玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 2689)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- Sales increased by 5.8% to RMB28,739.1 million (FY2012: RMB27,169.7 million).
- Gross profit rose by 6.2% to RMB4,606.3 million (FY2012: RMB4,337.4 million).
- Gross margin was 16.0% (FY2012: 16.0%).
- Profit attributable to equity holders of the Company increased by 9.9% to RMB1,560.6 million (FY2012: RMB1,420.2 million).
- Basic earnings per share increased by 9.9% to RMB0.3347 (FY2012: RMB0.3046).
- Proposed final dividend per share of RMB8.0 cents (equivalent to approximately HK10.1 cents) (FY2012: RMB5.0 cents).

FINANCIAL RESULTS

The board of directors ("Board") of Nine Dragons Paper (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group" or "ND Paper") for the year ended 30 June 2013 ("FY2013" or the "Year"), together with the comparative figures for the last financial year ("FY2012").

* *for identification purposes only*

CONSOLIDATED INCOME STATEMENT

		For the year ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Sales	*2*	**28,739,142**	27,169,737
Cost of goods sold		**(24,132,824)**	(22,832,313)
Gross profit		**4,606,318**	4,337,424
Other income/(expenses) and other gains/(losses), net		**215,550**	62,690
Selling and marketing costs		**(677,655)**	(667,903)
Administrative expenses		**(801,981)**	(662,194)
Operating profit	*3*	**3,342,232**	3,070,017
Finance income	*4*	**45,998**	46,696
Finance costs	*4*	**(1,372,411)**	(1,208,646)
Finance costs, net		**(1,326,413)**	(1,161,950)
Share of profit of an associate		**687**	—
Profit before income tax		**2,016,506**	1,908,067
Income tax expense	*5*	**(425,795)**	(449,509)
Profit for the year		**1,590,711**	1,458,558
Profit attributable to:			
Equity holders of the Company		**1,560,623**	1,420,152
Non-controlling interests		**30,088**	38,406
		1,590,711	1,458,558
Earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*			
— basic	*6*	**0.3347**	0.3046
— diluted	*6*	**0.3346**	0.3044

Details of dividends payable to equity holders of the Company attributable to the profit for the Year are set out in Note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**1,590,711**	1,458,558
Other comprehensive income:		
Currency translation differences	**(8,361)**	(9,577)
Cash flow hedges	**—**	(753)
Other comprehensive income for the year	**(8,361)**	(10,330)
Total comprehensive income for the year	**1,582,350**	1,448,228
Attributable to:		
— Equity holders of the Company	**1,555,090**	1,413,990
— Non-controlling interests	**27,260**	34,238
	1,582,350	1,448,228

CONSOLIDATED BALANCE SHEET

	Note	**30 June 2013**	30 June 2012
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**44,690,831**	42,360,533
Land use rights	*8*	**1,522,704**	1,557,628
Intangible assets	*9*	**225,747**	230,264
Investment in an associate		**10,107**	—
Deferred income tax assets		**40,155**	24,993
		46,489,544	44,173,418
Current assets			
Inventories	*10*	**3,778,760**	4,195,911
Trade and bills receivables	*11*	**5,600,318**	2,920,754
Other receivables and prepayments	*11*	**2,493,514**	2,534,669
Tax recoverable		**1,291**	18,671
Restricted cash		**55,000**	3,678
Cash and cash equivalents		**6,015,451**	4,364,539
		17,944,334	14,038,222
Total assets		**64,433,878**	58,211,640
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*12*	**9,204,981**	9,202,356
Other reserves		**1,177,866**	1,181,590
Retained earnings			
— Proposed final dividend		**373,170**	233,146
— Unappropriated retained earnings		**12,027,600**	10,933,429
		22,783,617	21,550,521
Non-controlling interests		**497,249**	431,268
Total equity		**23,280,866**	21,981,789

	Note	**30 June 2013**	30 June 2012
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**25,690,009**	21,192,466
Deferred income tax liabilities		**1,372,521**	1,137,487
Other payables		**43,557**	55,406
Deferred government grants		**—**	13,024
		27,106,087	22,398,383
Current liabilities			
Trade and bills payables	*14*	**3,403,535**	5,731,338
Other payables and deposits received		**1,673,180**	2,710,266
Current income tax liabilities		**354,137**	287,576
Borrowings	*13*	**8,616,073**	5,102,288
		14,046,925	13,831,468
Total liabilities		**41,153,012**	36,229,851
Total equity and liabilities		**64,433,878**	58,211,640
Net current assets		**3,897,409**	206,754
Total assets less current liabilities		**50,386,953**	44,380,172

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**1,590,711**	1,458,558
Adjustments for non-cash and non-operating items	**3,399,971**	2,938,624
Changes in working capital	**(4,954,639)**	1,646,002
Cash generated from operations	**36,043**	6,043,184
Income tax paid	**(109,451)**	(108,533)
Interest paid	**(1,629,702)**	(1,913,995)
Net cash (used in)/generated from operating activities	**(1,703,110)**	4,020,656
Net cash used in investing activities	**(4,367,020)**	(4,227,954)
Net cash generated from financing activities	**7,752,718**	2,089,285
Net increase in cash and cash equivalents	**1,682,588**	1,881,987
Cash and cash equivalents at beginning of the year	**4,364,539**	2,500,254
Exchange losses on cash and cash equivalents	**(31,676)**	(17,702)
Cash and cash equivalents at end of the year	**6,015,451**	4,364,539

1. GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The financial statements are presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated. The financial statements have been approved for issue by the Board on 26 September 2013.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for the Group's financial year beginning on 1 July 2012:

- HKAS 1 (Amendment) — Presentation of Items of Other Comprehensive Income;
- HKAS 12 (Amendment) — Deferred Tax: Recovery of Underlying Assets.

The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group and the Company.

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

The following new standards, interpretations and amendments to existing standards have been issued but are not effective for the financial year beginning 1 July 2012 and have not been early adopted by the Group:

- HKFRS 1 (Amendment) — Government Loan[1];
- HKFRS 7 (Amendment) — Offsetting Financial Assets and Financial Liabilities[1];
- HKFRS 9 — Financial Instruments[3];
- HKFRS 10 — Consolidated Financial Statements[1];
- HKFRS 11 — Joint Arrangements[1];
- HKFRS 12 — Disclosure of Interests in Other Entities[1];
- HKFRS 13 — Fair Value Measurements[1];
- HKAS 19 (2011) — Employee Benefits[1];
- HKAS 27 (2011) — Separate Financial Statements[1];
- HKAS 28 (2011) — Investments in Associates and Joint Ventures[1];
- HKAS 32 (Amendment) — Offsetting Financial Assets and Financial Liabilities[2];
- HKAS 36 (Amendment) — Recoverable Amount Disclosures for Non-Financial Assets[2];
- HKAS 39 (Amendment) — Novation of Derivatives and Continuation of Hedging Accounting[2];
- HKFRS 7 and 9 (Amendment) — Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3];
- HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment) — Investment Entities[2];
- HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment) — Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1];
- HKFRSs (Amendment) — Annual Improvements 2009–2011 Cycle[1];
- HK(IFRIC) — Int 20 — Stripping Costs in the Production Phase of a Surface Mine[1]; and
- HK(IFRIC) — Int 21 — Levies[2].

[1] Effective for the Group for annual period beginning on 1 July 2013
[2] Effective for the Group for annual period beginning on 1 July 2014
[3] Effective for the Group for annual period beginning on 1 July 2015

The directors of the Company anticipate that the adoption of the new standards, interpretations and amendments to existing standards will not result in a significant impact on the results and financial position of the Group.

2. SALES AND SEGMENT INFORMATION

Sales recognised during the Year are as follows:

	For the year ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Sales of packaging paper	**26,461,179**	26,166,729
Sales of recycled printing and writing paper	**1,959,871**	721,185
Sales of high value specialty paper products	**195,962**	182,574
Sales of pulp	**122,130**	99,249
	28,739,142	27,169,737

Segment information

The Group is principally engaged in the manufacture and sale of packaging paper, recycled printing and writing paper, pulp and high value specialty paper products in the PRC. Management review 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.

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	For the year ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Depreciation *(Note 8)*	**1,608,106**	1,300,532
Less: amount charged to other expenses	**(6,885)**	(2,249)
	1,601,221	1,298,283
Amortisation of intangible assets *(Note 9)*	**4,563**	4,563
Employee benefit expenses	**1,199,506**	1,047,535
Changes in finished goods	**13,660**	115,315
Raw materials and consumables used (net of claims)	**21,949,223**	20,905,893
Operating leases		
— Land use rights *(Note 8)*	**33,997**	33,551
— Buildings	**2,622**	2,602
Reversal of impairment of receivables	**—**	(19,000)

4. FINANCE INCOME AND FINANCE COSTS

	For the year ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Finance income:		
Interest income from bank deposits	**45,998**	46,696
Finance costs:		
Interest on borrowings		
— wholly repayable within five years	**(1,336,517)**	(1,298,951)
— not wholly repayable within five years	**(171,882)**	(341,303)
	(1,508,399)	(1,640,254)
Other incidental borrowing costs	**(93,783)**	(52,540)
Less: interest capitalised	**278,968**	519,547
	(1,323,214)	(1,173,247)
Bills discount charges	**(211,076)**	(324,057)
Exchange gains on financing activities	**161,879**	287,905
Hedge reserve released	**—**	753
	(1,372,411)	(1,208,646)

5. INCOME TAX EXPENSE

	For the year ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current tax		
— Hong Kong profits tax *(Note (a))*	**—**	—
— PRC corporate income tax *(Note (b))*	**205,786**	225,478
	205,786	225,478
Deferred income tax	**220,009**	224,031
	425,795	449,509

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group did not have any assessable profits for the Year (2012: Nil).

(b) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except that certain of these subsidiaries are entitled to preferential rates ranging from 7.5% to 15% for the Group's financial year ended 30 June 2013 (2012: 7.5% to 15%).

6. EARNINGS PER SHARE

— Basic

	For the year ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company *(RMB'000)*	**1,560,623**	1,420,152
Weighted average number of ordinary shares in issue *(shares in thousands)*	**4,663,264**	4,662,791
Basic earnings per share *(RMB per share)*	**0.3347**	0.3046

— Diluted

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

	For the year ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company *(RMB'000)*	**1,560,623**	1,420,152
Weighted average number of ordinary shares in issue *(shares in thousands)*	**4,663,264**	4,662,791
Adjustments for share options *(shares in thousands)*	**1,139**	2,793
Weighted average number of ordinary shares for diluted earnings per share *(shares in thousands)*	**4,664,403**	4,665,584
Diluted earnings per share *(RMB per share)*	**0.3346**	0.3044

7. DIVIDENDS

	For the year ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Interim dividend, paid, of RMB2.0 cents (2012: RMB2.0 cents) per ordinary share	**93,258**	93,258
Final dividend, proposed, of RMB8.0 cents (2012: RMB5.0 cents) per ordinary share	**373,170**	233,146
	466,428	326,404

At a meeting held on 26 September 2013, the Board proposed a final dividend of RMB8.0 cents per ordinary share, totaling approximately RMB373,170,000 for the Year. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation for the year ending 30 June 2014.

8. LAND USE RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

	Land use rights	**Property, plant and equipment**
	RMB'000	*RMB'000*
Year ended 30 June 2012		
Opening net book amount	1,515,520	38,628,163
Additions	76,988	5,135,796
Tax benefit	—	(76,635)
Disposals	—	(21,992)
Amortisation/depreciation *(Note 3)*	(33,551)	(1,300,532)
Exchange differences	(1,329)	(4,267)
Closing net book amount as at 30 June 2012	1,557,628	42,360,533
Year ended 30 June 2013		
Opening net book amount	**1,557,628**	**42,360,533**
Additions	**1,066**	**4,030,860**
Tax benefit	**—**	**(12,394)**
Disposals	**—**	**(73,772)**
Disposal of subsidiaries	**—**	**(3,497)**
Amortisation/depreciation *(Note 3)*	**(33,997)**	**(1,608,106)**
Exchange differences	**(1,993)**	**(2,793)**
Closing net book amount as at 30 June 2013	**1,522,704**	**44,690,831**

9. INTANGIBLE ASSETS

	RMB'000
Year ended 30 June 2012	
Opening net book amount as at 1 July 2011	234,827
Amortisation *(Note 3)*	(4,563)
Closing net book amount as at 30 June 2012	230,264
Year ended 30 June 2013	
Opening net book amount as at 1 July 2012	**230,264**
Addition	**46**
Amortisation *(Note 3)*	**(4,563)**
Closing net book amount as at 30 June 2013	**225,747**

10. INVENTORIES

	30 June 2013	30 June 2012
	RMB'000	*RMB'000*
At cost:		
Raw materials	**2,544,192**	2,947,683
Finished goods	**1,234,568**	1,248,228
	3,778,760	4,195,911

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB24,132,824,000 (2012: RMB22,832,313,000).

11. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2013	30 June 2012
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*	**2,093,027**	1,723,931
Bills receivable *(Note (b))*	**3,507,291**	1,196,823
	5,600,318	2,920,754
Value-added tax receivables	**1,555,926**	1,739,450
Other receivables and prepayments	**937,588**	795,219
	2,493,514	2,534,669
	8,093,832	5,455,423

(a) As at 30 June 2013, the ageing analysis of trade receivables is as follows:

	30 June 2013	30 June 2012
	RMB'000	*RMB'000*
0–30 days	**1,640,532**	1,264,556
31–60 days	**415,949**	432,609
61–90 days	**29,961**	18,432
Over 90 days	**6,585**	8,334
	2,093,027	1,723,931

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

The Group's credit sale to corporate customers are entered into on credit terms of 30 to 60 days.

(b) Bills receivable from third parties are normally with maturity period of 90 to 180 days.

12. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares *HK$'000*	Equivalent nominal value of ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid					
At 1 July 2011	4,662,592,620	466,259	477,981	8,709,250	9,187,231
Exercise of share options	328,191	33	27	15,098	15,125
At 30 June 2012	4,662,920,811	466,292	478,008	8,724,348	9,202,356
At 1 July 2012	**4,662,920,811**	**466,292**	**478,008**	**8,724,348**	**9,202,356**
Exercise of share options	**1,700,000**	**170**	**137**	**2,488**	**2,625**
At 30 June 2013	**4,664,620,811**	**466,462**	**478,145**	**8,726,836**	**9,204,981**

13. BORROWINGS

	30 June 2013 ***RMB'000***	30 June 2012 *RMB'000*
Non-current		
— Long-term bank and other borrowings	**21,806,327**	20,102,047
— Medium-term note *(Note (a))*	**3,883,682**	1,090,419
	25,690,009	21,192,466
Current		
— Short-term bank borrowings	**5,133,883**	514,836
— Current portion of long-term bank and other borrowings	**1,387,823**	1,134,781
— Short-term commercial paper *(Note (b))*	**2,094,367**	996,571
— Current portion of club term loans	**—**	2,456,100
	8,616,073	5,102,288
Total borrowings	**34,306,082**	26,294,754

(a) The Group issued four medium-term notes totaling approximately RMB2,800 million during the Year of which approximately RMB1,700 million will be redeemed within two years and RMB1,100 million will be redeemed within three years (2012: On 8 December 2011, the Group issued a medium-term note of approximately RMB1,100 million for a term of three years).

(b) The Group issued three short-term commercial papers totaling approximately RMB2,100 million during the Year. The short-term commercial papers will be redeemed within one year.

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

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

			30 June 2012		
	Bank and other borrowings	Club term loan	Short-term commercial paper	Medium-term note	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,649,617	2,456,100	996,571	—	5,102,288
Between 1 and 2 years	8,651,673	—	—	—	8,651,673
Between 2 and 5 years	9,763,115	—	—	1,090,419	10,853,534
Over 5 years	1,687,259	—	—	—	1,687,259
	21,751,664	2,456,100	996,571	1,090,419	26,294,754

14. TRADE AND BILLS PAYABLES

	30 June 2013	30 June 2012
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	**1,855,636**	2,548,734
Bills payable	**1,547,899**	3,182,604
	3,403,535	5,731,338

(a) As at 30 June 2013, the ageing analysis of trade payables is as follows:

	30 June 2013	30 June 2012
	RMB'000	*RMB'000*
0–90 days	**1,739,762**	2,269,360
91–180 days	**50,154**	175,543
181–365 days	**33,466**	50,636
Over 365 days	**32,254**	53,195
	1,855,636	2,548,734

15. COMMITMENTS

(a) *Capital commitments*

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

	30 June 2013	30 June 2012
	RMB'000	*RMB'000*
Contracted but not provided for		
Not later than one year	**828,331**	1,138,257
Later than one year and not later than five years	**233,491**	223,716
Later than five years	**300**	—
	1,062,122	1,361,973
Authorised but not contracted for		
Not later than one year	**530,000**	—
Later than one year and not later than five years	**2,020,000**	—
	2,550,000	—
	3,612,122	1,361,973

(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 2013	30 June 2012
	RMB'000	*RMB'000*
Not later than one year	**2,648**	3,205
Later than one year and not later than five years	**2,666**	5,580
Later than five years	**16,565**	17,367
	21,879	26,152

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS

Review of Operations

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

During the Year, affected by different risk factors from various regions, there was no sign of significant economy recovery despite small improvements in global economic conditions. Volatile external environment and transformation of domestic economic structure slightly slowed down China's economic growth, yet the overall economy was maintained in stable conditions without significant downturn. Fluctuating market sentiment resulted in the continuous adoption of prudent and conservative business strategies by China's domestic manufacturing industry. In addition, owing to the industry's cyclical nature, a significant amount of new capacities commenced production in the market over the past two years, exerting some pressure on the selling prices of the Group's products notwithstanding a rebound of the packaging paper industry from its trough during the period, leading to an unfavorable operating environment. Nevertheless, leveraging upon its sizable scale and its operation team's extensive experiences and diligent efforts, the Group proactively operated its business by stringent control of costs and capital expenditure, refined management, continuous enhancement of product quality and equipment utilization rate, thus achieving considerable sales growth and stable business results, as well as continuous maintenance of balance between production and sales and reasonable inventory at low levels. All paper machines operated at nearly full capacity, and production costs and finance costs were significantly reduced. The "12th 5-Year" Plan drove stricter implementation of environmental protection standards in the paper manufacturing industry. The process to phase out outdated capacities was expedited and the industry was further consolidated, thereby favoring the leading enterprises in exhibiting their advantages in economies of scale in future.

While the Group was operating in a cautious manner, it also carried out its existing development plans progressively. A total of two new paper machines completed construction in the Year, namely PM34 (coated duplex board, food grade and pharmaceutical grade white board) in Tianjin base and PM33 (coated duplex board, food grade and pharmaceutical grade white board) in Chongqing base, which commenced production in July and November 2012 respectively each with a design production capacity of 0.55 million tpa. The new Quanzhou base has duly commenced production by the end of August 2013, making a further step forward towards the realization of the goal of product diversification and a national strategic roadmap, so as to be well prepared to capture the opportunity ahead of an economic recovery.

As at 30 June 2013, the total design production capacity of the Group reached 12.55 million tpa, representing an increase of 1.10 million tpa as compared to the last financial year. With PM35 in the Quanzhou base, primarily for the production of kraftlinerboard with a design production capacity of 0.35 million tpa, having commenced production at the end of August 2013, the Group's total design production capacity has now reached 12.90 million tpa.

Newly constructed paper machines which commenced production in the Year

Paper machine	Location	Product	Design production capacity	Date of production commencement
PM34	Tianjin	Coated duplex board, food grade and pharmaceutical grade white board	550,000 tpa	July 2012
PM33	Chongqing	Coated duplex board, food grade and pharmaceutical grade white board	550,000 tpa	November 2012

The Group's stage-by-stage strategic production roadmap has been mostly completed. While progressively completing the new capacity construction as planned, the Group implemented stringent capital expenditure budget and strove to optimize its debt structure. The effectiveness of such measures has already been demonstrated. Thus, it is anticipated that the Group will see gradual decreases in its debt gearing ratio and finance costs in the coming years and significant improvements in financial and debt conditions.

"No environmental management, no paper-making" as it goes, the Group has adhered to corporate social responsibility in terms of environmental protection, and made full efforts to satisfy various requirements on corporate environmental protection, energy conservation and emission reduction advocated under the "12th 5-Year" Plan. The Group has persistently strengthened its internal efforts in environmental protection and energy conservation. The Group not only implemented real-time monitoring on the operation of the environmental management facilities at all production bases, but also continued to outperform the standards required by the government in every key indicator. In December 2012, the Group was awarded "Outstanding Enterprise in 2012 National Paper Manufacturing Industry Energy Conservation and Emission Reduction Competition" by China Paper Association.

The Group proactively developed in the area of procurement of recovered paper in China. The purchase amount of domestic recovered paper accounted for approximately 24% of the Group's total recovered paper purchase amount for the Year. ND Paper is a large scale paper maker using 100% recovered paper in manufacturing printing and writing paper in China. Using recovered paper in manufacturing paper in a recycling chain will be a key direction for the Group's future production planning. Recycled copy paper products branded "Nine Dragons" are qualified for the Hong Kong government's office use, evidencing the recognition of the Group's achievement in the sector of environmental recycled paper.

The Group continually drives innovation in the various aspects of management, technology and products, etc. To date, a total of 78 patents have been obtained and another 35 patent applications or approvals are being processed.

The Group has adequate land reserves to accommodate existing operations and prepare for future business development. As at 30 June 2013, the Group has secured land use rights for land plots aggregating approximately 12.64 million sq.m.

To support stable and low-cost paper manufacturing, the Group requires a significant amount of electricity and steam for its daily operations. Accordingly, the Group has set up its own central coal-fired cogeneration power plants. Its Dongguan, Taicang, Chongqing and Tianjin bases have an aggregate installed capacity of 1,373 MW, providing adequate and stable electricity power as well as the steam for use in the drying process in production.

As at 30 June 2013, the Group employed a total of approximately 17,800 full-time staff and continued to obtain OHSAS18001 certification for its occupational health and safety management system.

Business Strategy and Development Plans

The Group will progressively complete its new capacity construction in accordance with its existing plans. Following the completion of construction and production commencement of PM36 (primarily for the production of testlinerboard with a design production capacity of 0.30 million tpa) in the Quanzhou base in October 2013, this new base will have two paper machines to satisfy the growing demand for packaging paper in Fujian market, gaining market share for the Group. PM38 in Leshan base is scheduled to commence production by the end of December 2013. It will produce high performance corrugating medium for supply to customers in the fast growing Western market, using 100% local recovered paper as raw material. As such, the Group's total design production capacity will reach 13.50 million tpa at the end of 2013. In addition, under the Group's current expansion plan, there will be another three new paper machines located in China and overseas which will be constructed and successively commence production in future. They are expected to be all completed by the end of 2016. Such paper machines include PM37 for kraftlinerboard with a production capacity of 0.35 million tpa expected to commence production by the end of June 2014, PM39 for testlinerboard with a production capacity of 0.35 million tpa expected to commence production by the end of 2016, both located at the Shenyang base, and the kraftlinerboard paper machine with a production capacity of 0.35 million tpa planned for production commencement by the end of 2015 at the Vietnam base. The Group's aggregate design production capacity will then exceed 14 million tpa.

Newly constructed paper machines which have completed/will complete construction and production commencement during the period from July to December 2013

Paper machine	Location	Product	Design production capacity	Completion date
PM35	Quanzhou	Kraftlinerboard	350,000 tpa	End of August (already commenced production)
PM36	Quanzhou	Testlinerboard	300,000 tpa	Before the end of October (scheduled)
PM38	Leshan	High performance corrugating medium	300,000 tpa	Before the end of December (scheduled)

Newly constructed paper machines planned for completion of construction and production commencement in 2014

Paper machine	Location	Product	Design production capacity	Scheduled Completion date
PM37	Shenyang	Kraftlinerboard	350,000 tpa	Before the end of June

Newly constructed paper machines planned for completion of construction and production commencement in 2015

Paper machine	Location	Product	Design production capacity	Scheduled Completion date
PM2(VN)	Vietnam	Kraftlinerboard	350,000 tpa	Before the end of December

Newly constructed paper machines planned for completion of construction and production commencement in 2016

Paper machine	Location	Product	Design production capacity	Scheduled Completion date
PM39	Shenyang	Testlinerboard	350,000 tpa	Before the end of December

Design production capacities of packaging paperboard and printing and writing paper in the Group's production bases (including Vietnam)

(Breakdown by product category)

(million tpa)	**June 2013**	**December 2013**	**December 2014**	**December 2015**	**December 2016**
Linerboard	6.23	6.88	7.23	7.58	7.93
Corrugating medium	3.10	3.40	3.40	3.40	3.40
Coated duplex board	2.60	2.60	2.60	2.60	2.60
Recycled printing and writing paper	0.45	0.45	0.45	0.45	0.45
Total	12.38	13.33	13.68	14.03	14.38

(Distribution by product category)

	June 2013	**December 2013**	**December 2014**	**December 2015**	**December 2016**
Linerboard	50.3%	51.6%	52.9%	54.0%	55.2%
Corrugating medium	25.0%	25.5%	24.8%	24.3%	23.6%
Coated duplex board	21.0%	19.5%	19.0%	18.5%	18.1%
Recycled printing and writing paper	3.7%	3.4%	3.3%	3.2%	3.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(Distribution by location)

	June 2013	**December 2013**	**December 2014**	**December 2015**	**December 2016**
Dongguan	42.4%	39.4%	38.4%	37.4%	36.5%
Taicang	24.5%	22.7%	22.1%	21.6%	21.1%
Chongqing	10.9%	10.1%	9.9%	9.6%	9.4%
Tianjin	17.4%	16.1%	15.7%	15.3%	14.9%
Quanzhou	—	4.9%	4.7%	4.6%	4.5%
Shenyang	—	—	2.6%	2.5%	4.9%
Hebei Yongxin	4.0%	3.8%	3.7%	3.6%	3.5%
Leshan	—	2.3%	2.2%	2.2%	2.1%
Vietnam	0.8%	0.7%	0.7%	3.2%	3.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Number of paper machines for packaging paperboard and printing and writing paper in each of the Group's production bases (including Vietnam)

(No. of machines)	June 2013	December 2013	December 2014	December 2015	December 2016
Dongguan	15	15	15	15	15
Taicang	8	8	8	8	8
Chongqing	3	3	3	3	3
Tianjin	5	5	5	5	5
Quanzhou	—	2	2	2	2
Shenyang	—	—	1	1	2
Hebei Yongxin	2	2	2	2	2
Leshan	—	1	1	1	1
Vietnam	1	1	1	2	2
Total	34	37	38	39	40

The Group's strategic roadmap for the establishment of its production bases in China and overseas for the current stage has now basically completed. Centred at Dongguan, the Group has established four major national strategic production bases (Dongguan, Taicang, Tianjin and Chongqing bases), four supplemental regional production bases (Shenyang, Quanzhou, Leshan and Hebei Yongxin) and an overseas base in Vietnam, further reinforcing its leading position in the industry and attaining an irreplaceable role. The Group has successfully migrated from its fast development stage in the past to the current stage of steady and sustainable development. It is expected the Group will gradually enjoy the advantages arising from its production capacity expansion and a reasonable roadmap implemented in recent years, while capital expenditure will be substantially reduced. The focus of future strategic development has been shifted to the strengthening of internal cost control, optimization of existing production capacity, enhancement of economies of scale and continuous improvement of quality control and production efficiency, as well as fully leveraging on the advantages of manufacturing various types of paper by using recovered paper, and the further control of capital expenditure and lowering net debt to equity ratio at the same time. Through a diversified product mix, stable and large-scale production capabilities, a sales team trusted by customers and a soundly-balanced network of production bases with nationwide coverage, the Group will be in a better position to cater to the diverse demand from different customers and strengthen its "one-stop" customer services to enhance its bargaining power, alleviating the pricing pressure resulting from the industry's seasonal fluctuations. Meanwhile, the Group will also flexibly adjust its production plans to achieve cost reduction, and proactively optimize its debt structure, thereby realizing the goal of profit maximization.

FINANCIAL REVIEW

Sales

The Group achieved a revenue of approximately RMB28,739.1 million for FY2013, representing an increase of approximately 5.8% as compared with the last financial year. The major contributor of the Group's revenue was still its packaging paper business, including linerboard, high performance corrugating medium and coated duplex board, which accounted for 92.1% of the revenue, with the remaining revenue of 7.9% generated from its recycled printing and writing paper, pulp and high value specialty paper products business.

The Group's revenue for FY2013 increased by 5.8% as compared with the last financial year, mainly driven by approximately 17.4% increase in sales volume, while drop in average selling price of its packaging paperboard products and recycled printing and writing paper by approximately 9.9% for FY2013 as compared with the last financial year. Revenue of linerboard, high performance corrugating medium, coated duplex board and recycled printing and writing paper for FY2013 accounted for 49.5%, 23.5%, 19.1% and 6.8% respectively of the total revenue, compared to 52.7%, 27.2%, 16.4% and 2.7% respectively in the last financial year.

The Group's annual design production capacity in packaging paperboard and recycled printing and writing paper as at 30 June 2013 was 12.4 million tpa, comprising 6.2 million tpa of linerboard, 3.1 million tpa of high performance corrugating medium, 2.6 million tpa of coated duplex board and 0.5 million tpa of recycled printing and writing paper. In FY2013, the Group's total sales volume of packaging paperboard products and recycled printing and writing paper reached approximately 10.4 million tonnes, representing an increase of approximately 17.4% as compared to the last financial year. The increase of sales volume of packaging paperboard and recycled printing and writing paper was supported by the contribution from the newly introduced PM34 in Tianjin, which commenced its commercial operation in January 2013, and the full year operation of PM27 and PM28 in Donguan and PM31 and PM32 in Tianjin for FY2013, which commenced their commercial operation in January 2012.

The sales volume of linerboard, high performance corrugating medium, coated duplex board and recycled printing and writing paper for FY2013 increased by approximately 10.7%, 4.1%, 48.4% and 182.4% respectively.

The majority of the Group's sales continued to be realised from the domestic market, in particular from the linerboard and high performance corrugating medium sectors. Revenue related to domestic consumption represented 90.9% of the Group's total revenue for FY2013, while the remaining revenue of 9.1% are sales denominated in foreign currencies which primarily represented sales made to foreign invested processing enterprises.

For FY2013, sales to the Group's top five customers in aggregate accounted for approximately 5.0% (FY2012: 4.5%) of the Group's revenue, with that to the single largest customer accounted for approximately 1.5% (FY2012: 1.3%).

Gross profit

The gross profit for FY2013 was approximately RMB4,606.3 million, a slightly increase of RMB268.9 million or increased by 6.2% as compared with RMB4,337.4 million in the last financial year. The gross margin remained at 16.0% for both FY2012 and FY2013.

Selling and marketing costs

Selling and marketing costs were approximately RMB677.7 million in FY2013, slightly increased by 1.5% as compared with RMB667.9 million in FY2012. The total amount of selling and distribution costs as a percentage of the Group's revenue slightly decreased from 2.5% in the last financial year to approximately 2.4% in FY2013, which was achieved by cost efficiency with the increase in the Group's scale of operation.

Administrative expenses

Administrative expenses increased by 21.1% from RMB662.2 million in the last financial year to approximately RMB802.0 million in FY2013. The amount of administrative expenses as a percentage of the Group's revenue increased from 2.4% in the last financial year to approximately 2.8% in FY2013. Additional management and administrative costs incurred to support the full year operation of new paper machines PM27 and PM28 in Dongguan and PM31 and PM32 in Tianjin, which commenced their commercial operation in January 2012.

Operating profit

The operating profit for FY2013 was approximately RMB3,342.2 million, an increase by 8.9% over the last financial year. The operating profit margin slightly increased from 11.3% in FY2012 to 11.6% in FY2013.

Finance costs

Finance costs increased by 13.5% to approximately RMB1,372.4 million in FY2013 from RMB1,208.6 million in the last financial year. The increase was mainly due to the net result of the decrease in bills discount charges by approximately RMB113.0 million and decrease in foreign exchange gains on financing activities by approximately RMB126.0 million in FY2013 as compared to last financial year, and substantial decrease for interest capitalised in property, plant and equipment from approximately RMB519.5 million in the last financial year to approximately RMB279.0 million in FY2013.

Despite the total borrowings were raised from approximately RMB26,294.8 million as at 30 June 2012, to approximately RMB30,745.3 million as at 31 December 2012, and to approximately RMB34,306.1 million as at 30 June 2013, the finance cost decreased from approximately RMB946.1 million in the second half of FY2012, to approximately RMB804.4 million in the first half of FY2013, and to approximately RMB568.0 million in the second half of FY2013. The Group achieved sequential finance cost reduction for the past three six-months period through increase total foreign currency borrowings with a lower effective interest rate.

Income tax expense

Income tax charged for the FY2013 amounted to approximately RMB425.8 million and decreased by approximately RMB23.7 million as compared with the last financial year. The Group's average effective tax rate decreased from 23.6% in FY2012 to approximately 21.1% in FY2013.

Net profit

The profit attributable to the equity holders of the Company in FY2013 was approximately RMB1,560.6 million, representing an increase of approximately RMB140.5 million, or increased by 9.9% over the last financial year, whilst the profit attributable to the equity holders of the Company margin slightly increased from 5.2% in FY2012 to 5.4% in FY2013.

Dividend

In FY2013, the Group paid an interim dividend of RMB2.0 cents per share, which amounted to RMB93.3 million. The directors have proposed a final dividend of RMB8.0 cents per share, which will aggregate approximately RMB373.2 million. The total dividend for the FY2013 amounted to RMB10.0 cents per share, representing an increase of RMB3.0 cents per share as compared with the last financial year. The pay out ratio has also increased from 23.0% in the last financial year to 29.9% in FY2013.

Working capital

The inventories decreased by 9.9% to approximately RMB3,778.8 million in FY2013 from RMB4,195.9 million in the last financial year. Inventories mainly comprise raw materials (mainly recovered paper, coal and spare parts) of approximately RMB2,544.2 million and finished goods of approximately RMB1,234.6 million.

The raw materials decreased by 13.7% to approximately RMB2,544.2 million in FY2013 from RMB2,947.7 million in the last financial year. The decrease in raw materials balances was mainly due to the decrease in the storage of spare parts of PMs.

The finished goods slightly decreased by approximately 1.1% to approximately RMB1,234.6 million in FY2013 from RMB1,248.2 million in the last financial year.

As a result, during FY2013, raw material (excluding spare parts) turnover days decreased to approximately 26 days as compared to 28 days for FY2012 while the finished goods turnover days decreased to approximately 19 days as compared to 20 days for FY2012.

Trade and bills receivables were approximately RMB5,600.3 million as at 30 June 2013, increased by 91.7% from approximately RMB2,920.8 million in FY2012. The increase was mainly driven by the increase in bills receivables by 193.1% to approximately RMB3,507.3 million in FY2013, whilst the finance costs in relation to the bills discount charges were decreased by 34.9% to approximately RMB211.1 million in FY2013 from RMB324.1 million in the last financial year through reducing the bills discount in FY2013. During FY2013, the turnover days of trade receivables were approximately 27 days for FY2013 which was in line with credit terms granted by the Group to its customers.

Trade and bills payables were approximately RMB3,403.5 million, decreased by 40.6% from approximately RMB5,731.3 million in FY2012. The turnover days of trade and bills payable were approximately 51 days for FY2013 which was in line with the credit period granted by most suppliers.

Liquidity and financial resources

The working capital and long-term funding required by the Group in FY2013 primarily comes from its operating cash flows and borrowings, while the Group's financial resources are used in its capital expenditures, operating activities and repayment of borrowings.

The Group's cash generated from operations decreased from RMB6,043.2 million in FY2012 to approximately RMB36.0 million in FY2013, representing a decrease of 99.4%. The decrease was attributable primarily to the changes in working capital, mainly due to the net result of the increase in trade and bills receivables and decrease in trade and other payables. In terms of available financial resources as at 30 June 2013, the Group had total undrawn banking facilities of approximately RMB22,350.5 million and cash and cash equivalents and restricted cash of approximately RMB6,070.5 million.

As at 30 June 2013, the shareholders' funds were approximately RMB22,783.6 million, an increase of approximately RMB1,233.1 million from that of the last financial year. The shareholders' fund per share increased from RMB4.6 in FY2012 to RMB4.9 in FY2013.

Debts Management

The Group's outstanding borrowings increased by approximately RMB8,011.3 million from RMB26,294.8 million as at 30 June 2012 to approximately RMB34,306.1 million as at 30 June 2013. The short-term and long-term borrowings amounted to approximately RMB8,616.1 million and approximately RMB25,690.0 million respectively, accounting for 25.1% and 74.9% of the total borrowings respectively. As at 30 June 2013, about 97.1% of the Group's debts were on unsecured basis.

The net debt to total equity ratio of the Group increased from 99.7% as at 30 June 2012 to approximately 121.3% as at 30 June 2013. 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, if any.

It is the policy of the Group not to enter into any derivative products for speculative activities.

The treasury policies followed by the Group aim to:

(a) Minimise interest risk

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

(b) Minimise currency risk

In view of the current volatile currency market, the Board closely monitors the Group's foreign currency borrowings. As at 30 June 2013, total foreign currency borrowings amounted to the equivalent of approximately RMB16,546.7 million and loans denominated in RMB amounted to approximately RMB17,759.4 million, representing approximately 48.2% and 51.8% of the Group's borrowings respectively.

Cost of borrowing

The effective interest rate as at 30 June 2013 were approximately 4.4% and 3.7% per annum as compared to 5.6% and 5.0% per annum as at 30 June 2012 for long-term borrowings and short-term borrowings respectively. The gross interest and finance charges (including interest capitalised but before interest income and impact from derivative financial instruments) decreased to approximately RMB1,651.4 million in FY2013 from RMB1,728.9 million in FY2012.

Capital expenditures

The Group's payments for the construction of factory buildings, purchase of plants and machineries, equipments and land use rights during FY2013 were approximately RMB4,432.7 million. These capital expenditures were fully financed by internal resources and borrowings.

Capital commitments

The Group made capital expenditure commitments mainly for machineries of approximately RMB3,612.1 million which were contracted or authorised but not provided for in the financial statements. These commitments were mainly related to the construction of PM35-39 and a new machine in Vietnam for the expansion of the Group's production capacity and improvement of certain existing production lines for a better cost control and enhancement of their profitability.

Contingencies

As at FY2013, the Group had no material contingent liabilities.

FUTURE OUTLOOK

It is expected that the global economy will become relatively more stable and hopefully the recovery may gradually gain pace, while China's economy will achieve growth amidst general stability, driving positive development in the paper manufacturing industry. It is my belief that the paper manufacturing industry has an encouraging development prospect, as the improvements in domestic and external economic environment will stimulate market demand, while the enormous consumption power in China will continue to provide huge driving force for the packaging paper industry development. In addition, the government is stepping up its efforts in phasing out outdated capacities, providing ample market space for the Group. Benefiting from such industry consolidation, the Group's leading position will be further strengthened. The Group's continual investment over the years on expanding its capacity scale and market coverage will demonstrate increasing competitive advantages, generating better return on the investment made at earlier stages.

DIVIDEND

An interim dividend of RMB2.0 cents (equivalent to approximately HK2.508 cents) (six months ended 31 December 2011: RMB2.0 cents) per share for the six months ended 31 December 2012 was paid to shareholders on 30 May 2013.

The Board has resolved to recommend the payment of a final dividend of RMB8.0 cents (equivalent to approximately HK10.1 cents) per share for FY2013, which is expected to be paid on Friday, 17 January 2014 subject to the approval of the forthcoming annual general meeting ("2013 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 Wednesday, 18 December 2013. The translation of RMB into Hong Kong dollars is made at the exchange rate of HK$1.00 = RMB0.79286 as at 26 September 2013 for illustration purpose only. The actual translation rate for the purpose of dividend payment in Hong Kong dollars will be subject to exchange rate at the remittance date.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from Thursday, 5 December 2013 to Monday, 9 December 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2013 AGM. In order to be eligible to attend and vote at the 2013 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 4 December 2013; and

(ii) from Monday, 16 December 2013 to Wednesday, 18 December 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 13 December 2013.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

ANNUAL GENERAL MEETING

The 2013 AGM will be held on Monday, 9 December 2013 and the Notice of 2013 AGM will be published and despatched in the manner as required by the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

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 FY2013.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee, which comprises four independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the consolidated financial statements of the Company and its subsidiary companies for FY2013, with the directors and the Company's auditor, PricewaterhouseCoopers.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During FY2013, the Group has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 FY2013, they were in compliance with provisions of the Model Code.

APPRECIATION

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

By Order of the Board
Cheung Yan
Chairlady

Hong Kong, 26 September 2013

As at the date of this announcement, the executive directors are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Yuanfu; the independent non-executive directors are Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing, Dr. Cheng Chi Pang, Mr. Fok Kwong Man and Mr. Wang Hong Bo.

* *For identification purposes only*