged

Chongqing Base

School uniform donation

Tianjin Base

Caring lunches

Quanzhou Base

Scholarship presentation

Shenyang Base

School uniform donation

Leshan Base

Scholarship presentation

Hebei Base

Sports equipment donation

Vietnam Base

Donation to orphanage

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 FY2018, ND Paper has organized 13 non-deal roadshows covering Hong Kong, Mainland China, Taiwan, Singapore, USA, UK and Europe. It has participated in 13 investor conferences and events in Hong Kong, Mainland China, Macao and Singapore, and 22 group conference calls/video conferences arranged by various financial institutions.

Major Investor Relations Activities in FY2018

Time	Event	Organizer/Arranger	Location
July, 2017	Citi Hong Kong and China Corporate Day (Mid-Cap Alpha)	Citi	Hong Kong
July, 2017	Group luncheon and conference call	Daiwa Capital Markets	Hong Kong
July, 2017	Non-deal roadshow	DBS Bank	Hong Kong
July, 2017	Group conference call	Soochow Securities	
July, 2017	Non-deal roadshow	CICC	Hong Kong
July, 2017	Group conference call	Bank of America Merrill Lynch	
July, 2017	Group conference call	First Shanghai Securities	
August, 2017	Group conference call	Shenwan Hongyuan	
August, 2017	Group conference call	Waterland Securities	
September, 2017	Annual Results Investor and Analyst Briefing	ND Paper	Hong Kong
September, 2017	Post-results non-deal roadshow	Citi	Hong Kong
September, 2017	Post-results non-deal roadshow	UBS	Shanghai/Beijing
October, 2017	Post-results non-deal roadshow	J.P. Morgan	New York/Boston/ Chicago/San Francisco
October, 2017	Post-results non-deal roadshow	Bank of America Merrill Lynch	Hong Kong
October, 2017	Post-results non-deal roadshow	Concord Securities	Taipei
October, 2017	Group conference call	First Shanghai Securities	
October, 2017	Post-results non-deal roadshow	Bank of America Merrill Lynch	Singapore
October, 2017	Post-results non-deal roadshow	UBS	London/Zurich/Frankfurt/ Amsterdam/The Hague/ Rotterdam
November, 2017	Investor conference — 12th Citi China Investor Conference 2017	Citi	Macao
November, 2017	Jefferies 7th Annual Greater China Summit	Jefferies	Hong Kong
November, 2017	Investor conference — 12th Daiwa Investment Conference Hong Kong 2017	Daiwa Capital Markets	Hong Kong
November, 2017	Investor conference — Bank of America Merrill Lynch 2017 China Conference	Bank of America Merrill Lynch	Beijing
November, 2017	Investor conference — Morgan Stanley Sixteenth Annual Asia Pacific Summit	Morgan Stanley	Singapore
November, 2017	Group conference call	Cathay Securities	
December, 2017	Non-deal roadshow	DBS Bank	Hong Kong

Time	Event	Organizer/Arranger	Location
December, 2017	Investor conference — Citi Hong Kong and China Corporate Day (Industrials)	Citi	Hong Kong
January, 2018	Group conference call	Bank of America Merrill Lynch	
January, 2018	Group conference call	Cathay Securities	
January, 2018	Group conference call	Fubon Securities	
February, 2018	Interim Results Investor and Analyst Briefing	ND Paper	Hong Kong
February, 2018	Post-results non-deal roadshow	Citi	Hong Kong
March, 2018	Post-results non-deal roadshow	Bank of America Merrill Lynch	Hong Kong
March, 2018	Post-results non-deal roadshow	UBS	Hong Kong
March, 2018	Group conference call	GF Securities	
March, 2018	Investor conference — 21st Credit Suisse Asian Investment Conference	Credit Suisse	Hong Kong
March, 2018	Group conference call	Yuanta Securities	
March, 2018	Group video conference	Mizuho Securities	
April, 2018	Investor conference — China Quality of Life Forum	J.P. Morgan	Hong Kong
April, 2018	Group conference call	Concord Securities	
April, 2018	Group conference call	Cathay Securities	
April, 2018	Group conference call	KGI Securities	
April, 2018	Group conference call	First Shanghai Securities	
May, 2018	Group meeting	Daiwa Capital Markets	Hong Kong
May, 2018	Group conference call	Citi	
June, 2018	Group conference call	Fubon Securities	
June, 2018	Group conference call	Cathay Securities	
June, 2018	Group conference call	Bank of America Merrill Lynch	
June, 2018	Group conference call	Soochow Securities	

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.

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

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 élan 220, L'hotel élan in Hong Kong on 18 December 2017. All resolutions proposed in the meeting 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

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 FY2018, 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 eleven Directors, including seven executive Directors and four INEDs. The Company has experienced the following changes of composition of the Board:

(1) Mr. Ken Liu was appointed as an executive Director and deputy chairman effective 15 June 2018;

(2) Mr. Zhang Cheng Fei was re-designated as an executive Director, deputy chairman and deputy chief executive officer effective 15 June 2018;

(3) Mr. Zhang Lianpeng was re-designated as an executive Director effective 21 August 2018; and

(4) Mr. Chen Kefu was appointed as an INED effective 21 August 2018.

Ms. Cheung Yan is the spouse of Mr. Liu Ming Chung, sister of Mr. Zhang Cheng Fei and the aunt of Mr. Zhang Lianpeng. Mr. Lau Chun Shun and Mr. Ken Liu are the sons of Ms. Cheung Yan and Mr. Liu Ming Chung, nephews of Mr. Zhang Cheng Fei and cousins of Mr. Zhang Lianpeng. Mr. Zhang Lianpeng is the son of Mr. Zhang Cheng Fei, nephew of Ms. Cheung Yan and Mr. Liu Ming Chung and cousin of Mr. Lau Chun Shun and Mr. Ken Liu. 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	2017 AGM
Number of Meetings	7	1	4	4	4	1	1
Executive Directors							
Ms. Cheung Yan *(Chairlady)*	7/7	1/1			4/4	1/1	1/1
Mr. Liu Ming Chung *(Deputy Chairman and Chief Executive Officer)*	7/7		4/4				1/1
Mr. Zhang Cheng Fei *(Deputy Chairman and Deputy Chief Executive Officer)*	7/7		4/4		4/4	1/1	1/1
Mr. Lau Chun Shun	7/7						1/1
Mr. Ken Liu *(Deputy Chairman)* (Note 1)							
Mr. Zhang Yuanfu *(Chief Financial Officer)*	7/7						1/1
Mr. Zhang Lianpeng (Note 2)	6/6						1/1
Independent Non-Executive Directors							
Ms. Tam Wai Chu, Maria	7/7	1/1	4/4	4/4	4/4	1/1	1/1
Mr. Ng Leung Sing	7/7	1/1	4/4	4/4	4/4	1/1	1/1
Mr. Lam Yiu Kin	7/7	1/1	4/4	4/4	4/4	1/1	1/1
Mr. Chen Kefu (Note 3)							

Notes:

1. Mr. Ken Liu was appointed as an executive Director and deputy chairman effective 15 June 2018.

2. Mr. Zhang Lianpeng was re-designated as an executive Director effective 21 August 2018.

3. Mr. Chen Kefu was appointed as an INED effective 21 August 2018.

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 4 INEDs out of the 11-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.

Following the appointment of Mr. Ken Liu as an executive Director and deputy chairman on 15 June 2018, the number of INEDs of the Company has fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules. The Board has met the requirement of Rule 3.11 of the Listing Rules after they appointed Mr. Chen Kefu as an INED on 21 August 2018.

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.

CONTRIBUTIONS OF INEDs

The Company strives to build an effective Board, whose capability is appropriate for the scale, complexity and strategic positioning of our business. With this in mind, the INEDs are highly regarded incumbents with the following expertise and experience present in one or more of them:

— Significant board, financial and general management experience across a range of sectors and knowledge of corporate governance issues;

— In-depth and up-to-date knowledge of the global markets and economic, political and regulatory development;

— Considerable experience and qualification in financial administration, banking, legal and/or compliance;

— Broad experience in government organisations, public bodies and/or regulatory authorities;

— Leadership role in large-scale companies or organizations;

— Deep knowledge of commercial expertise;

— Alert of corporate social responsibility issues.

All of them have a wealth of experience in diverse fields and possess the requisite upright character, integrity and business insight for the proper discharge of their duties as independent directors. In pursuit of the Group's objectives and business endeavors, by offering independent and constructive advice, they provide valuable contributions and insights to the Board and instill integrity into every aspect of our business which is also aligned to our values. Their considerable pool of knowledge, experience, skills and expertise are crucial to the Board's deliberations. They have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through active participation.

In addition, the INED act as custodian of the policies and practices that define and safeguard the reputation of the Company and are well placed to carry out their role. They have devoted time to satisfying themselves that our corporate governance practices and compliance policies accord with latest requirements. Their drive, enthusiasm and commitment, along with their proven ability to build and lead a strong Board, brings significant value to all stakeholders of the Group.

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 her independent judgment. There is no evidence that length of tenure is having any adverse impact on her independence. 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.

The Board as well as the Nomination Committee have reviewed the independence of all INEDs and have concluded that all of them are independent within the definition of the Listing Rules. Further, up to the date of this report, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any INEDs has been impaired.

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 FY2018, 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 consolidated financial statements of the Company are set out in the Independent Auditor's Report on pages 81 to 85.

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 Yan (Chairlady), Mr. Liu Ming Chung, Mr. Zhang Cheng Fei 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 Ming Chung and Mr. Zhang Cheng Fei.

A separate report prepared by the Remuneration Committee which summarized its works performed during FY2018, and also set out details of the share options to the Directors and the employees on pages 56 to 60 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 FY2018 is set out on pages 61 to 62 of this Annual Report.

NOMINATION COMMITTEE

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

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 FY2018, 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.

The Nomination Committee has set the measurable objectives based on five focused areas: gender, age, length of service, professional experience and skills and knowledge for the implementation of board diversity of the Company.

As at the date of this report, the Board comprises eleven directors. Four of them are INEDs drawn from a diverse background, spanning business management, investment management, public administration, financial services, legal, compliance and accounting, thereby ensuring critical review and control of the management process. The Board has maintained a balanced composition in terms of gender, age, professional experience, skills and knowledge. It has performed effectively by providing sound judgment on strategic issues and effective oversight of and guidance to management. The biographies of the Directors as at the date of this report set out in pages 66 to 69 to this Annual Report demonstrate a diversity of skills, expertise, experience and qualifications.

Having reviewed the implementation of the Board Diversity Policy and the structure, size and composition of the Board, the Nomination Committee of the Board considered that the requirements of the Board Diversity Policy had been met.

During the Year, four 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 Yan and Mr. Zhang Cheng Fei.

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 FY2018, 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. Ken Liu and Mr. Chen Kefu, who were appointed as an executive Director and INED on 15 June 2018 and 21 August 2018 respectively, both had 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
Executive Directors		
Ms. Cheung Yan	✓	✓
Mr. Liu Ming Chung	✓	✓
Mr. Zhang Cheng Fei	✓	✓
Mr. Lau Chun Shun	✓	✓
Mr. Ken Liu (Note 1)	✓	✓
Mr. Zhang Yuanfu	✓	✓
Mr. Zhang Lianpeng (Note 2)	✓	✓
Independent Non-Executive Directors		
Ms. Tam Wai Chu, Maria	✓	✓
Mr. Ng Leung Sing	✓	✓
Mr. Lam Yiu Kin	✓	✓
Mr. Chen Kefu (Note 3)	✓	✓
Company Secretary		
Cheng Wai Chu, Judy	✓	✓

Notes:

1. Mr. Ken Liu was appointed as an executive Director effective 15 June 2018. He has received an induction briefing that gives him an understanding of the Group, its businesses and operations.

2. Mr. Zhang Lianpeng was re-designated as an executive Director effective 21 August 2018.

3. Mr. Chen Kefu was appointed as an INED effective 21 August 2018. He has received an induction briefing that gives him an understanding of the Group, its businesses and operations.

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 FY2018, 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 FY2018, 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 18 December 2017.

Investor Relations

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

Shareholders' enquiries

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

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

3. Shareholders may make enquiries to the Board in 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 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) concern 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 Ming Chung and Mr. Zhang Cheng Fei.

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 FY2018

During FY2018, the Remuneration Committee held four meetings. The following is a summary of the major tasks completed by the Remuneration Committee during the Year:

- reviewed the remuneration level for Directors;
- determined the remuneration packages for Directors appointed in FY2018;
- 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;
- reviewed the bonus payments to the Directors and the Bonus Distribution policy; and
- reviewed the terms of reference of the Remuneration Committee.

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 2018, 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:

	Number of Share options					
Grantees	Balance as at 1 July 2017	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Balance as at 30 June 2018	Approximate percentage of shareholding*
Directors (Notes 1 & 2)						
Ms. Cheung Yan	4,500,000	–	–	–	4,500,000	0.10%
Mr. Liu Ming Chung	4,500,000	–	–	–	4,500,000	0.10%
Mr. Zhang Cheng Fei	4,500,000	–	–	–	4,500,000	0.10%
Mr. Lau Chun Shun	4,500,000	–	–	–	4,500,000	0.10%
Total:	**18,000,000**	**–**	**–**	**–**	**18,000,000**	

* The total number of issued shares of the Company was 4,674,220,811 as at 30 June 2018.

Notes:

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

				Number of Shares options					
Name of Director	Date of grant ("Grant Date")	Exercise Price HK$	Exercisable Period	Balance as at 1 July 2017	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Balance as at 30 June 2018	Closing price immediately before Grant Date HK$
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.

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$
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 2018 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 FY2018

The Audit Committee holds regular meetings and organizes additional meetings if and when necessary. During FY2018, the Committee held four meetings. The following is a summary of the tasks completed by the Audit Committee during FY2018:

- reviewed the financial statements for FY2017 and for the six months ended 31 December 2017 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 FY2018 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 2018 AGM, PricewaterhouseCoopers be re-appointed as the Company's external auditor for FY2019.

For FY2018, the external auditor of the Company received approximately RMB8.6 million for audit services and RMB7.8 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 FY2018 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 2018.

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*, 61, 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 22 years of experience in paper manufacturing and over 32 years of experience in recovered paper recycling and international trade. Ms. Cheung was a member of the National Committee of the Chinese People's Political Consultative Conference. She is currently executive vice chairman of the China Overseas Chinese Entrepreneurs Association, vice president of China Paper Association, vice president of China Paper Industry Chamber of Commerce, Honorary Life 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, Chairman 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 by the Government of the HKSAR 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 Mr. Ken Liu and the aunt of Mr. Zhang Lianpeng.

Mr. Liu Ming Chung, 56, 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 27 years of experience in international trade and over 19 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 Mr. Ken Liu and the uncle of Mr. Zhang Lianpeng.

Mr. Zhang Cheng Fei, 50, has been an Executive Director and Deputy Chief Executive Officer of the Company since 2006 and was re-designated as an Executive Director, Deputy Chairman and Deputy Chief Executive Officer of the Company since June 2018. 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 24 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 and Mr. Ken Liu.

Mr. Lau Chun Shun, 37, 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 9 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, the elder brother of Mr. Ken Liu and the cousin of Mr. Zhang Lianpeng.

Mr. Ken Liu, 26, has been the Executive Director and Deputy Chairman of the Company since 2018. He is also a director of various subsidiaries of the Company. He is also the Chief Executive Officer (North America) of a subsidiary of the Company in charge of business in North America. Mr. Ken Liu graduated cum laude in Government from Harvard University. He was previously a consultant at PricewaterhouseCoopers in U.S. where he advised technology, telecom, and banking companies for approximately two years. Since March 2016, Mr. Ken Liu has been the vice chairman of ACN, one of the largest recovered paper suppliers to the Group, where he was responsible for overseeing its corporate development, marketing strategy and general management. Mr. Ken Liu is the son of Ms. Cheung Yan and Mr. Liu Ming Chung, the younger brother of Mr. Lau Chun Shun, the nephew of Mr. Zhang Cheng Fei and the cousin of Mr. Zhang Lianpeng.

Mr. Zhang Yuanfu, 55, 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 32 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.

Mr. Zhang Lianpeng, 26, joined the Company as a Non-executive Director in 2017 and was re-designated as an Executive Director of the Company in August 2018. Mr. Zhang 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. Mr. Zhang 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 and Mr. Ken Liu.

PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tam Wai Chu, Maria, *GBM, JP*, 72, has been an INED of the Company since 2006. She serves as an independent non-executive director of Sa Sa International Holdings Limited, Sinopec Kantons Holdings Limited, Wing On Company International Limited, Macau Legend Development Limited and China Shenhua Energy Company Limited, all are listed on The Stock Exchange of Hong Kong Limited. Ms. Tam was a deputy to the National People's Congress of The People's Republic of China. She is the Deputy Director 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*, 69, 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 and a director of BOCHK Charitable Foundation Limited. Mr. Ng is a Hong Kong Deputy to the 10th, 11th, 12th and 13th National People's Congress, People's Republic of China. He is also an independent non-executive director of SmarTone Telecommunications Holdings Limited, Hanhua Financial Holding Company Limited and Grand Brilliance Group Holdings 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 63, 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 Royal Century Resources Holdings Limited (formerly known as Kate China Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange and from 2015 to 2017, Mr Lam was an independent non-executive director of Mason Group Holdings Limited (formerly known as Mason Financial Holdings Limited). 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; CITIC Telecom International Holdings Limited and Bestway Global Holding Inc.

Mr. Chen Kefu, aged 76, has been appointed as an INED of the Company since 2018. He graduated from the Mathematics Department of Fudan University majoring in Mechanics in 1967. He was promoted to Professor by Tianjin Municipal Science and Technology Commission in 1991 and was elected as a member of the Chinese Academy of Engineering in 2003. Member of the Chinese Academy of Engineering is the highest academic title in engineering technology established in the PRC, which is a lifelong honor. Mr. Chen has served South China University of Technology in PRC since December 1992, and is currently the Director of the Academic Committee of the State Key Laboratory of Pulp and Paper Engineering of South China University of Technology and Professor of School of Light Industry and Engineering. Mr. Chen has devoted himself to the research and teaching of light industry, pulp and paper engineering for a long time, won various national science and technology awards, and has made contribution to the paper industry.

PROFILE OF SENIOR MANAGEMENT

Mr. Zhang Yian, 44, joined the Group in June 2001. He served as the General Manager of Nine Dragons Paper Industries (Dongguan) Co., Ltd. since June 2018 and has worked for the Group for over 17 years. Prior to joining the Group, Mr. Zhang worked for Hunan Taoyuan textile printing and dyeing company for over 6 years and was responsible for equipment's management. He graduated from Hunan Province Changde College (currently renamed as Hunan University of Arts and Science) and Hunan University (major in Industrial Economy Management).

Mr. Meng Feng, 46, 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 25 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. Yin Xianwen, 50, joined the Group in 2002 and served as the General Manager of Nine Dragons Paper Industries (Tianjin) Co., Ltd. since November 2017. Mr. Yin has over 26 years' experience in management in paper manufacturing industry. Prior to joining the Group, he worked for Shandong Huazhong Paper Manufacturing Co., Ltd. He graduated from East China Normal University (major in Electronic Science and Technology) and is an engineer in automatic control.

Mr. Sun Zuo Hua, 44, 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 23 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, 43, 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 23 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, 44, 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 22 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. Cai Heqiang, 44, joined the Group in July 1997 and served as the General Manager of Nine Dragons Paper Industries (Shenyang) Co., Ltd. since January 2018. Mr. Cai and has over 21 years of experience in paper manufacturing marketing and management. He graduated from Guangdong Business College (currently renamed as Guangdong University of Finance & Economics) with a bachelor degree in Economics.

Mr. Zhang Du Ling, 48, 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 22 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, 62, 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, 47, has served as the Group's Deputy Chief Financial Officer in charge of financial operation since October 2008. Mr. Chu has more than 24 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, 50, 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 28 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, 54, 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 29 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 FY2018.

PRINCIPAL BUSINESSES

The Group primarily manufactures 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.

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 Auditor's 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 FY2018 are set out in the accompanying financial statements on page 88.

An interim dividend of RMB10.0 cents (equivalent to approximately HK12.34 cents) per share for the six months ended 31 December 2017 (six months ended 31 December 2016: RMB5.0 cents) was paid to shareholders on 18 May 2018.

The Board has resolved to recommend the payment of a final dividend of RMB40.0 cents (equivalent to approximately HK45.8 cents) per share for FY2018, which are expected to be paid on Friday, 11 January 2019 subject to the approval of 2018 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 Friday, 21 December 2018. The translation of RMB into HKD is made at the exchange rate of HK$1.00 = RMB0.87388 as at 18 September 2018 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 2018 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 2018, the Company's reserve available for cash distribution and/or distribution in specie, representing the retained earnings, amounted to approximately RMB94,806,000 (30 June 2017: RMB62,388,000). In addition, the Company's share premium account and contributed surplus of approximately RMB3,765,002,000 and RMB5,392,562,000, respectively, as at 30 June 2018 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 74.8% of the Group's total purchases and the purchase attributable to the Group's largest supplier was about 30.2% of the Group's total purchases. The aggregate amount of turnover attributable to the Group's five largest customers was approximately 4.4% 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 Yan and Mr. Liu Ming Chung. ACN Tianjin is a company indirectly owned as to 70% by Ms. Cheung Yan and Mr. Liu Ming Chung. Ms. Cheung Yan is the wife of Mr. Liu Ming Chung, the sister of Mr. Zhang Cheng Fei, the mother of Mr. Lau Chun Shun and Mr. Ken Liu and the aunt of Mr. Zhang Lianpeng. Mr. Liu Ming Chung is the husband of Ms. Cheung Yan, the brother-in-law of Mr. Zhang Cheng Fei, the father of Mr. Lau Chun Shun and Mr. Ken Liu 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 Yan	
Mr. Liu Ming Chung	
Mr. Zhang Cheng Fei	(re-designated as an executive Director, Deputy Chairman and Deputy Chief Executive Officer on 15 June 2018)
Mr. Lau Chun Shun	
Mr. Ken Liu	(appointed on 15 June 2018)
Mr. Zhang Yuanfu	
Mr. Zhang Lianpeng	(re-designated from a non-executive Director to an executive Director on 21 August 2018)

INEDs

Ms. Tam Wai Chu, Maria	
Mr. Ng Leung Sing	
Mr. Lam Yiu Kin	
Mr. Chen Kefu	(appointed on 21 August 2018)

In accordance with Bye-laws of the Company, Ms. Cheung Yan, Mr. Zhang Yuanfu and Ms. Tam Wai Chu, Maria will retire from office by rotation and, being eligible, offer themselves for re-election at the 2018 AGM.

In accordance with Bye-laws 86(2) of the Company's Bye-laws, Mr. Ken Liu and Mr. Chen Kefu being appointed by the Board in the Year shall hold office until the 2018 AGM and, being eligible, offer themselves for re-election at the 2018 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 2018, 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 2018.

		Number of Shares			Number of underlying shares (in respect of share options)			
Name of Directors	Long Position/ Short Position	Personal Interests	Family Interests	Corporate Interests (Note 1)	Personal Interests	Family Interests	Total	Approximate percentage of shareholdings
Ms. Cheung Yan	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 Ming Chung	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 Cheng Fei	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%
Mr. Ken Liu	Long Position	1,382,000	–	2,992,120,000	–	–	2,993,502,000	64.04%
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 Yan	Long Position	Founder of The Cheung Family Trust	37,073	37.073%
	Long Position	Interest of spouse	37,053	37.053%
Mr. Liu Ming Chung	Long Position	Founder of The Liu Family Trust	37,053	37.053%
	Long Position	Interest of spouse	37,073	37.073%
Mr. Zhang Cheng Fei	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)	90,000	90.000%
Mr. Ken Liu	Long Position	Beneficiary of trusts (Note 4)	90,000	90.000%
Mr. Zhang Lianpeng	Long Position	Beneficiary of trusts (Note 5)	25,874	25.874%

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 YC 2013 Company Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Cheung Family Trust; (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 an irrevocable trust. The Cheung Family Trust, The Liu Family Trust and The Golden Nest Trust are revocable discretionary trusts.

(3) Ms. Cheung Yan and Mr. Liu Ming Chung is the Settlor of The Cheung Family Trust and The Liu Family Trust respectively. Ms. Cheung Yan is the spouse of Mr. Liu Ming Chung. Each of Ms. Cheung Yan and Mr. Liu Ming Chung 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 and Mr. Ken Liu are two of the beneficiaries of each of The Cheung Family Trust, The Liu Family Trust and The Golden Nest Trust. They are therefore deemed to be interested in the Shares held by Best Result pursuant to Part XV of the SFO.

(5) Mr. Zhang Lianpeng is a beneficiary of each of The Zhang Family Trust and The Golden Nest Trust.

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 the 30 June 2018, 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 2018, 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%
YC 2013 Company Limited	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 Cheung Family Trust and 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 YC 2013 Company Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Cheung Family Trust; (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 2018, 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 30 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 RMB43,475,000 (2017: RMB41,892,000).

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 August 2018, the Company has a facility agreement with China Development Bank, Hong Kong Branch in an aggregate amount of USD145 million for a term of 3 years. It would constitute an event of default if (i) any one of Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei (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 Yan, 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 FY2018.

RELATED PARTY TRANSACTIONS

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

CONTINUING CONNECTED TRANSACTIONS

During FY2018 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 Cheng Fei, 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 2017 to 31 March 2018, the actual amount of transactions under the Come Sure Raw Paper Materials Supply Agreement was RMB426 million and was within the annual cap of RMB500 million. During the period from 1 April 2018 to 30 June 2018, the actual amount of transactions was RMB122 million and the annual cap for the period from 1 April 2018 to 31 March 2019 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 Cheng Fei and Ms. Cheung Yan. On 8 May 2017, 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 2017 to 30 June 2020.

During FY2018, the actual amount of transactions under the Longteng Packaging Materials and Chemicals Purchase Agreement was RMB47 million and was within the annual cap of RMB150 million. The Longteng Packaging Materials and Chemicals Purchase Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

(c) Hong Kong International Paper Chemicals Purchase Agreement

Hong Kong International Paper is a company wholly-owned by Mr. Zhang Cheng Ming and his family members. On 8 May 2017, Hong Kong International Paper and the Company entered into a purchase agreement (the "Hong Kong International Paper Chemicals Purchase Agreement"), pursuant to which the Group agreed to purchase packaging materials and chemicals from Hong Kong International Paper for the Group's production requirements from 1 July 2017 to 30 June 2020.

During FY2018, the actual amount of transactions under the Hong Kong International Paper Chemicals Purchase Agreement was RMB442 million and was within the annual cap of RMB1,150 million. The Hong Kong International Paper Chemicals Purchase Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

(d) Longteng Packaging Paperboard Supply Agreement

On 8 May 2017, 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 2017 to 30 June 2020.

During FY2018, the actual amount of transactions under the Longteng Packaging Paperboard Supply Agreement was RMB336 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 29 June 2017.

(e) Taicang Packaging Paperboard Supply Agreement

Taicang Packaging is a company which is held as to 100% by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei. On 8 May 2017, 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 2017 to 30 June 2020.

During FY2018, the actual amount of transactions under the Taicang Packaging Paperboard Supply Agreement was RMB589 million and was within the annual cap of RMB600 million. The Taicang Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

(f) Honglong Packaging Paperboard Supply Agreement

Honglong Packaging is beneficially held as to 60% by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei. On 8 May 2017, 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 2017 to 30 June 2020.

During FY2018, the actual amount of transactions under the Honglong Packaging Paperboard Supply Agreement was RMB210 million and was within the annual cap of RMB280 million. The Honglong Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

(g) ACN Recovered Paper Purchase Agreement

ACN is indirectly wholly owned by Ms. Cheung Yan and Mr. Liu Ming Chung. On 8 May 2017, 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 2017 to 30 June 2020.

During FY2018, the actual amount of transactions under the ACN Recovered Paper Purchase Agreement was RMB10,094 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 29 June 2017.

(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 Yan and Mr. Liu Ming Chung. On 8 May 2017, 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 2017 to 30 June 2020.

During FY2018, the actual amount of transactions under the Tianjin ACN Wastepaper Purchase Agreement was RMB11,148 million and was within the annual cap of RMB12,000 million. The Tianjin ACN Wastepaper Purchase Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

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 consolidated financial statements for FY2018 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 2018 AGM.

On behalf of the Board

Cheung Yan
Chairlady

Hong Kong, 18 September 2018

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 86 to 151, which comprise:

- the consolidated balance sheet as at 30 June 2018;
- 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 2018, 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 ("HKSAs") 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, 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
Revenue recognition on sales of goods	
Refer to note 2.23(a) to the consolidated financial statements. During the year ended 30 June 2018, the Group has recognised revenue from sales of goods of RMB52,781,754,000. 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. 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.	We understood, evaluated and validated management's key controls in respect of the Group's sales transactions from sales contracts, sales orders, sales invoices, through to recording of sales based on the goods delivery notes accepted by customers. 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. We checked the sales contract template prepared by the Group, and analysed and evaluated the Group's accounting policies on the revenue recognition of sales of goods based on the interview with management, understanding of the Group's business and our audit experience. We selected sales contracts entered into by the Group and its customers on a sample basis and compared the key contract terms with the sales contract template; we also examined the sales orders, sales invoices and goods delivery notes accepted by customers relevant to those selected sales contracts. We 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. 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. 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.

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 HKSAs 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 HKSAs, 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, 18 September 2018

CONSOLIDATED BALANCE SHEET

	Note	30 June 2018 RMB'000	30 June 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	51,121,444	46,415,144
Land use rights	7	1,482,967	1,520,792
Intangible assets	8	231,382	230,664
Investments in an associate and a joint venture	10	176,188	119,749
Other receivables and prepayments	12	21,305	21,305
Deferred income tax assets	17	85,249	2,425
		53,118,535	48,310,079
Current assets			
Inventories	11	6,691,091	4,679,114
Trade and bills receivables	12	5,998,275	5,399,248
Other receivables and prepayments	12	2,979,699	1,220,678
Tax recoverable		9,950	50,103
Restricted cash		–	24,000
Short-term bank deposits		–	10,833
Cash and cash equivalents	13	9,044,707	6,472,756
		24,723,722	17,856,732
Total assets		77,842,257	66,166,811
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	478,977	478,977
Share premium	14	3,765,002	8,765,002
Other reserves	15	6,457,327	1,539,236
Retained earnings		25,278,150	18,965,490
		35,979,456	29,748,705
Non-controlling interests		286,131	336,084
Total equity		36,265,587	30,084,789

	Note	30 June 2018 RMB'000	30 June 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	16	**14,571,089**	16,832,996
Deferred income tax liabilities	17	**2,772,576**	2,433,172
Other payables	18	**90,767**	—
		17,434,432	19,266,168
Current liabilities			
Borrowings	16	**18,141,114**	12,116,126
Trade and bills payables	18	**3,172,672**	2,291,195
Other payables and advance from customers	18	**2,122,238**	1,842,678
Current income tax liabilities		**706,214**	565,855
		24,142,238	16,815,854
Total liabilities		**41,576,670**	36,082,022
Total equity and liabilities		**77,842,257**	66,166,811

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 86 to 151 were approved by the board of directors of the Company on 18 September 2018 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	
		2018	2017
	Note	**RMB'000**	RMB'000
Sales	19	**52,781,754**	39,154,808
Cost of goods sold	21	**(41,196,507)**	(31,178,547)
Gross profit		**11,585,247**	7,976,261
Other income, other expenses and other losses — net	20	**1,101,681**	681,674
Exchange gains/(losses) on operating activities — net		**89,408**	(117,037)
Selling and marketing costs	21	**(1,115,105)**	(837,882)
Administrative expenses	21	**(1,226,499)**	(1,142,334)
Operating profit		**10,434,732**	6,560,682
Finance costs — net		**(921,423)**	(959,266)
— Finance income	23	**102,876**	106,689
— Finance costs	23	**(1,024,299)**	(1,065,955)
Exchange losses on financing activities — net		**(98,620)**	(282,588)
Share of profit of an associate and a joint venture — net	10	**136,603**	116,170
Profit before income tax		**9,551,292**	5,434,998
Income tax expense	24	**(1,690,041)**	(1,025,364)
Profit for the year		**7,861,251**	4,409,634
Profit attributable to:			
— Equity holders of the Company		**7,848,075**	4,383,668
— Non-controlling interests		**13,176**	25,966
		7,861,251	4,409,634
Basic earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*	25	**1.6790**	0.9387
Diluted earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*	25	**1.6752**	0.9372

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**7,861,251**	4,409,634
Other comprehensive income		
(Items that may be reclassified subsequently to profit or loss):		
Currency translation differences	**(7,098)**	3,690
Total comprehensive income for the year	**7,854,153**	4,413,324
Attributable to:		
— Equity holders of the Company	**7,845,928**	4,385,969
— Non-controlling interests	**8,225**	27,355
	7,854,153	4,413,324

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 14)	Share premium RMB'000 (Note 14)	Other reserves RMB'000 (Note 15)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2016	478,272	8,730,315	1,323,109	15,542,523	26,074,219	346,642	26,420,861
Comprehensive income							
Profit for the year	–	–	–	4,383,668	4,383,668	25,966	4,409,634
Other comprehensive income							
Currency translation differences	–	–	2,301	–	2,301	1,389	3,690
Total comprehensive income	–	–	2,301	4,383,668	4,385,969	27,355	4,413,324
Transactions with owners							
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
Total transactions with owners	705	34,687	(513,164)	(233,711)	(711,483)	(37,913)	(749,396)
Appropriation to statutory reserve and enterprise expansion fund	–	–	726,990	(726,990)	–	–	–
Balance at 30 June 2017	478,977	8,765,002	1,539,236	18,965,490	29,748,705	336,084	30,084,789

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 14)	Share premium RMB'000 (Note 14)	Other reserves RMB'000 (Note 15)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2017	478,977	8,765,002	1,539,236	18,965,490	29,748,705	336,084	30,084,789
Comprehensive income							
Profit for the year	–	–	–	7,848,075	7,848,075	13,176	7,861,251
Other comprehensive income							
Currency translation differences	–	–	(2,147)	–	(2,147)	(4,951)	(7,098)
Total comprehensive income	–	–	(2,147)	7,848,075	7,845,928	8,225	7,854,153
Transactions with owners							
2017 final and 2018 interim dividends paid to equity holders of the Company	–	–	(1,168,555)	(467,422)	(1,635,977)	–	(1,635,977)
Acquisition of non-controlling interests in subsidiaries	–	–	20,800	–	20,800	(58,178)	(37,378)
Reduction of share premium and transfer to contributed surplus (Note 14(a))	–	(5,000,000)	5,000,000	–	–	–	–
Total transactions with owners	–	(5,000,000)	3,852,245	(467,422)	(1,615,177)	(58,178)	(1,673,355)
Appropriation to statutory reserve and enterprise expansion fund	–	–	1,067,993	(1,067,993)	–	–	–
Balance at 30 June 2018	478,977	3,765,002	6,457,327	25,278,150	35,979,456	286,131	36,265,587

The above consolidated statement of changes of equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 30 June	
	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	27(a)	10,791,159	5,248,895
Income tax paid		(1,252,842)	(627,517)
Interest paid		(1,138,026)	(1,108,075)
Net cash generated from operating activities		8,400,291	3,513,303
Cash flows from investing activities			
Payments for property, plant and equipment		(6,386,586)	(3,615,052)
Payments for acquisition of a subsidiary	29	(1,185,631)	—
Interest received		102,876	106,689
Changes in short-term bank deposits		10,833	263,175
Dividends received from an associate		80,351	62,163
Others — net		2,312	16,626
Net cash used in investing activities		(7,375,845)	(3,166,399)
Cash flows from financing activities			
Proceeds from borrowings		33,201,110	30,439,346
Repayments of borrowings		(29,727,843)	(34,699,453)
Dividends paid to equity holders of the Company		(1,869,061)	(606,907)
Others — net		(21,359)	23,032
Net cash generated from/(used in) financing activities		1,582,847	(4,843,982)
Net increase/(decrease) in cash and cash equivalents		2,607,293	(4,497,078)
Cash and cash equivalents at beginning of the year		6,472,756	11,002,470
Exchange losses on cash and cash equivalents		(35,342)	(32,636)
Cash and cash equivalents at end of the year	13	9,044,707	6,472,756

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 18 September 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

(c) Amended standards adopted by the Group

The following amendments to standards are relevant and mandatory for the Group's financial year beginning on 1 July 2017. The adoption of these amended standards does not have any significant impact to the results and financial position of the Group.

HKAS 7 (Amendment)	Changes in Liabilities Arising from Financial Activities
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

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

2.1 Basis of preparation *(continued)*

(d) New and amended standards and interpretations not yet adopted

The following new and amended standards and interpretations relevant to the Group have been issued but are not effective for the financial year beginning on 1 July 2017 and have not been early adopted by the Group:

HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 9	Financial Instruments[1]
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions[1]
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures[1]
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration[1]
HKFRS 16	Leases[2]
HK(IFRIC) 23	Uncertainty over Income Tax Treatments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 July 2018.

2 Effective for annual periods beginning on or after 1 July 2019.

3 Effective date to be determined.

The Group's assessment of the impact about below new standards that are expected to be applicable to the Group is as follows:

(i) HKFRS 15, Revenue from contracts with customers

Nature of change

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has not identified significant impact to the Group's results of operations and financial position.

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

2.1 Basis of preparation *(continued)*

(d) New and amended standards and interpretations not yet adopted *(continued)*

(i) HKFRS 15, Revenue from contracts with customers (continued)

Date of adoption by the Group

HKFRS 15 is mandatory for the financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated.

(ii) HKFRS 9, Financial instruments and associated amendments to various other standards

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group currently has financial assets mainly in the category of loans and receivables, which are measured at amortised cost. Accordingly, the directors of the Group does not expect the new guidance to affect the classification and measurement of these financial assets. The directors of Group also expect that there will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules has no significant impact to the Group's results of operations and financial position as the Group doesn't have any hedging instruments.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, contract assets under HKFRS 15 Revenue from Contracts with Customers, and certain financial guarantee contracts of the Group. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, the directors of the Group expect the new impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39.

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 new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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

2.1 Basis of preparation *(continued)*

(d) New and amended standards and interpretations not yet adopted *(continued)*

(ii) HKFRS 9, Financial instruments and associated amendments to various other standards (continued)

Date of adoption by the Group

HKFRS 9 must be applied for the financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard and comparatives for 2017 will not be restated.

(iii) HKFRS 16, Leases

Nature of change

It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB25,526,000 (Note 28(b)). The Group has not yet assessed what adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use asset and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by the Group

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

2.2 Principles of consolidation and equity accounting

These consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 30 June 2018.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.3).

Intercompany 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(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.

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

2.2 Principles of consolidation and equity accounting *(continued)*

(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.

(e) 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.

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

2.2 Principles of consolidation and equity accounting *(continued)*

(e) Equity method *(continued)*

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

(f) Associates

An associate is an entity over which the Group has significant influence but not control or joint 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, after initially being recognised at cost.

(g) 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.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

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

2.3 Business combinations *(continued)*

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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 gains/(losses) on operating activities — net".

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

2.5 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

— all resulting 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, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 the end of each reporting period.

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 2018, 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 consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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

2.13 Impairment of financial assets

The Group assesses at the end of each reporting period 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 the estimated costs of completion and the estimated costs necessary to make the sale.

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.

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

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 reporting period.

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 2018, 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 2018 would have been RMB488,920,000 lower/higher (2017: RMB496,836,000) and other reserves would have been RMB4,444,000 lower/higher (2017: RMB11,748,000), 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 2018, 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 RMB39,828,000 lower/higher (2017: RMB35,060,000), 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 2018.

Counterparties with external credit rating (Note)

	30 June 2018 RMB'000	30 June 2017 RMB'000
Aa3	4,623	466
A1	3,716,557	1,654,342
A2	3,058,231	2,724,082
A3	289,237	56,417
Baa1	519,456	461,478
Baa2	587,191	213,095
Baa3	—	520,161
others	867,682	876,170
	9,042,977	6,506,211

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 2018.

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
At 30 June 2018				
Borrowings (including interests) (Note)	**18,933,312**	**7,762,461**	**6,814,743**	**638,151**
Trade, bills and other payables	**4,455,566**	**–**	**–**	**–**
Financial guarantee contracts provided to a joint venture	**34,061**	**–**	**–**	**–**
At 30 June 2017				
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	–	–	–

Note: Interest on borrowings is calculated on borrowings held as at 30 June 2018 (2017: same). Floating-rate interest is estimated using the current interest rate as at 30 June 2018 (2017: same).

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:

	30 June 2018 RMB'000	30 June 2017 RMB'000
Total borrowings (Note 16)	**32,712,203**	28,949,122
Less: cash and cash equivalents, restricted cash and short-term bank deposits	**(9,044,707)**	(6,507,589)
Net debt	**23,667,496**	22,441,533
Total equity	**36,265,587**	30,084,789
Gearing ratio	**65.3%**	74.6%

The decrease in gearing ratio during the year ended 30 June 2018 was mainly resulted in the increase in total equity during the year.

3.3 Fair value estimation

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

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

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

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

As at 30 June 2018, the Group does not have any financial instruments that are measured at fair value.

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 2018 would be RMB611,202,000 lower or RMB552,992,000 higher.

(b) Income taxes

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the amount of the provision for taxation and timing of payment of the related taxations. 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 2018 is RMB51,205,010,000 (2017: RMB37,418,009,000), and the total of its revenue from external customers from other countries is RMB1,576,744,000 (2017: RMB1,736,799,000). The breakdown of the major products of the total sales is disclosed in Note 19.

As at 30 June 2018, the total of non-current assets other than deferred income tax assets located in the PRC is RMB50,438,136,000 (2017: RMB46,674,513,000), and the total of these non-current assets located in other countries is RMB2,595,150,000 (2017: RMB1,633,141,000).

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
At 1 July 2016						
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
Year ended 30 June 2017						
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	(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
At 30 June 2017						
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
Year ended 30 June 2018						
Opening net book amount	**5,690,350**	**35,905,819**	**437,757**	**433,267**	**3,947,951**	**46,415,144**
Additions	**–**	**38,258**	**55,075**	**71,062**	**6,010,625**	**6,175,020**
Business combination (Note 29)	**250,187**	**541,909**	**2,442**	**–**	**13,802**	**808,340**
Transfer	**558,559**	**2,751,902**	**58,199**	**–**	**(3,368,660)**	**–**
Disposals	**(14,277)**	**(136,831)**	**(2,079)**	**(50,389)**	**–**	**(203,576)**
Depreciation (Notes 21 and (b))	**(356,942)**	**(1,503,569)**	**(111,210)**	**(72,766)**	**–**	**(2,044,487)**
Exchange differences	**4,238**	**13,088**	**(25)**	**(116)**	**(46,182)**	**(28,997)**
Closing net book amount	**6,132,115**	**37,610,576**	**440,159**	**381,058**	**6,557,536**	**51,121,444**
At 30 June 2018						
Cost	**9,313,095**	**49,437,257**	**1,137,317**	**735,596**	**6,557,536**	**67,180,801**
Accumulated depreciation	**(3,180,980)**	**(11,826,681)**	**(697,158)**	**(354,538)**	**–**	**(16,059,357)**
Net book amount	**6,132,115**	**37,610,576**	**440,159**	**381,058**	**6,557,536**	**51,121,444**

(a) Certain property, plant and equipment of the Group with carrying values of approximately RMB265,067,000 as at 30 June 2018 (2017: RMB1,074,532,000) had been pledged for the borrowings of the Group (Note 16).

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

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

	For the year ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cost of goods sold	**1,754,199**	1,690,234
Administrative expenses	**224,113**	259,754
Selling and marketing costs	**62,100**	66,370
Other expenses	**4,075**	3,536
	2,044,487	2,019,894

7. LAND USE RIGHTS

	RMB'000
At 1 July 2016	
Cost	1,853,266
Accumulated amortisation	(331,501)
Net book amount	1,521,765
Year ended 30 June 2017	
Opening net book amount	1,521,765
Additions	40,730
Disposals	(156)
Amortisation (Note 21)	(41,657)
Exchange differences	110
Closing net book amount	1,520,792
At 30 June 2017	
Cost	1,893,756
Accumulated amortisation	(372,964)
Net book amount	1,520,792
Year ended 30 June 2018	
Opening net book amount	**1,520,792**
Amortisation (Note 21)	**(37,581)**
Exchange differences	**(244)**
Closing net book amount	**1,482,967**
At 30 June 2018	
Cost	**1,893,419**
Accumulated amortisation	**(410,452)**
Net book amount	**1,482,967**

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

Amortisation is included in the "cost of goods sold" of the consolidated income statement.

8. INTANGIBLE ASSETS

	Goodwill	Others	Total
	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000
At 1 July 2016			
Cost	221,830	136,543	358,373
Accumulated amortisation and impairment	(75,136)	(37,962)	(113,098)
Net book amount	146,694	98,581	245,275
Year ended 30 June 2017			
Opening net book amount	146,694	98,581	245,275
Addition	—	8,890	8,890
Amortisation (Notes 21 and (a))	—	(8,501)	(8,501)
Impairment	—	(15,000)	(15,000)
Closing net book amount	146,694	83,970	230,664
At 30 June 2017			
Cost	221,830	145,433	367,263
Accumulated amortisation and impairment	(75,136)	(61,463)	(136,599)
Net book amount	146,694	83,970	230,664
Year ended 30 June 2018			
Opening net book amount	**146,694**	**83,970**	**230,664**
Addition	**—**	**6,926**	**6,926**
Business combination (Note 29)	**—**	**1,330**	**1,330**
Amortisation (Notes 21 and (a))	**—**	**(7,538)**	**(7,538)**
Closing net book amount	**146,694**	**84,688**	**231,382**
At 30 June 2018			
Cost	**221,830**	**153,847**	**375,677**
Accumulated amortisation and impairment	**(75,136)**	**(69,159)**	**(144,295)**
Net book amount	**146,694**	**84,688**	**231,382**

(a) Amortisation of RMB6,816,000 and RMB722,000 (2017: RMB7,779,000 and RMB722,000) 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 2018	30 June 2017
Gross margin (Note (i))	**17%**	17%
Long-term growth rate (Note (ii))	**1%**	1%
Discount rate (Note (iii))	**14%**	14%

Notes:

(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 2018, management of the Group was of the view there was no impairment of goodwill (2017: nil).

As at 30 June 2018, 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.

(c)

As at 30 June 2018, other intangible assets mainly represent trademark, computer software and sea use right (2017: same).

9. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2018:

	Place of incorporation and kind of legal entity	Principal activities/ place of operation	Issued and fully paid share capital/paid-in capital	Attributable equity interest held
Directly held:				
Nine Dragons Paper (BVI) Group Limited ("NDP (BVI)")	British Virgin Islands (the "BVI"), limited liability company	Investment holdings/ BVI	US$10,000	100.00%
Indirectly held:				
Nine Dragons Worldwide Investment Limited	Hong Kong, limited liability company	Investment holdings/ Hong Kong	HK$1	100.00%
Nine Dragons Worldwide (China) Investment Group Co., Ltd.	PRC, limited liability company	Investment holdings/ PRC	US$3,217,491,293	100.00%
Nine Dragons Paper Industries (Dongguan) Co., Ltd. (Formerly known as Dongguan Nine Dragons Paper Industries Co., Ltd.)	PRC, limited liability company	Manufacture of paper/PRC	US$863,181,000	100.00%
Nine Dragons Paper Industries (Taicang) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$480,720,000	100.00%
Nine Dragons Paper Industries (Chongqing) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$538,481,311	100.00%
Nine Dragons Paper Industries (Tianjin) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$756,468,200	100.00%
Nine Dragons Paper Industries (Quanzhou) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$271,923,097	100.00%
Nine Dragons Paper Industries (Leshan) Co., Ltd. (Formerly known as Nine Dragons Pulp And Paper (Leshan) Co., Ltd.)	PRC, limited liability company	Manufacture of paper/PRC	US$462,210,000	100.00%
Nine Dragons Paper Industries (Shenyang) Co. Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$225,446,651	100.00%
Nine Dragons Paper Industries (Hebei) Co., Ltd. (Formerly known as Hebei Yongxin Paper Co., Ltd.)	PRC, limited liability company	Manufacture of paper/PRC	US$134,291,928	100.00%
Cheng Yang Paper Mill Co., Ltd. (Note (a))	Vietnam, limited liability company	Manufacture of paper/Vietnam	US$100,000,000	67.00%
ND Paper Inc. (Formerly known as Catalyst Paper Operations Inc.)	The United States of America, limited liability company	Manufacture of paper/The United States of America	US$627	100%

9. SUBSIDIARIES *(continued)*

(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.

(b) 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.

10. INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

There was no associate nor joint venture of the Group as at 30 June 2018 which, in the opinion of the executive directors, are material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the consolidated balance sheet and the consolidated income statement are set out as below:

	Associate	Joint venture	Total
	RMB'000	RMB'000	RMB'000
At 1 July 2016	29,381	36,378	65,759
Share of profit/(loss)	117,908	(1,738)	116,170
Dividends received	(62,163)	—	(62,163)
Exchange differences	—	(17)	(17)
At 30 June 2017	85,126	34,623	119,749
At 1 July 2017	**85,126**	**34,623**	**119,749**
Share of profit/(loss)	**139,878**	**(3,275)**	**136,603**
Dividends received	**(80,351)**	**—**	**(80,351)**
Exchange differences	**—**	**187**	**187**
At 30 June 2018	**144,653**	**31,535**	**176,188**

(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) 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	Leasing

11. INVENTORIES

	30 June 2018 RMB'000	30 June 2017 RMB'000
At cost:		
Raw materials	3,619,336	2,849,572
Finished goods	3,071,755	1,829,542
	6,691,091	4,679,114

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB41,196,507,000 for the year end 30 June 2018 (2017: RMB31,178,547,000).

12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2018 RMB'000	30 June 2017 RMB'000
Trade receivables		
— third parties	**3,951,285**	3,027,667
— related parties (Note 30(d))	**120,287**	47,295
	4,071,572	3,074,962
Bills receivable		
— third parties	**1,846,080**	2,230,220
— related parties (Note 30(d))	**80,623**	94,066
	1,926,703	2,324,286
	5,998,275	5,399,248
VAT recoverable	**758,644**	431,413
Other receivables and deposits		
— third parties	**848,111**	332,995
— related parties (Note 30(d))	**42,272**	43,138
	890,383	376,133
Prepayments		
— third parties	**594,176**	434,437
— related parties (Note 30(d))	**757,801**	—
	1,351,977	434,437
Less: other receivables and prepayments included in non-current assets	**(21,305)**	(21,305)
	2,979,699	1,220,678

(a) As at 30 June 2018, 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 not more than 60 days.

As at 30 June 2018, the ageing analysis of trade receivables based on invoice date was as follows:

	30 June 2018 RMB'000	30 June 2017 RMB'000
0–30 days	**3,333,571**	2,730,132
31–60 days	**652,995**	335,500
Over 60 days	**85,006**	9,330
	4,071,572	3,074,962

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.

(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 2018 RMB'000	30 June 2017 RMB'000
Fully performing under credit term (Note (i))	**4,031,991**	3,067,402
Past due but not impaired (Note (ii))	**39,581**	7,560
Total trade receivables	**4,071,572**	3,074,962

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

(ii) Trade receivables that are past due but not impaired relate to customers for whom there are no recent history of default.

(d) Bills receivables are mainly with maturity period of 90 to 180 days (2017: 90 to 180 days). Bills receivables as at 30 June 2018 represents the bank acceptance notes and commercial bills (2017: same).

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

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

	30 June 2018 RMB'000	30 June 2017 RMB'000
RMB	5,722,576	5,587,000
US$	748,003	17,761
HK$	109,500	126,084
Others	308,579	44,536
	6,888,658	5,775,381

(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 2018 (2017: nil).

(i) Other receivables due from related parties as at 30 June 2018 were unsecured, interest free and repayable on demand (2017: same).

13. CASH AND CASH EQUIVALENTS

	30 June 2018 RMB'000	30 June 2017 RMB'000
Cash and cash equivalents		
— Cash at banks (Note (c))	9,042,977	6,471,378
— Cash in hand	1,730	1,378
	9,044,707	6,472,756
Cash and cash equivalents denominated in:		
— RMB	7,063,072	5,448,776
— EURO	837,317	131,966
— US$	599,090	733,111
— HK$	411,576	127,931
— Others	133,652	30,972
	9,044,707	6,472,756

13. CASH AND CASH EQUIVALENTS *(continued)*

(a) As at 30 June 2018, the maximum exposure to credit risk is the carrying amount of cash at banks of RMB9,042,977,000 (2017: RMB6,471,378,000).

(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 2018, the weighted average effective interest rate of these deposits was 0.44% (2017: 0.66%).

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK$'000	RMB'000	RMB'000	RMB'000
Issued and fully paid					
Year ended 30 June 2017					
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	4,674,220,811	467,422	478,977	8,765,002	9,243,979
Year ended 30 June 2018					
Balance as at 1 July 2017	**4,674,220,811**	**467,422**	**478,977**	**8,765,002**	**9,243,979**
Reduction of share premium and transfer to contributed surplus (Note (a))	**–**	**–**	**–**	**(5,000,000)**	**(5,000,000)**
Balance as at 30 June 2018	**4,674,220,811**	**467,422**	**478,977**	**3,765,002**	**4,243,979**

(a) A reduction of RMB5,000,000,000 standing to the credit of the share premium account of the Company and the transfer such amount to the contributed surplus account was approved by the shareholders at the annual general meeting on 18 December 2017.

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
At 1 July 2016	660,542	231,456	40,098	438,210	(47,197)	1,323,109
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
At 30 June 2017	146,959	230,606	41,367	1,165,200	(44,896)	1,539,236

	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
At 1 July 2017	146,959	230,606	41,367	1,165,200	(44,896)	1,539,236
Reduction of share premium and transfer to contributed surplus (Note 14(a))	5,000,000	–	–	–	–	5,000,000
Acquisition of non-controlling interests in subsidiaries	–	20,800	–	–	–	20,800
Appropriation to statutory reserve and enterprise expansion fund	–	–	–	1,067,993	–	1,067,993
Dividends	(1,168,555)	–	–	–	–	(1,168,555)
Currency translation differences	–	–	–	–	(2,147)	(2,147)
At 30 June 2018	3,978,404	251,406	41,367	2,233,193	(47,043)	6,457,327

15. OTHER RESERVES *(continued)*

(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's 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.

Details of the share options are as follows:

			Number of share options			
Grant date	Exercise price in HK$ per share	Exercisable period	As at 1 July 2017	Granted	Exercised	As at 30 June 2018
29 February 2016	5.19	1 September 2016 to 28 February 2019	18,000,000	–	–	18,000,000

As at 30 June 2018, the outstanding share options of 18,000,000 options (2017: 18,000,000 options) were exercisable.

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$
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 2018 RMB'000	30 June 2017 RMB'000
Non-current		
— Long-term bank and other borrowings	**14,571,089**	16,832,996
Current		
— Short-term bank borrowings	**14,841,529**	9,843,130
— Current portion of long-term bank and other borrowings	**3,299,585**	1,873,196
— Current portion of medium-term notes	**—**	399,800
	18,141,114	12,116,126
	32,712,203	28,949,122

(a) As at 30 June 2018, borrowings of RMB98,419,000 (2017: RMB244,024,000) are secured by certain property, plant and equipment (Note 6) of the Group; borrowings of RMB26,399,964,000 (2017: RMB23,983,279,000) are guaranteed by the Company.

(b) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity dates whichever is earlier is as follows:

	30 June 2018 RMB'000	30 June 2017 RMB'000
6 months or less	**23,138,906**	17,570,106
6 -12 months	**5,057,617**	5,209,735
1–5 years	**4,515,680**	6,169,281
	32,712,203	28,949,122

16. BORROWINGS *(continued)*

(c) At 30 June, the Group's borrowings were repayable as follows:

	30 June 2018 Bank and other borrowings RMB'000
Within 1 year	**18,141,114**
Between 1 and 2 years	**7,397,162**
Between 2 and 5 years	**6,547,829**
Over 5 years	**626,098**
	32,712,203

	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
	28,549,322	399,800	28,949,122

(d) The effective interest rates of borrowings were mainly as follows:

	30 June 2018		
	RMB	**US$**	**EURO**
Long-term bank and other borrowings	**4.43%**	**3.65%**	**1.12%**
Short-term bank borrowings	**4.27%**	**2.28%**	**0.62%**

	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%	—	—

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. The carrying amounts of non-current borrowings approximate their fair values as at 30 June 2018 as the Group's non-current borrowings are mainly carried at floating rates (2017: same).

(f) The Group's borrowings were denominated:

	30 June 2018 RMB'000	30 June 2017 RMB'000
RMB	18,110,574	18,406,556
EURO	6,715,024	5,853,473
US$	5,499,059	4,023,093
HK$	2,081,810	493,761
VND	305,736	172,239
	32,712,203	28,949,122

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

	30 June 2018 `RMB'000	30 June 2017 RMB'000
At floating rates:		
— expiring within one year	23,888,674	30,508,535
— expiring beyond one year	8,432,658	2,159,847
	32,321,332	32,668,382

17. DEFERRED INCOME TAX

	30 June 2018 RMB'000	30 June 2017 RMB'000
Deferred income tax assets	(85,249)	(2,425)
Deferred income tax liabilities	2,772,576	2,433,172
Deferred income tax liabilities, net	2,687,327	2,430,747

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

	For the year ended 30 June	
	2018 RMB'000	2017 RMB'000
Beginning of the year	2,430,747	2,160,452
Charged to the consolidated income statement (Note 24)	256,687	270,283
Exchange differences	(107)	12
End of the year	2,687,327	2,430,747

(b) 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 assets	Deferred income tax liabilities
	RMB'000	RMB'000
At 1 July 2016	(117,727)	2,278,179
Charged to the consolidated income statement	44,408	225,875
Exchange difference	—	12
At 30 June 2017	(73,319)	2,504,066
At 1 July 2017	(73,319)	2,504,066
Charged to the consolidated income statement	(102,052)	358,739
Exchange difference	—	(107)
At 30 June 2018	(175,371)	2,862,698

As at June 30 2018, deferred income tax assets were mainly recognised in respect of temporary differences arising from tax losses and deferred income tax liabilities were mainly provided in respect of temporary differences arising from accelerated tax depreciation.

17. DEFERRED INCOME TAX *(continued)*

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 RMB1,020,050,000 (2017: approximately RMB795,661,000) 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 2018 RMB'000	30 June 2017 RMB'000
Trade payables		
— third parties	**1,948,948**	1,155,946
— related parties (Note 30(d))	**969,896**	282,451
	2,918,844	1,438,397
Bills payable		
— third parties	**253,828**	852,798
	3,172,672	2,291,195
Advance from customers		
— third parties	**342,508**	337,036
Other payables		
— third parties	**1,495,536**	1,391,565
Staff welfare benefits payable	**374,961**	114,077
Less: other payables included in non-current liabilities	**(90,767)**	—
	2,122,238	1,842,678

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

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

(b) The ageing analysis of trade payables based on invoice date as at 30 June 2018 is as follows:

	30 June 2018	30 June 2017
	RMB'000	RMB'000
0–90 days	**1,913,973**	1,404,215
91–180 days	**607,318**	17,693
181–365 days	**380,205**	11,475
Over 365 days	**17,348**	5,014
	2,918,844	1,438,397

(c) Bills payables are mainly with maturity period of 90 to 180 days (2017: 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	
	2018	2017
	RMB'000	RMB'000
Sales of packaging paper	**49,741,364**	36,722,348
Sales of recycled printing and writing paper	**2,706,576**	2,181,592
Sales of high value specialty board products	**333,814**	250,868
	52,781,754	39,154,808

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

	For the year ended 30 June	
	2018	2017
	RMB'000	RMB'000
Other income		
— VAT refund (Note (a))	**914,350**	631,954
— subsidy income	**257,964**	152,460
— sales of electricity	**112,450**	75,459
— income from transportation services	**15,486**	30,024
Other expenses		
— cost of sales of electricity	**(71,019)**	(51,696)
— cost of transportation services	**(9,613)**	(16,511)
Other losses — net		
— losses on disposal of property, plant and equipment	**(172,690)**	(150,481)
— Others	**54,753**	10,465
	1,101,681	681,674

(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	
	2018	2017
	RMB'000	RMB'000
Raw materials and consumables used	**38,587,323**	28,585,959
Changes in finished goods	**(1,044,913)**	(816,562)
Depreciation (Note 6)	**2,044,487**	2,019,894
Less: amount charged to other expenses	**(4,075)**	(3,536)
	2,040,412	2,016,358
Employee benefit expenses (Note 22)	**1,808,421**	1,610,104
Repairs and maintenance expenses	**946,451**	796,499
Other taxes	**315,996**	144,059
Transportation expenses	**190,322**	149,327
Operating leases		
— Land use rights (Note 7)	**37,581**	41,657
— Buildings	**3,033**	3,158
Non-deductible VAT for indirect export sales	**28,137**	51,104
Auditor's remuneration	**8,570**	8,100
Amortisation of intangible assets (Note 8)	**6,816**	7,779
Others	**609,962**	561,221
	43,538,111	33,158,763

22. EMPLOYEE BENEFIT EXPENSES

	For the year ended 30 June	
	2018	2017
	RMB'000	RMB'000
Wages and salaries	**1,537,003**	1,369,781
Allowances and benefits	**271,418**	232,816
Share options granted to directors and employees (Note 15)	**—**	7,507
	1,808,421	1,610,104

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	
	2018 RMB'000	2017 RMB'000
Gross scheme contributions	**82,371**	81,507

(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 2018 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
Executive directors							
Ms. Cheung Yan	5,643	1,227	–	1,612	–	–	8,482
Mr. Liu Ming Chung (i)	5,305	1,073	–	1,497	–	–	7,875
Mr. Zhang Cheng Fei	5,060	1,073	–	1,439	–	–	7,572
Mr. Zhang Yuanfu	834	–	4,635	–	–	15	5,484
Mr. Lau Chun Shun	3,311	–	–	902	–	15	4,228
Mr. Ken Liu (ii)	28	–	83	–	–	–	111
Non-executive director							
Mr. Zhang Lianpeng (iii)	660	–	–	152	–	–	812
Independent non-executive directors							
Ms. Tam Wai Chu, Maria	440	–	–	126	–	–	566
Mr. Lam Yiu Kin	440	–	–	126	–	–	566
Mr. Ng Leung Sing	440	–	–	126	–	–	566
	22,161	3,373	4,718	5,980	–	30	36,262

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 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
Executive directors							
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 Yuanfu	877	–	4,079	470	–	16	5,442
Mr. Lau Chun Shun	1,558	–	888	–	1,876	16	4,338
Independent non-executive directors							
Ms. Tam Wai Chu, Maria	463	–	–	127	–	–	590
Mr. Lam Yiu Kin	463	–	–	95	–	–	558
Mr. Ng Leung Sing	463	–	–	127	–	–	590
	16,934	5,060	4,967	819	7,507	32	35,319

Notes:

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

(ii) Appointed on 15 June 2018.

(iii) Appointed as a non-executive director on 1 August 2017 and re-designated as an executive director on 21 August 2018.

During the year ended 30 June 2018, 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 (2017: same).

During the year ended 30 June 2018, no director waived or has agreed to waive any emoluments during the years presented (2017: same).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2018 include five (2017: five) directors whose emoluments are reflected in the analysis presented above.

23. FINANCE INCOME AND FINANCE COSTS

	For the year ended 30 June	
	2018	2017
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	**102,876**	106,689
Finance costs:		
Interest on borrowings	**(1,036,451)**	(968,111)
Other incidental borrowing costs	**(122,463)**	(109,854)
Less: amounts capitalised on property, plant and equipment (Note (a))	**135,934**	56,398
	(1,022,980)	(1,021,567)
Bills discount charge	**(1,319)**	(45,494)
Gain on currency and interest rate swap contracts and foreign exchange option contracts	**–**	1,106
	(1,024,299)	(1,065,955)

(a) The capitalisation interest rate is 3.83% for the year ended 30 June 2018 (2017: 3.78%).

24. INCOME TAX EXPENSE

	For the year ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax and withholding income tax (Notes (a) and (b))	**1,433,354**	755,081
— Hong Kong profits tax (Note (c))	**–**	–
	1,433,354	755,081
Deferred income tax (Note 17)		
— PRC corporate income tax and withholding income tax	**256,687**	270,283
	1,690,041	1,025,364

24. INCOME TAX EXPENSE *(continued)*

(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 2018 as those subsidiaries fulfil the requirements of High and New Technology Enterprise ("HNTE") according to relevant rules and regulations (2017: 15%). The HNTE designation should be reassessed every three years according to relevant rules and regulations.

(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 2018 was 5% (2017: 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 2018 (2017: 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	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**9,551,292**	5,434,998
Less: share of net profits of an associate and a joint venture	**(136,603)**	(116,170)
	9,414,689	5,318,828
Tax calculated at applicable tax rates of the group entities	**2,586,414**	1,431,910
Effect of preferential tax rates	**(938,323)**	(511,008)
Tax losses for which no deferred income tax asset was recognised	**13,849**	13,731
Expenses not deductible	**40,962**	104,269
Effect of change in the estimated applicable tax rates for temporary difference to be recycled in the foreseeable future	**(7,854)**	(9,343)
Utilisation of previously unrecognised tax losses	**(5,007)**	(4,195)
Income tax expense	**1,690,041**	1,025,364

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 2018, of which is 27.1% (2017: 26.3%).

25. EARNINGS PER SHARE

— Basic

	For the year ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	**7,848,075**	4,383,668
Weighted average number of ordinary shares in issue (shares in thousands)	**4,674,221**	4,669,721
Basic earnings per share (RMB per share)	**1.6790**	0.9387

— 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 2018, 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 (2017: same).

	For the year ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	**7,848,075**	4,383,668
Weighted average number of ordinary shares for basic earnings per share (shares in thousands)	**4,674,221**	4,669,721
Adjustment for share options (shares in thousands)	**10,694**	7,699
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	**4,684,915**	4,677,420
Diluted earnings per share (RMB per share)	**1.6752**	0.9372

26. DIVIDENDS

	For the year ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interim dividend, paid, of RMB10.0 cents (2017: RMB5.0 cents) per ordinary share (Note (a))	**467,422**	233,711
Final dividend, proposed, of RMB40.0 cents (2017: RMB25.0 cents) per ordinary share (Note (b))	**1,869,688**	1,168,555
	2,337,110	1,402,266

(a) An interim dividend for the six months ended 31 December 2017 of RMB10.0 cents per ordinary share, totaling approximately RMB467,422,000 (six months ended 31 December 2016: RMB233,711,000) has been approved in a meeting held by the BoD on 26 February 2018.

(b) At a meeting held on 18 September 2018, the BoD proposed a final dividend of RMB40.0 cents. 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 2019.

27. NOTES OF CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	For the year ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**7,861,251**	4,409,634
Adjustments for		
Income tax expense (Note 24)	**1,690,041**	1,025,364
Depreciation (Note 6)	**2,044,487**	2,019,894
Amortisation (Notes 7 and 8)	**44,397**	49,436
Impairment of trademark (Note 8)	**–**	15,000
Share options granted to directors and employees (Note 22)	**–**	7,507
Losses on disposal of property, plant and equipment (Note 20)	**172,690**	150,481
Gain on disposal of land use right	**–**	(397)
Share of profit of an associate and a joint venture (Note 10)	**(136,603)**	(116,170)
Finance income (Note 23)	**(102,876)**	(106,689)
Finance costs (Note 23)	**1,024,299**	1,065,955
Exchange losses on financing activities — net	**98,620**	282,588
Exchange (gains)/losses on operating activities — net	**(89,408)**	117,037
	12,606,898	8,919,640
Changes in working capital		
Inventories	**(1,486,162)**	(1,073,594)
Trade, bills and other receivables, and prepayments	**(1,367,182)**	(1,094,270)
Trade, bills and other payables and advance from customers	**1,037,605**	(1,502,881)
Cash generated from operations	**10,791,159**	5,248,895

(b) Reconciliation of liabilities arising from financing activities

	1 July 2017	Financing cash inflows — net	Non-cash items	30 June 2018
	RMB'000	RMB'000	RMB'000	**RMB'000**
Borrowings	28,949,122	3,473,267	289,814	**32,712,203**

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 2018 RMB'000	30 June 2017 RMB'000
Not later than one year	**3,976,565**	3,778,224
Later than one year and not later than five years	**515,504**	516,731
	4,492,069	4,294,955

(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 2018 RMB'000	30 June 2017 RMB'000
Not later than one year	**3,271**	7,023
Later than one year and not later than five years	**7,323**	2,055
Later than five years	**14,932**	15,409
	25,526	24,487

29. BUSINESS COMBINATION

The Group acquired 100% equity interests in ND Paper Inc. (formerly known as Catalyst Paper Operations Inc.) from an independent third party during the year ended 30 June 2018 (the "Acquisition"). The Acquisition was completed on 29 June 2018 (the "Acquisition Date").

ND Paper Inc., which was incorporated in the state of Delaware, the United States of America, owns and operates two mills located in Rumford, Maine and Biron, Wisconsin, engaging in the business of manufacturing and distributing various types of pulp, paper and paper-based packaging materials.

The acquired businesses did not contribute material revenue or profit to the Group for the period from the Acquisition Date to 30 June 2018. Had the business combination been completed at 1 July 2017, the consolidated pro-forma revenue for the year ended 30 June 2018 would have increased by not more than 10%, while impact to the consolidated pro-forma profit for the year ended 30 June 2018 would not have been material.

29. BUSINESS COMBINATION *(continued)*

Set out below are the summarised information of the Acquisition.

	RMB'000
Purchase considerations — cash	1,185,631

The assets and liabilities recognised as a result of the Acquisition on the Acquisition Date are as follows:

	Fair value RMB'000
Property, plant and equipment	808,340
Intangible assets	1,330
Inventories	525,815
Trade receivables	432,448
Other receivables and prepayments	13,815
Other payables	(331,962)
Trade payables	(264,155)
Total identifiable net assets	1,185,631
Goodwill	—

(i) Acquisition-related costs of above business combinations were charged to the administrative expenses and were not individually material to the Group.

30. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
America Chung Nam Inc. ("ACN")	A company beneficially owned by Ms. Cheung 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% 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 2018. These transactions are conducted in the normal course of the Group's business:

	For the year ended 30 June	
	2018 **RMB'000**	2017 RMB'000
Sales of goods:		
Taicang Packaging	**588,581**	318,689
Dongguan Honglong	**209,672**	182,837
	798,253	501,526
Purchase of recovered paper (net of claims):		
ACN Tianjin	**11,148,012**	7,352,362
ACN	**10,094,108**	9,640,771
Taicang Packaging	**28,257**	17,868
	21,270,377	17,011,001

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

30. 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	
	2018	2017
	RMB'000	RMB'000
Salaries, allowance and benefits	**33,993**	28,786

(d) Balances with related parties

	30 June 2018	30 June 2017
	RMB'000	RMB'000
Balances due from:		
— ACN	**690,021**	—
— Taicang Packaging	**133,241**	84,879
— Dongguan Honglong	**67,669**	56,513
— ACN Tianjin	**67,780**	—
— Global Fame	**40,258**	37,537
— Longen International Limited	**2,014**	5,570
	1,000,983	184,499

	30 June 2018	30 June 2017
	RMB'000	RMB'000
Balances due to:		
— ACN	**931,171**	281,232
— ACN Tianjin	**38,725**	1,219
	969,896	282,451

(e) Provision of guarantee to the joint venture

As at 30 June 2018, the Group has provided guarantee of RMB34,061,000 to Global Fame related to its borrowings (2017: RMB37,592,000).

31. ULTIMATE HOLDING COMPANY

The directors of the Company regard Best Result Holdings Limited, a company incorporated in the BVI, to be the ultimate holding company of the Company.

32. BALANCE SHEET OF THE COMPANY STANDING ALONE

	Note	30 June 2018 RMB'000	30 June 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		154	84
Interests in subsidiaries		10,978,572	10,978,572
		10,978,726	10,978,656
Current assets			
Other receivables and prepayments		6,372	1,326
Amounts due from subsidiaries		5,258,922	3,095,728
Cash and cash equivalents		44,325	46,814
		5,309,619	3,143,868
Total assets		16,288,345	14,122,524
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		478,977	478,977
Share premium		3,765,002	8,765,002
Other reserves	(a)	5,433,929	1,602,484
Retained earnings	(b)	94,806	62,388
Total equity		9,772,714	10,908,851
LIABILITIES			
Non-current liabilities			
Borrowings		1,743,633	2,509,600
Current liabilities			
Amounts due to subsidiaries		648,707	—
Other payables		17,562	245,764
Borrowings		4,105,729	458,309
		4,771,998	704,073
Total liabilities		6,515,631	3,213,673
Total equity and liabilities		16,288,345	14,122,524

32. 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
At 1 July 2016	2,074,700	40,098	2,114,798
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)
At 30 June 2017	1,561,117	41,367	1,602,484
At 1 July 2017	**1,561,117**	**41,367**	**1,602,484**
Reduction of share premium and transfer to contributed surplus	**5,000,000**	**—**	**5,000,000**
2017 final dividends	**(1,168,555)**	**—**	**(1,168,555)**
At 30 June 2018	**5,392,562**	**41,367**	**5,433,929**

(b) Movement of retained earnings

	RMB'000
At 1 July 2016	1,757
Profit of the year	294,342
Dividends	(233,711)
At 30 June 2017	62,388
At 1 July 2017	**62,388**
Profit of the year	**499,840**
2018 interim dividends	**(467,422)**
At 30 June 2018	**94,806**

OTHER INFORMATION

SHAREHOLDERS

As at 30 June 2018, the Group had over 2,900 non-institutional shareholders.

FINANCIAL CALENDAR

FY2018 interim results Announcement	published on 26 February 2018
FY2018 annual results Announcement	published on 18 September 2018
Closure of register of members for determining the entitlement of the attendance of the 2018 AGM	6 December 2018 to 11 December 2018 (both dates inclusive)
2018 AGM	11 December 2018
Ex-dividend date for final dividend	14 December 2018
Latest time to lodge transfer with the Share Registrar for entitlement of the final dividend	4:30 p.m. on 17 December 2018
Closure of register of members for determining the entitlement of the final dividend	18 December 2018 to 21 December 2018 (both dates inclusive)
Distribution of FY2018 final dividend#	11 January 2019

subject to Shareholders' approval of the final dividend at the 2018 AGM

ANNUAL GENERAL MEETING

The 2018 AGM will be held on Tuesday, 11 December 2018. The notice of the 2018 AGM which constitutes part of the circular to Shareholders will be sent together with this Annual Report. The notice of 2018 AGM and the proxy form will also be available on the website of HKExnews at www.hkexnews.hk under Listing Company Information and the website of the Company at www.ndpaper.com.

SHARE INFORMATION

Share Information as at 30 June 2018

Market capitalization:	HK$46.7 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 2018

— Interim Dividend:	RMB10 cents per Share
— Final Dividend:	RMB40 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
2018 AGM	Annual General Meeting to be held on 11 December 2018
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 Yan and Mr. Liu Ming Chung
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
Hong Kong International Paper	Hong Kong International Paper Manufacturing Chemical Technology Limited, a company incorporated in Hong Kong
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
NBHK	Northern bleached hardwood kraft pulp
NBSK	Northern bleached softwood kraft pulp
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
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 2018
%	per cent

This 2017/18 Annual Report ("Annual Report") (in both English and Chinese versions) has been posted on the Company's website at www.ndpaper.com and on the website of HKExnews at www.hkexnews.hk.

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

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

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

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

玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED