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 2014

FINANCIAL HIGHLIGHTS

- Sales increased by 0.7% to RMB28,928.7 million.
- Gross profit rose by 3.1% to RMB4,751.1 million.
- Gross margin increased from 16.0% to 16.4%.
- Profit for the year increased by 12.3% to RMB1,787.0 million.
- Basic earnings per share increased by 12.4% to RMB0.3762.
- Proposed final dividend per share of RMB6.0 cents (equivalent to approximately HK7.6 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 2014 ("FY2014" or the "Year"), together with the comparative figures for the last financial year ("FY2013").

* *for identification purposes only*

CONSOLIDATED INCOME STATEMENT

		For the year ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Sales	*2*	**28,928,740**	28,739,142
Cost of goods sold	*3*	**(24,177,648)**	(24,132,824)
Gross profit		**4,751,092**	4,606,318
Other income/(expenses) and other gains, net		**218,117**	215,550
Selling and marketing costs	*3*	**(525,666)**	(677,655)
Administrative expenses	*3*	**(820,670)**	(801,981)
Operating profit		**3,622,873**	3,342,232
Finance income	*4*	**70,355**	45,998
Finance costs	*4*	**(1,573,484)**	(1,372,411)
Finance costs, net		**(1,503,129)**	(1,326,413)
Share of profit of an associate		**37,509**	687
Profit before income tax		**2,157,253**	2,016,506
Income tax expense	*5*	**(370,303)**	(425,795)
Profit for the year		**1,786,950**	1,590,711
Profit attributable to:			
Equity holders of the Company		**1,755,172**	1,560,623
Non-controlling interests		**31,778**	30,088
		1,786,950	1,590,711
Earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*			
— basic	*6*	**0.3762**	0.3347
— diluted	*6*	**0.3762**	0.3346

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED BALANCE SHEET

	Note	**30 June 2014** *RMB'000*	30 June 2013 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**45,599,196**	44,690,831
Land use rights	*8*	**1,479,774**	1,522,704
Intangible assets	*9*	**223,245**	225,747
Investment in an associate and a joint venture		**52,739**	10,107
Deferred income tax assets		**24,284**	40,155
		47,379,238	46,489,544
Current assets			
Inventories	*10*	**4,523,339**	3,778,760
Trade and bills receivables	*11*	**4,894,602**	5,600,318
Other receivables and prepayments	*11*	**2,230,970**	2,493,514
Tax recoverable		**12,990**	1,291
Derivative financial instruments		**3,460**	—
Restricted cash		**36,759**	55,000
Cash and cash equivalents		**7,901,644**	6,015,451
		19,603,764	17,944,334
Total assets		**66,983,002**	64,433,878
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*12*	**9,208,587**	9,204,981
Other reserves		**1,174,678**	1,177,866
Retained earnings			
— Proposed final dividend		**279,973**	373,170
— Unappropriated retained earnings		**13,409,347**	12,027,600
		24,072,585	22,783,617
Non-controlling interests		**526,891**	497,249
Total equity		**24,599,476**	23,280,866

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**30 June 2014**	30 June 2013
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**23,124,364**	25,690,009
Deferred income tax liabilities		**1,628,329**	1,372,521
Other payables		**31,457**	43,557
		24,784,150	27,106,087
Current liabilities			
Trade and bills payables	*14*	**3,243,183**	3,403,535
Other payables and deposits received		**1,649,556**	1,673,180
Current income tax liabilities		**354,311**	354,137
Borrowings	*13*	**12,349,656**	8,616,073
Derivative financial instruments		**2,670**	—
		17,599,376	14,046,925
Total liabilities		**42,383,526**	41,153,012
Total equity and liabilities		**66,983,002**	64,433,878
Net current assets		**2,004,388**	3,897,409
Total assets less current liabilities		**49,383,626**	50,386,953

CASH FLOWS INFORMATION

	For the year ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**1,786,950**	1,590,711
Adjustments for non-cash items/income tax/finance costs	**3,574,136**	3,399,971
Changes in working capital	**10,027**	(4,954,639)
Cash generated from operations	**5,371,113**	36,043
Income tax paid	**(110,072)**	(109,451)
Interest paid	**(1,778,613)**	(1,629,702)
Net cash generated from/(used in) operating activities	**3,482,428**	(1,703,110)
Net cash used in investing activities	**(2,480,142)**	(4,367,020)
Net cash generated from financing activities	**890,667**	7,752,718
Net increase in cash and cash equivalents	**1,892,953**	1,682,588
Cash and cash equivalents at beginning of the year	**6,015,451**	4,364,539
Exchange losses on cash and cash equivalents	**(6,760)**	(31,676)
Cash and cash equivalents at end of the year	**7,901,644**	6,015,451

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. These financial statements have been approved for issue by the Board on 24 September 2014.

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

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

The following new standards, amendments to standards and interpretation are mandatory for the Group's financial year beginning on 1 July 2013:

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

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

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

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

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

[1] Effective for the Group for annual period beginning on 1 July 2014

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

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

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

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

2. SALES AND SEGMENT INFORMATION

Sales recognised during the Year are as follows:

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

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 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.

3. OPERATING PROFIT

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

	For the year ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Depreciation *(Note 8)*	**1,735,002**	1,608,106
Less: amount charged to other expenses	**(4,226)**	(6,885)
	1,730,776	1,601,221
Amortisation of intangible assets *(Note 9)*	**4,651**	4,563
Employee benefit expenses	**1,230,745**	1,199,506
Raw materials and consumables used (net of claims)	**22,235,759**	21,949,223
Changes in finished goods	**(509,630)**	13,660
Operating leases		
— Land use rights *(Note 8)*	**31,249**	33,997
— Buildings	**1,314**	2,622

4. FINANCE INCOME AND FINANCE COSTS

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

5. INCOME TAX EXPENSE

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

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group did not have any assessable profits for the Year (2013: Nil).

(b) PRC corporate income tax

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

6. EARNINGS PER SHARE

— Basic

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

— Diluted

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

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

7. DIVIDENDS

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

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

8. LAND USE RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

	Land use rights *RMB'000*	Property, plant and equipment *RMB'000*
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
Year ended 30 June 2014		
Opening net book amount	**1,522,704**	**44,690,831**
Additions	**—**	**2,656,150**
Disposals	**(11,114)**	**(11,324)**
Amortisation/depreciation *(Note 3)*	**(31,249)**	**(1,735,002)**
Exchange differences	**(567)**	**(1,459)**
Closing net book amount as at 30 June 2014	**1,479,774**	**45,599,196**

9. INTANGIBLE ASSETS

	RMB'000
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
Year ended 30 June 2014	
Opening net book amount as at 1 July 2013	**225,747**
Addition	**2,149**
Amortisation *(Note 3)*	**(4,651)**
Closing net book amount as at 30 June 2014	**223,245**

10. INVENTORIES

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

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

11. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2014	30 June 2013
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*	**2,116,397**	2,093,027
Bills receivable *(Note (b))*	**2,778,205**	3,507,291
	4,894,602	5,600,318
Value-added tax recoverable	**1,279,857**	1,555,926
Other receivables and prepayments	**951,113**	937,588
	2,230,970	2,493,514
	7,125,572	8,093,832

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

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

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

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

(b) Bills receivable 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 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
At 1 July 2013	**4,664,620,811**	**466,462**	**478,145**	**8,726,836**	**9,204,981**
Exercise of share options	**1,600,000**	**160**	**127**	**3,479**	**3,606**
At 30 June 2014	**4,666,220,811**	**466,622**	**478,272**	**8,730,315**	**9,208,587**

13. BORROWINGS

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

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

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

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

14. TRADE AND BILLS PAYABLES

	30 June 2014 *RMB'000*	30 June 2013 *RMB'000*
Trade payables *(Note (a))*	**1,672,379**	1,855,636
Bills payable	**1,570,804**	1,547,899
	3,243,183	3,403,535

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

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

15. COMMITMENTS

(a) Capital commitments

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

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

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

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

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

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 packaging paperboard products, including linerboard (kraftlinerboard, testlinerboard and white top linerboard), high performance corrugating medium and coated duplex board, as well as produces and sells recycled printing and writing paper (including uncoated woodfree paper, copy paper, etc.) and specialty paper.

During the Year, global economy was gathering momentum, while the transformation of the Chinese economy and its industries was gaining pace. The paper-making industry was presented with stern challenges: the entire sector has entered a stage of large-scale reshuffling, as the closure of small/medium size paper-making enterprises intensified due to further tightened environmental policies under the government's strong reform efforts that were never seen before. The peak in new production capacities since 2012 have put pressure on the selling prices of products. Meanwhile, the changing pattern of retail spending and related logistics driven by the rapid growth of online shopping has created enormous growth potential for the packaging paper market and made up for the drop in demand amid ongoing economic weakness.

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

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

Design production capacities for packaging paperboard and printing and writing paper at the Group's production bases (including Vietnam) currently

(Breakdown by product category)

	(million tpa)
Linerboard	7.23
Corrugating medium	3.40
Coated duplex board	2.60
Packaging paperboard	13.23
Recycled printing and writing paper	0.45

(Distribution by location)

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

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

(Distribution by location)

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

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

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

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

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

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

To support stable and low-cost production, the Group requires a significant amount of electricity and steam for its daily operations. Accordingly, the Group has set up its own central coal-fired cogeneration power plants. The aggregate installed capacity at its Dongguan, Taicang, Chongqing, Tianjin and Quanzhou bases is 1,404 MW, providing adequate and stable electricity power as well as steam for use in the drying process in production.

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

Business Strategy and Development Plan

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

With a comprehensive coverage of the major manufacturing centres in China, the Group's expansion plan for this stage has basically been completed. As for PM2(VN) at the Vietnam base, originally scheduled for production commencement in 2015, the Group will closely monitor the situation in Vietnam and make reasonable adjustments in a prudent manner based on developments in the local market. Meanwhile, PM39 at the Shenyang base is planned to commence production by the end of

2016, bringing the Group's total design production capacity to over 14 million tpa. The Group will continue to devise future business plans based on different conditions of the markets where the bases are located, seeking to enhance profitability while driving economies of scale and business diversification to generate more lucrative long-term investment return for shareholders.

FINANCIAL REVIEW

Sales

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

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

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

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

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

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

Gross profit

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

Selling and marketing costs

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

Administrative expenses

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

Operating profit

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

Finance costs

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

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

Income tax expense

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

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

Net profit

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

Dividend

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

Working capital

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

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

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

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

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

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

Liquidity and financial resources

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

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

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

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

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

Debts Management

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

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

Treasury policies

The Group has established a treasury policy with the objective of achieving better control of treasury operations and lowering cost of funds. Therefore, funding for all its operations and foreign exchange exposure have been centrally reviewed and monitored at the Group level. To manage the Group's exposure to fluctuations in foreign currency exchange rates and interest rates on specific transactions, foreign currency borrowings, currency structured instruments and other appropriate financial instruments will be used to hedge material exposure.

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

The treasury policies followed by the Group aim to:

(a) Minimise interest risk

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

(b) Minimise currency risk

In view of the current volatile currency market, the Board closely monitors the Group's foreign currency borrowings. As at 30 June 2014, total foreign currency borrowings amounted to the equivalent of approximately RMB21,434.2 million and loans denominated in RMB amounted to approximately RMB14,039.8 million, representing approximately 60.4% and 39.6% of the Group's borrowings respectively. During FY2014, the Group used forward contact and option to manage its foreign exchange risk arising from foreign currency borrowings.

Cost of borrowing

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

Capital expenditures

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

Capital commitments

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

Contingencies

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

OUTLOOK

The enormous retail spending power in China, in particular the rapidly growing spending power in online shopping, will offer long-term support for the sustainable development of the packaging paper industry. Given increasingly stringent environmental policies and the state's determination to close down or suspend non-compliant businesses at all costs, the government is expected to put in more vigorous efforts in eliminating outdated production capacities and capacity growth will be significantly hampered, thus relieving the pressure created on industry supply. It can be envisaged that industry consolidation will gain pace with further closedowns of inefficient plants, leaving the better ones who stay on with enormous opportunities for development. As a large-scale environmentally-friendly enterprise set to benefit from the latest policy curb, ND Paper will seize new opportunities arising from the general upgrade of the industry, further manifesting the Group's advantages in scale and its position as an industry leader.

DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

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

(i) from Thursday, 11 December 2014 to Monday, 15 December 2014, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2014 AGM. In order to be eligible to attend and vote at the 2014 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 December 2014; and

(ii) from Tuesday, 23 December 2014 to Monday, 29 December 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 22 December 2014.

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

ANNUAL GENERAL MEETING

The 2014 AGM will be held on Monday, 15 December 2014 and the Notice of 2014 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 FY2014.

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 FY2014, with the directors and the Company's auditor, PricewaterhouseCoopers.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

During FY2014, 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 FY2014, 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, 24 September 2014

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*