玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 2689

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RECYCLED PAPER

Annual Report 2014/2015

* For identification purposes only

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Contents printed on Land Dragon 100% Recycled Fiber Offset Paper

Nine Dragons Culture

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Ms. Tam Wai Chu, Maria *GBM, JP*
Mr. Ng Leung Sing *SBS, JP*
Dr. Cheng Chi Pang

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

Mr. Ng Leung Sing *SBS, JP (Chairman)*
Ms. Tam Wai Chu, Maria *GBM, JP*
Dr. Cheng Chi Pang
Ms. Cheung Yan
Mr. Zhang Cheng Fei

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

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

REGISTERED OFFICE

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Tel: (852) 3929 3800
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AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

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

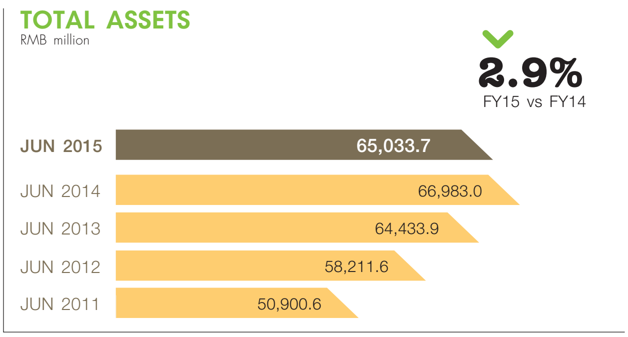
PRINCIPAL BANKERS

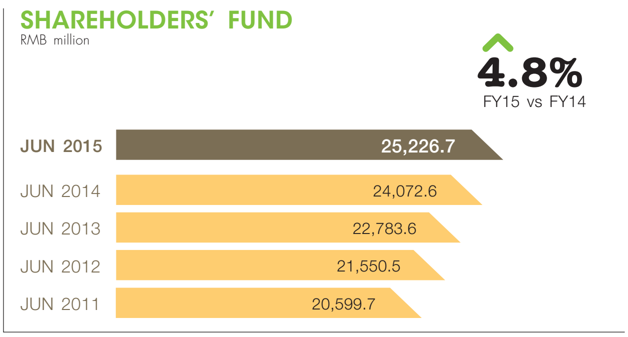
Bank of China
Bank of China (Hong Kong)
Bank of Communications
China Development Bank
Agricultural Bank of China
China Merchants Bank

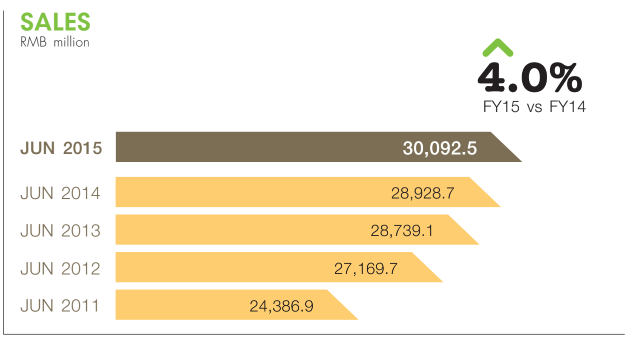
FINANCIAL HIGHLIGHTS

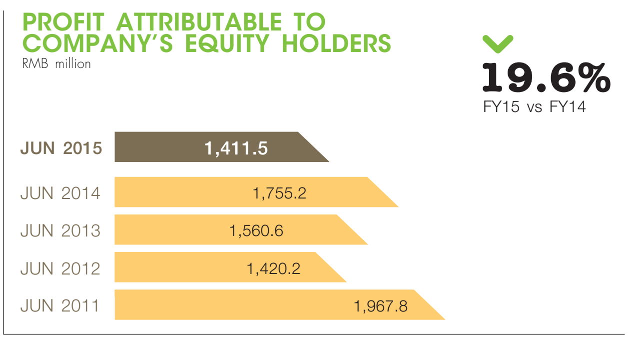
For the year ended 30 June	2015	2014	Change
Operating results (RMB million)			
Sales	30,092.5	28,928.7	4.0%
Gross profit	4,716.4	4,751.1	(0.7%)
Operating profit	3,240.4	3,622.9	(10.6%)
Profit before income tax	1,955.5	2,157.3	(9.4%)
Profit attributable to Company 's equity holders	1,411.5	1,755.2	(19.6%)
Financial position (RMB million)			
Net cash generated from operating activities	5,606.4	3,482.4	61.0%
Net debt	24,093.0	27,535.6	(12.5%)
Shareholders' funds	25,226.7	24,072.6	4.8%
Per share data (RMB cents)			
Earning per share — basic	30.3	37.6	(19.4%)
Earning per share — diluted	30.3	37.6	(19.4%)
Dividend per share			
— Interim	2.0	2.0	—
— Final	5.0	6.0	(16.7%)
Other data (RMB million)			
Capital expenditures	1,762.8	2,573.8	(31.5%)
Key ratio (%)			
Gross profit margin	15.7	16.4	(0.7) pts
Operating profit margin	10.8	12.5	(1.7) pts
Net profit margin	4.7	6.1	(1.4) pts
EBITDA/ratio	17.2	18.8	(1.6) pts
Return on capital employed	4.2	5.0	(0.8) pts

- Group revenue increased by 4.0% to RMB30,092.5 million
- Profit attributable to equity holders of the Company decreased by 19.6% to RMB1,411.5 million
- Net profit margin decreased 1.4 percentage points to 4.7%









MAIN PRODUCTS

01 LINERBOARD CATEGORY

1) Kraftlinerboard (Kraftliner)

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

2) Testlinerboard (Testliner)

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

3) White Top Linerboard (White Top Liner)

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

4) Coated Linerboard (Coated Kraftliner)

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

02 HIGH PERFORMANCE CORRUGATING MEDIUM

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

03 COATED DUPLEX BOARD

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

04 PRINTING AND WRITING PAPER CATEGORY

1) Uncoated Woodfree Paper (Offset Paper)

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

2) Office Paper (Copy Paper)

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

CHAIRLADY'S REPORT

Dear Shareholders,

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

The Group's capital and risk management has focused on the continuous optimisation of its debt structure, further reduction of finance costs and strict control on its foreign exchange exposure. While achieving our objective to reduce debts, we will also closely monitor potential markets in the PRC as well as overseas.

During the Year, while the global economy continued to be volatile, China, as an emerging economy/country, has also been experiencing a historic industrial transformation and adjustment. The manufacturing sector maintained a prudent and conservative approach in its daily operation. However, despite the continuous economic downturn, production and sales volume in the market were still able to maintain a balance between supply and demand as packaging paper industry is an industry closely related to daily consumption and is benefitting from the rapid development of online shopping.

For the packaging paper industry, owing to new production capacities in the past and closure of small paper-making enterprises due to environmental and financial issues, market order was disturbed and product selling prices were under pressure. However, the government continued to exercise stringent control over environmental standards and stepped up its efforts in the closure of outdated production capacities in the industry since the second half of the Year, resulting in a rising trend of product selling prices from the bottom. Various local governments have proactively implemented a number of measures in recent years to maximise the industry consolidation. For example, the Dongguan Municipal Government planned to terminate 54 paper-making enterprises in 2015 while the Fuyang Municipal Government in Zhejiang Province carried out the sixth round of rectification on outdated paper-making capacities. A total of 120 paper-making enterprises were closed down. Meanwhile, new production capacities have decreased significantly since 2014 when compared to prior periods. All these conditions have underpinned the price trend of the packaging paper market.

The Group strived to provide customers with product portfolios at optimal price/value, while continuously enhancing the level of systematic management, controlling costs, improving product quality and optimising its express services. As such, the Group was able to remain highly competitive against the backdrop of economic slowdown. During the Year, the Group further increased its market share and once again achieved record-high sales volume and sales. Total sales volume amounted to approximately 12.2 million tonnes while the sales of the Group amounted to approximately RMB30,092.5 million, representing an increase of 4.0% as compared with the same period last year. Gross profit was RMB4,716.4 million while profit for the Year was approximately RMB1,456.3 million, representing a decrease of 18.5% as compared with the same period last year. Basic earnings per share was approximately RMB0.30. The Board has proposed a final dividend of RMB5 cents per share.

During the Year, the Group's total design production capacity has reached 13.73 million tpa. This included PM37 at the new Shenyang base which had commenced production in September 2014.

In view of the depreciation of RMB, the Group's capital and risk management has focused on the continuous optimisation of its debt structure, further reduction of finance costs and strict control on its foreign exchange exposure. As at 30 June 2015, the net borrowings to total equity ratio for the Group has reduced to 94.4%; and the average debt interest rate, total borrowings and net borrowings continued to decrease. Moreover, the Group proactively adjusted the debt portfolio to reduce the exposure to exchange loss from translation of USD and Euro. It also endeavoured to achieve a balance between the payment and income of foreign currencies by pushing forward the implementation of government policies and stepping up its efforts in export of products. At the same time, the Group increased the procurement of domestic raw materials in a view to mitigate exposure to foreign exchange arising from the use of imported raw materials. While achieving our objective to reduce debts, we will also closely monitor potential markets in the PRC as well as overseas.

OUTLOOK AND ACKNOWLEDGEMENT

Although there will be no planned production commencement of new paper machines in FY2016, it is still expected that the Group will sustain sales volume growth by enhancing its production efficiency and product quality as a result of the optimization and upgrading of its existing paper machines. According to the latest construction progress at the Vietnam base, PM2 (VN) will be completed and commence production by the end of 2016 as scheduled. It is expected that the Group's total design capacity will then exceed 14 million tpa. In addition, PM39 at the Shenyang base will also be completed and commence production by the end of 2017.

Looking ahead, the Group remains fully confident on the Chinese economy. In particular, the major regions have experienced economic growths at different paces. With regional economic conditions in northern and mid-western China gradually recovering, there are still huge potential in these markets. As an industry leader, ND Paper will continue to pursue "inner power" enhancements tirelessly, optimise management and excavate its cost potential. Adhering to the principle of "Quality First, Customers Foremost" as always, the Group will improve its product quality and standard of sales services as well as develop and popularize knockout products so as to provide its customers with environmentally friendly products and one-stop quality services which are highly competitive and cost-effective, making Nine Dragons a prime brand preferred and trusted by customers, hence achieving sustainable and mutually beneficial development. Meanwhile, under the general trend of realisation of the "Made in China 2025" strategy, ND Paper will keep abreast of the key direction of national development and plan to gradually shift from informatisation and automation to intelligentization, thereby ultimately achieving the grand objectives of joining the world's industrial powers and entering the "Industrial 4.0" era in advance.

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

Cheung Yan
Chairlady

Hong Kong, 23 September 2015

CHIEF EXECUTIVE OFFICER'S OPERATION REVIEW AND OUTLOOK

Dear Shareholders,

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

Domestic Consumption and rapidly growing online shopping will continue to offer support for the long term industrial development of both the packaging paper industry and the Group, enabling the Group to reinforce its leading position in the industry by constantly leveraging its leading edges and maintain stable and sustainable development of the Group.

OPERATION REVIEW

The Group's advantages become more prominent under transformation of industry structure

During the Year, China's economy has entered a stage of historic transformation. The government proactively implemented new environmental regulations and accelerated the closure of outdated production capacities. With the continuous consolidation of the industry structure, the large-scale paper-making enterprises have benefited from a more favourable market environment. The Group continued to lead industry growth by striving to develop knockout products, ensure express services and align with the new online shopping model, so as to better demonstrate its advantages in various aspects including diversified product offerings, economies of scale and environmentally friendly paper manufacturing.

During the Year, macro-economic growth has slowed down. Many small/medium size paper-making enterprises closed down due to environmental and financial issues, thus disrupting the market order of packaging paper and exerting pressure on the selling prices of the Group's products in the first half of the Year. However, as local governments stepped up their efforts to eliminate outdated production capacities, the market supply and demand condition had seen improvement with the selling prices of products in the second half of the Year gradually bottomed out. Meanwhile, the Group strived to control costs and product quality, enhance production efficiency and reduce finance costs, so as to provide customers with products at optimal price/value and to maintain our competitive advantages even under undesirable market conditions.

New sales volume record with stringent monitoring over receivables

The Group has an enormous business scale and a highly experienced sales team. Coupled with a diversified product portfolio and satisfactory services provided to our customers, the Group achieved a new sales volume record during the Year, including sales amounted to approximately RMB30,092.5 million, representing an increase of 4.0% as compared with last year; total sales volume of packaging paper and printing and writing paper amounted to approximately 12.2 million tonnes, representing an increase of approximately 10.1% from last year, of which kraftlinerboard accounted for 5.6 million tonnes, high performance corrugating medium accounted for 3.2 million tonnes, coated duplex board accounted for 2.9 million tonnes, and printing and writing paper accounted for 0.5 million tonnes.

During the Year, the Group was able to uphold its enviable record of no bad debt by exercising prudent management over its trade receivables and in-depth understanding on the downstream industry and its customers.

Rising sales achieved by orderly expansion of production capacity

During the Year, the Group's PM37 at the new Shenyang base completed its construction and commenced production in September 2014, with a design production capacity of 350,000 tpa for linerboard products, bringing the Group's total design production capacity to 13.73 million tpa. Meanwhile, in accordance with the Group's announced production capacity plan, the construction of PM2(VN) at the Vietnam base will be completed and commence production by the end of 2016, with a design production capacity of 350,000 tpa, which will then bring the Group's total design production capacity to over 14 million tpa. The construction of PM39 at the Shenyang base will also be completed and commence production by the end of 2017, with a design production capacity of 350,000 tpa. With progressive upgrade and optimisation of the existing paper machines and more new paper machines coming into operation, the Group's sales volume is expected to continue to increase, bringing more contributions to the Group's performance in the future.

Stringent compliance with environmental standards as a leader in green paper-making

The Group advocates and practises a sustainable and recyclable economic model with use of recovered paper as the major raw material for paper making, and proactively develops the domestic procurement of recovered paper. The purchase value of domestic recovered paper accounted for approximately 43.4% of the total value of the Group's purchase of recovered paper for the Year.

In connection with environmental protection and emission reduction, the Group continued to conduct conscientious and comprehensive implementation of all pertinent government policies and regulations and consistently promote energy conservation and emission reduction. We continued to outperform government requirements in various key indices, and our production bases have been named "Environmental Credible Enterprise" by local environmental authorities for consecutive years. During the Year, various bases of the Group continued to maintain their ISO14001 certifications.

Notable debt reduction and decreasing finance costs

The Group's prudent development strategy and stable operational conditions have ensured the access to adequate bank credit facilities for its daily operation and future development needs.

The Group has basically accomplished its strategic production roadmap for this stage and has entered into a stage in which debt reduction has become the top priority. During the Year, the Group strived to scale down its borrowings and lower the debt gearing ratio. Remarkable results have been achieved, with interest on borrowings for the Year decreased by approximately RMB236.7 million as compared with last year. The Group has regarded control of borrowing cost and optimisation of debt structure as the main focuses for financial management for the Year. On the one hand, the Group continued to maintain a debt portfolio which is mainly denominated in foreign currencies, so as to achieve the goal of interest cost savings; on the other hand, we actively monitored the impact of the fluctuation of RMB exchange rate on foreign currency loans and timely adjusted the debt portfolios according to the prevailing market conditions, so as to mitigate the potential impacts brought by exchange rate fluctuations. The Group also actively promoted the diversification of its debt portfolio. As at 30 June 2015, among the Group's total borrowings, there was an increase in the borrowings denominated in Euro as compared with the last financial year. The Group's interest costs may further decrease as the interest rates of Euro-denominated borrowings were relatively lower than that of US dollar.

OUTLOOK

In the coming year, while China's manufacturing industry may remain conservative, the government is expected to implement targeted fiscal and economic policies continuously in order to drive recovery of end-user consumption. The elimination of outdated production capacities will continue to pick up its pace, which will thus improve market discipline and the balance between supply and demand, underpinning the selling prices of the Group's products. High performance and quality production capacities will gradually become the mainstream, which will offer favourable opportunities for the Group's development. For production costs, the Group expects that the total production costs will decrease following the implementation of a value-added tax rebate policy for recycled paper-based paper-making enterprises by the government in mid-2015. The Group will continue to develop and upgrade its knockout products and improve the price-value ratio of products. Meanwhile, it will enhance the efficiency of logistics and transportation chain and proactively promote its express services to satisfy various demands of customers. Domestic consumption and rapidly growing online shopping will continue to offer support for the long term industrial development of both the packaging paper industry and the Group, enabling the Group to reinforce its leading position in the industry by constantly leveraging its leading edges and maintain stable and sustainable development of the Group.

Liu Ming Chung
Deputy Chairman and Chief Executive Officer

Hong Kong, 23 September 2015

The balance between sales and production and normal inventory levels were maintained. All paper machines were operating well and ran at nearly full capacity.

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

During the Year, while the global economy continued to be volatile, China, as an emerging economy/country, has also entered a stage of historical transformation. Under the "new normal" state of market, economic growth shifted from high gear to medium-to-high gear, causing the manufacturing sector to adopt a conservative and prudent approach. However, as packaging paper products are closely related to daily consumption, the basic demand of the industry is relatively stable. Coupled with the changing pattern of retail spending and related logistics driven by the rapid growth of online shopping, demand continued to maintain growth. Meanwhile, the government proactively implemented environmental regulations with unprecedented vigor and expedited the closure of outdated production capacities with high energy consumption, heavy pollution and low efficiency, which offset the market impact caused by new capacities. Product selling prices therefore bottomed out from the previously prolonged sluggish market environment.

In pace with the continuously accelerating industry consolidation, the Group leverages its enormous environmentally friendly paper production platform and diverse product portfolios to provide customers with products and services at optimal price/value. During the Year, the Group further increased its market share and once again achieved new records in sales volume and sales revenue. During the process of economic transformation, many factories successively closed down due to environmental and financial issues. However, the Group was able to uphold its enviable record of no bad debt by exercising prudent management over its trade receivables and in-depth understanding on the business of its downstream customers.

While dedicating proactive efforts in expanding sales, the Group continued to optimise its equipment and internal management, refining and strengthening its "inner power" by enhancing product quality and production efficiency via paper machine upgrading. The Group also incessantly strengthened its control over raw material and production costs, reduced logistics expenses and at the same time monitored and controlled its procurement processes and capital expenditures, while continuing to lower its borrowings, debt gearing ratio and interest expenses. Apart from achieving solid results in cost reduction and efficiency enhancement, the abovementioned measures also favour continuous enhancement on production effectiveness, making adequate preparations for future development opportunities.

As at the end of June 2015, the Group's total design production capacity has reached 13.73 million tpa. This included PM37 at the new Shenyang base which completed its construction and commenced production in September 2014, with a design production capacity of 350,000 tpa for linerboard products.

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

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

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

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

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

The Group attaches great importance to environmental protection and energy conservation. All implementation of government policies and regulations have been conducted conscientiously and comprehensively to keep abreast of the latest standards. The Group continually steps up its efforts on environmental protection by employing international state-of-the-art equipment and technology, so that it can meet or even exceed government requirements in various environmental and energy consumption indices. The Group's production bases have been named "Environmental Credible Enterprise" by local environmental authorities for consecutive years, establishing itself as an environmentally friendly role model in the paper-making industry. The Group's bases also continued to obtain ISO14001 certification for environmental management systems and certification for clean production.

The Group advocates and practises a sustainable and recyclable economic model with extensive use of recovered paper as the major raw material for paper making, and proactively develops the domestic procurement of recovered paper to support the development of China's green consumption model. The purchase value of domestic recovered paper accounted for approximately 43.4% of the total value of the Group's purchase of recovered paper for the Year.

Technological innovation is the key to future development for an enterprise. The Group continually drives innovation in the various aspects of management, technology and products, etc. To date, 162 patents have been obtained and another 90 patent applications or approvals are being processed. In August 2015, the Group was ranked No. 63 in "China's Top 500 Private Enterprises 2015".

The Group has adequate land reserves to accommodate existing operations and prepare for future business development. As at 30 June 2015, the Group had secured land use rights for sites with an aggregate area of 12.35 million sq. m.

As at 30 June 2015, the Group employed a total of approximately 17,000 full-time staff and continued to obtain OHSAS18001 certification for its occupational health and safety management system.

Business Strategy and Development Plan

The Group has built an immense production and sales platform covering the manufacturing hubs nationwide. The platform enjoys various advantages including huge economies of scale, diversified product portfolios, comprehensive ancillary production facilities and logistics support, thereby establishing its leadership position in the industry in every aspect. Furthermore, leveraging this platform, the Group continuously enhances its technological innovations and service consciousness to keep up with the pace of China's industries towards informatization, automation and intelligentization. It adopts a long-term view in driving the optimisation and upgrade of existing equipment, enhancing production efficiency and product quality, training up human resources and exploiting its cost potential. Meanwhile, based on the specific characteristics and demands of local markets of each base and adhering to the principle of "Quality First, Customers Foremost", the Group develops knockout products and enhances express services in order to make Nine Dragons products the prime choice of customers and a reliable brand for the customers to depend on in the long run, hence achieving sustainable and mutually beneficial development.

The Group has basically accomplished its strategic production roadmap for this stage. No new paper machine will commence production in FY2016. However, sales volume is expected to keep increasing as upgrading efforts on existing paper machines may further enhance production effectiveness. Moreover, according to the current production capacity plan, PM2 (VN) at the Vietnam base will commence production by the end of 2016, bringing the Group's total design production capacity to over 14 million tpa. PM39 at the Shenyang base is scheduled to be completed and commence production by the end of 2017, with a design production capacity of 350,000 tpa.

The Group has experienced rapid development in the past few years, during which its main source of funding was through borrowings and the balance of working capital. With the current stage of development plan basically completed, the Group has entered into a stage with strong emphasis on scaling down its borrowings and lowering the debt gearing ratio, in line with which interest expenses are also decreasing. Meanwhile, over the past years the Group has converted part of its RMB borrowings into foreign currency borrowings, which has achieved significant interest expense savings. However, this has increased the exposure of the Group's borrowings to changes in RMB exchange rates. Given the current trend of RMB exchange rates, the Group is closely monitoring and managing its debt portfolio, and has adopted various measures to maintain a balance between the two major objectives of cost reduction and risk control. These measures include increasing the domestic procurement of recovered paper, gradually increasing the proportion of RMB borrowings and converting part of the borrowings denominated in US dollars into borrowings denominated in Euros. In the long run, the Group will also actively expand its direct and indirect export business, so as to increase revenue in US dollars and HK dollars, reducing its exposure to the fluctuation of RMB exchange rates, while capturing the business opportunities arising from China's export rebound at the same time.

FINANCIAL REVIEW

Sales

The Group achieved a revenue of approximately RMB30,092.5 million for FY2015, representing an increase of approximately 4.0% 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 approximately 92.6% of the revenue, with the remaining revenue of 7.4% generated from its recycled printing and writing paper, pulp and high value specialty paper products business.

The Group's revenue for FY2015 increased by approximately 4.0% as compared with the last financial year, mainly driven by approximately 10.1% increase in sales volume, while drop in average selling price of approximately 5.6% for FY2015 as compared with the last financial year. Revenue of linerboard, high performance corrugating medium, coated duplex board and recycled printing and writing paper for FY2015 accounted for 45.7%, 23.2%, 23.8% and 6.5% respectively of the total revenue, compared to 47.3%, 22.5%, 22.4% and 6.7% 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 2015 was 13.33 million tpa, comprising 6.88 million tpa of linerboard, 3.40 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 FY2015, the Group's total sales volume of packaging paperboard products and recycled printing and writing paper reached approximately 12.2 million tonnes, representing an increase of approximately 10.1% 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 PM38 in Leshan, which commenced its commercial operation in November 2014, and the full year operation of PM35 and PM36 in Quanzhou, which commended their commercial operation in March 2014.

The sales volume of linerboard, high performance corrugating medium, coated duplex board and recycled printing and writing paper for FY2015 increased by approximately 7.6%, 12.9%, 15.0% and 2.6% 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 FY2015, revenue related to domestic consumption represented 92.4% of the Group's total revenue, while the remaining revenue of 7.6% are sales denominated in foreign currencies which primarily represented sales made to foreign invested processing enterprises.

For FY2015, sales to the Group's top five customers in aggregate accounted for approximately 5.1% (FY2014: 5.2%) of the Group's revenue, with that to the single largest customer accounted for approximately 1.5% (FY2014: 1.7%).

Gross profit

The gross profit for FY2015 was approximately RMB4,716.4 million, a decrease of RMB34.7 million or a slightly decreased by 0.7% as compared with RMB4,751.1 million in the last financial year. The gross margin decreased from 16.4% in FY2014 to 15.7% in FY2015.

For second half of FY2015, the gross margin was approximately 18.0% as compared with 13.5% in the first half of FY2015. The Group recorded an improvement in gross profit margin in the second half of FY2015, was largely led by the decrease in cost of goods sold while the average selling price remained relatively stable due to massive closure of small paper players under more tightening environmental control from local governments in Dongguan and Taicang bases.

Loss arising from disposal of a subsidiary

The Group has disposed its entire equity interest of 55% held in Nine Dragons Xing An Paper Industries (Inner Mongolia) Company Limited ("Inner Mongolia") during FY2015 with a loss arising from this disposal of approximately RMB26.6 million.

Inner Mongolia principally engaged in the manufacture of pulp and paper in the PRC. Due to the serious shortage of raw material and in light of the unsatisfactory financial performance of Inner Mongolia, it is in the best interest of the Group to dispose of its entire equity interest in Inner Mongolia to avoid further loss. Sales contributed by Inner Mongolia was approximately 0.1% of total sales of the Group for FY2015, of which was insignificant to the Group.

Selling and marketing costs

Selling and marketing costs were approximately RMB679.1 million in FY2015, increased by 29.2% as compared with RMB525.7 million in FY2014. The increase in the selling and marketing costs was due to more geographical coverage in FY2015. The total amount of selling and distribution costs as a percentage of the Group's revenue increased from 1.8% in the last financial year to approximately 2.3% in FY2015.

Administrative expenses

Administrative expenses increased by 11.8% from RMB820.7 million in the last financial year to approximately RMB917.7 million in FY2015. The amount of administrative expenses as a percentage of group revenue slightly increased from 2.8% in FY2014 to 3.1% in the FY2015. The increase in administrative expenses was mainly as a result of additional management and administrative costs incurred to support the commencement of new paper machines located in new production bases in Quanzhou and Shenyang.

Operating profit

The operating profit for FY2015 was approximately RMB3,240.4 million, a decrease by 10.6% over the last financial year. The operating profit margin decreased from 12.5% in FY2014 to 10.8% in FY2015.

Finance costs

Finance costs decreased by 7.6% to approximately RMB1,454.6 million in FY2015 from RMB1,573.5 million in the last financial year. The weighted average interest rate decreased from 4.6% in the last financial year to 4.4% in FY2015. The finance costs decrease was mainly due to the net result of the substantial decrease in interest capitalised in property, plant and equipment from approximately RMB152.1 million in the last financial year to approximately RMB48.6 million in FY2015, decrease in bills discount charge by approximately RMB15.0 million, and increase in foreign exchange gains on financing activities by approximately RMB51.4 million in FY2015 as compared to the last financial year.

Income tax expense

Income tax charged for the FY2015 amounted to approximately RMB499.2 million and increased by approximately 34.8% or RMB128.9 million as compared with the last financial year.

The Group's average effective tax rate increased from 17.2% in FY2014 to approximately 25.5% in FY2015.

Net profit

The profit attributable to the equity holders of the Company in FY2015 was approximately RMB1,411.5 million, representing a decrease of approximately RMB343.7 million, or decreased by 19.6% over the last financial year. Whilst the profit margin attributable to the equity holders of the Company decreased from 6.1% in FY2014 to 4.7% in FY2015.

The Group recorded an improvement over the profit attribute to equity holders of the Company in the second half of FY2015 amounted to approximately RMB811.0 million if the exchange loss on financing activities recorded in the second half of FY2015 of approximately RMB78.8 million was excluded, representing an increase of approximately RMB277.7 million or increased by 52.1% over the first half of FY2015. The profit attribute to equity holders of the Company in the first half of FY2015 amounted to approximately RMB533.3 million if the exchange gain on financing activities of approximate RMB146.0 million was excluded on the same basis. The improvement on the profit attribute to the equity holders of the Company was largely caused by the decrease in cost of goods sold while the average selling price remained relatively stable due to massive closure of small paper players under more tightening environmental control from the local governments in Dongguan and Taicang bases.

Dividend

In FY2015, 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 RMB5.0 cents per share, which will aggregate to approximately RMB233.3 million. The total dividend for the FY2015 amounted to RMB7.0 cents per share, representing a decrease of RMB1.0 cents per share as compared with the last financial year. The pay out ratio was increased from 21.3% in the last financial year to 23.1% in FY2015.

Working capital

The inventories decreased by 21.5% to approximately RMB3,553.2 million in FY2015 from RMB4,523.3 million in the last financial year. Inventories mainly comprise raw materials (mainly recovered paper, coal and spare parts) of approximately RMB2,559.3 million and finished goods of approximately RMB993.9 million.

The raw materials decreased by 7.9% to approximately RMB2,559.3 million in FY2015 from RMB2,779.1 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 decreased by approximately 43.0% to approximately RMB993.9 million in FY2015 from RMB1,744.2 million in the last financial year.

As a result, during FY2015, raw material (excluding spare parts) turnover days decreased to approximately 24 days as compared to 29 days for FY2014 while the finished goods turnover days decreased to approximately 14 days as compared to 26 days for FY2014.

Trade and bills receivables were approximately RMB5,351.5 million, increased by 9.3% from approximately RMB4,894.6 million in FY2014. During FY2015, the turnover days of trade receivables were approximately 25 days which was in line with credit terms granted by the Group to its customers.

Trade and bills payables were approximately RMB3,963.6 million, increased by 22.2% from approximately RMB3,243.2 million in FY2014. The turnover days of trade and bills payable were approximately 57 days for FY2015 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 FY2015 primarily comes from its operating cash flows and borrowings, while the Group's financial resources are used in its capital expenditures, operating activities and repayment of borrowings.

The Group's cash generated from operations increased from RMB5,371.1 million in FY2014 to approximately RMB7,201.7 million in FY2015, representing an increase of 34.1%. The increase was attributable primarily to the changes in working capital, mainly due to the net result of the decrease in inventories, increase in trade and bills receivables, and increase in trade and other payables. In terms of available financial resources as at 30 June 2015, the Group had total undrawn banking facilities of approximately RMB33,030.1 million and cash and cash equivalents, short-term bank deposits and restricted cash of approximately RMB7,897.6 million.

As at 30 June 2015, the shareholders' funds were approximately RMB25,226.7 million, an increase of approximately RMB1,154.1 million from that of the last financial year. The shareholders' fund per share increased from RMB5.2 in FY2014 to RMB5.4 in FY2015.

Debts Management

The Group's outstanding borrowings decreased by approximately RMB3,483.5 million from RMB35,474.0 million as at 30 June 2014 to approximately RMB31,990.5 million as at 30 June 2015. The short-term and long-term borrowings amounted to approximately RMB12,188.1 million and approximately RMB19,802.4 million respectively, accounting for 38.1% and 61.9% of the total borrowings respectively. As at 30 June 2015, about 97.9% of the Group's debts were on unsecured basis.

The net debt to total equity ratio of the Group decreased from 111.9% as at 30 June 2014 to approximately 94.4% as at 30 June 2015. The Board will closely monitor the Group's net debt to total equity ratio and reduce the borrowing gradually.

Treasury policies

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

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

The treasury policies followed by the Group aim to:

(a) *Minimise interest risk*

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

(b) *Minimise currency risk*

In view of the potential Renminbi exchange rate fluctuation, the Board closely monitors the Group's foreign currency borrowings and will consider arranging for monetary and interest rate hedge at appropriate time to mitigate the corresponding risk. As at 30 June 2015, total foreign currency borrowings amounted to the equivalent of approximately RMB23,653.0 million and loans denominated in RMB amounted to approximately RMB8,337.5 million, representing approximately 73.9% and 26.1% of the Group's borrowings respectively.

Cost of borrowing

The effective interest rate as at 30 June 2015 were approximately 3.3% and 2.9% per annum as compared to 4.2% and 3.3% per annum as at 30 June 2014 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 RMB1,491.2 million in FY2015 from RMB1,721.7 million in FY2014.

Capital expenditures

The Group's payments for the construction of factory buildings, purchase of plants, machineries and equipments and land use rights during FY2015 were approximately RMB1,762.8 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 RMB2,630.7 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 PM2(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 FY2015, the Group had no material contingent liabilities.

THE GROUP IN THE LAST FIVE YEARS

In millions of RMB

Consolidated Income Statement	For the year ended 30 June 2015	2014	2013	2012	2011
Sales	30,092.5	28,928.7	28,739.1	27,169.7	24,386.9
Cost of goods sold	(25,376.1)	(24,177.6)	(24,132.8)	(22,832.3)	(20,160.1)
Gross profit	4,716.4	4,751.1	4,606.3	4,337.4	4,226.8
Other income/(expenses) and other (losses)/gains, net	147.4	218.1	215.6	62.7	84.7
Loss arising from disposal of a subsidiary	(26.6)	—	—	—	—
Selling and marketing costs	(679.1)	(525.6)	(677.7)	(667.9)	(526.4)
Administrative expenses	(917.7)	(820.7)	(802.0)	(662.2)	(627.4)
Operating profit	3,240.4	3,622.9	3,342.2	3,070.0	3,157.7
Finance income	130.2	70.4	46.0	46.7	21.3
Finance costs	(1,454.6)	(1,573.5)	(1,372.4)	(1,208.6)	(775.2)
Share of profit of an associate and a joint venture, net	39.5	37.5	0.7	—	—
Profit before income tax	1,955.5	2,157.3	2,016.5	1,908.1	2,403.8
Income tax expense	(499.2)	(370.3)	(425.8)	(449.5)	(388.7)
Profit for the year	1,456.3	1,787.0	1,590.7	1,458.6	2,015.1
Profit attributable to:					
— Equity holders of the Company	1,411.5	1,755.2	1,560.6	1,420.2	1,967.8
— Non-controlling interests	44.8	31.8	30.1	38.4	47.3

Consolidated Statement of Cash Flows	For the year ended 30 June 2015	2014	2013	2012	2011
Net cash generated from/(used in) operating activities	5,606.4	3,482.4	(1,703.1)	4,020.7	2,902.2
Net cash used in investing activities	(2,187.9)	(2,480.1)	(4,367.0)	(4,228.0)	(8,835.8)
Net cash (used in)/generated from financing activities	(4,007.4)	890.7	7,752.7	2,089.3	6,128.7
Net (decrease)/increase in cash and cash equivalents	(588.9)	1,893.0	1,682.6	1,882.0	195.1

In millions of RMB

Consolidated Balance Sheet	As at 30 June 2015	2014	2013	2012	2011
Total assets	65,033.7	66,983.0	64,433.9	58,211.6	50,900.6
Inventories	3,553.2	4,523.3	3,778.8	4,195.9	2,557.6
Trade and bills receivables	5,351.5	4,894.6	5,600.3	2,920.8	3,502.5
Other receivables and prepayments	1,397.6	2,231.0	2,493.5	2,534.6	1,805.4
Tax recoverable	28.0	13.0	1.3	18.7	42.2
Derivative financial instruments	—	3.5	—	—	—
Short-term bank deposits	563.6	—	—	—	—
Cash and cash equivalents and restricted cash	7,334.0	7,938.4	6,070.5	4,368.2	2,597.7
Total current assets	18,227.9	19,603.8	17,944.4	14,038.2	10,505.4
Property, plant and equipment	45,010.9	45,599.2	44,690.8	42,360.5	38,628.2
Land use rights	1,472.4	1,479.8	1,522.7	1,557.6	1,515.5
Intangible assets	251.5	223.2	225.7	230.3	234.8
Investment in an associate and a joint venture	64.2	52.7	10.1	—	—
Deferred income tax assets	6.8	24.3	40.2	25.0	16.7
Total non-current assets	46,805.8	47,379.2	46,489.5	44,173.4	40,395.2
Total liabilities	39,508.2	42,383.5	41,153.0	36,229.9	29,880.0
Trade and bills payables	3,963.6	3,243.2	3,403.5	5,731.3	2,311.2
Other payables and deposits received	1,181.5	1,649.5	1,673.2	2,710.3	2,492.6
Current income tax liabilities	423.2	354.3	354.1	287.6	194.2
Short-term borrowings	12,188.1	12,349.7	8,616.1	5,102.3	3,003.2
Derivative financial instruments	2.5	2.7	—	—	—
Total current liabilities	17,758.9	17,599.4	14,046.9	13,831.5	8,001.2
Long-term borrowings	19,802.4	23,124.4	25,690.0	21,192.5	20,973.5
Deferred income tax liabilities	1,912.3	1,628.3	1,372.5	1,137.5	905.3
Other payables	34.6	31.4	43.6	55.4	—
Deferred government grants	—	—	—	13.0	—
Total non-current liabilities	21,749.3	24,784.1	27,106.1	22,398.4	21,878.8
Net current assets	469.0	2,004.4	3,897.5	206.7	2,504.2
Total assets less current liabilities	47,274.8	49,383.6	50,387.0	44,380.1	42,899.4
Capital and reserves attributable to equity holders of the Company	25,226.7	24,072.6	22,783.6	21,550.5	20,599.7
Non-controlling interests	298.8	526.9	497.3	431.2	420.9

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Tackling climate change is a common mission shared by the global community. The Chinese government attaches great importance to green and low-carbon recycling economic development as it has become the major theme for construction of ecological civilisation. The government has introduced various environmental protection measures such as the Environmental Protection Law of PRC and the Water Pollution Prevention and Control Action Plan, demonstrating its commitment to suppress pollution and practically solve the problems in relation to people's living environment.

As the world's largest modern packaging paperboard manufacturer in terms of environmentally friendly recovered paper for paper production, ND Paper will continue to use recovered paper, leading the trend of green paper making, paving the way for ecological civilisation of modern paper manufacturing, thereby perpetuating a brand that will thrive for a century and making great contribution to the manufacturing industry in China.

DEVELOP RECYCLING ECONOMIC DEVELOPMENT MODEL IN FULL FORCE

Adhering to the philosophy of "No environmental management, no paper making", ND Paper is committed to environmental protection, energy conservation and emission reduction and advocates the recycling economic development model of "Reduce, reuse and resource". The Group not only uses recyclable paper as its raw materials, but also keeps abreast of the latest standards to continually step up its efforts on environmental protection, so that it can exceed government requirements in various environmental and energy consumption indices, establishing itself as an exemplary model of environmentally friendly enterprise with a strong edge in resource conservation.

While obtaining the certification of "China Environmental Labelling Product", the Group has also proactively implemented the international standardised management system and passed ISO9001 certification for quality management systems, ISO14001 certification for environmental management systems, OHSAS18001 certification for occupational health and safety management systems and FSC certification for forest environmental systems. Various production bases of the Group have been named "Environmental Credible Enterprise" by local environmental authorities for consecutive years. We have also been awarded "Environmentally Friendly Enterprise in the PRC's Paper Industry" and a winner in the "Energy Conservation and Discharge Reduction Contest for the National Paper-making Industry" for many times as well as a recipient of the "National May 1st Labor Day Award".

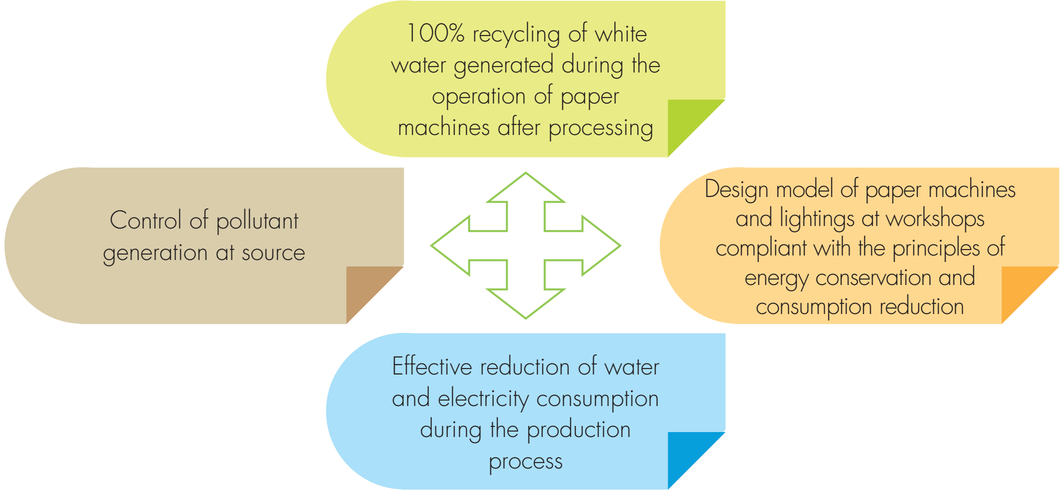
Meanwhile, we placed a lot of emphasis on enhancing the environmental protection awareness of all our staff. Through various forms of activities such as collecting reasonable suggestions for environmental protection, energy conservation and consumption reduction from our staff members, conducting environmental protection-themed talks, organising cultural and art performance on environmental protection, organising screening of educational videos for the promotion of environmental protection and holding kick-off ceremony of environmental protection work for all staff. These activities,

coupled with the implementation of management systems such as ISO14001, have further enhanced the environmental protection awareness of our staff and created an atmosphere of "Everyone can lead environmental protection through words, thoughts and actions", planting the ideas of environmental protection deep in their minds.

Forest in the City

"There is no waste on this planet, only misplaced resources." ND Paper has established its general approach to upholding scientific development, green development and using recovered paper for paper making since its establishment. Recovered paper enjoys the recognition as the "Forest in the city". Using recovered paper for paper making not only helps protecting forest resources, it also comes with various advantages such as reducing environmental pollution as well as reducing the consumption of energy, water resources and chemical raw materials. Using recovered paper for paper making is an environmental protection business which can benefit all mankind. Among the raw material structure of our products, recovered paper accounted for over 95% of the total fibre raw materials, and over 13 million tonnes of recovered paper have been recycled and reused through our production every year. With the completion of the large-scale recovered paper recycling in paper manufacturing, we also achieved integrated recycling and reuse of various wastes generated during our production processes through research and development, technology upgrades as well as equipment enhancement. Meanwhile, we have also successfully developed a series of environmentally friendly products with high performance and low weight, pushing for a more light-weight development of the paper packaging industry and contributing to the creation of a low-carbon society.

We continued to carry out in-depth research on the management and technology for energy conservation:



Advanced Wastewater Treatment Facilities and Deodorization System

In order to make full use of the water resources, ND Paper adopted internationally leading production technologies to control the volume of wastewater generated at source. Each of the production line was installed with an advanced white water recycling system which has effectively reduced a large amount of wastewater generation and discharge.

At the end of the wastewater treatment process, we adopted a state-of-the-art four-stage water treatment process (physical + IC anaerobic + aerobic + advanced treatment), such that our processed wastewater outperformed the national discharge standards. Methane produced during the anaerobic biological treatment of wastewater will be transmitted to the boiler for heat and electricity generation as a clean energy after biological desulfurization. The recycling of methane can help to save a large amount of coal every year. This technique has also won the Third Prize for "Innovative Achievement in the Outstanding Techniques of Energy Conservation and Emission Reduction in the PRC Paper Industry".

In addition, in order to thoroughly resolve the odour problem arising from treatment of wastewater generated from paper-making operations, we implemented tank topped-out, ventilation and deodorization processes at the odoriferous sources in a pioneering move for wastewater treatment in the paper-making industry. We have established a series of tank topped-out and deodorization system for the wastewater treatment plants within the plant area. The tank topped-out project can top out various odoriferous sources with anti-ceiling UV coated hood supported by steel, and divert the odour to the biological deodorization system through the induced draft fan. The odour may also be transmitted to the boiler as secondary air for incineration. Through the construction of greenbelts and operation of the deodorization system, which have substantially lowered the diffusion of odour generated by the odoriferous sources at the site and effectively removed harmful substances in the odour, the impact of odour on the environment and our staff has been significantly mitigated.

In addition to the advanced wastewater treatment system, we are also committed to delivering optimal performance in the following aspects in methane-related environmental protection and energy conservation:

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

Gas emission control

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

Methane collection and treatment system

- Methane mainly consists of methane gas
- Technology upgrades have been conducted since 2008 to add a methane desulfurization unit
- Processed methane will be transmitted to the heat and electricity boiler system as fuel for power generation and standard coal consumption can be reduced by 60,000 tonnes per annum after the system has been put into operation
- With the installation of efficient particle filtration and desulfurization equipment, the coal fired power plants in all of our bases boast emission levels better than the approved level under PRC regulatory requirements

Internationally-leading Gas Treatment Facilities and Enclosed Coal Storage Domes

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

ND Paper adopted the state-of-the-art and highly efficient desulfurization process (limestone injection and oxidized magnesium wet scrubber at the end), two-tier dust removal process (electrostatic bag filter), low-nitrogen combustion and SCR/SNCR denitrification processes (a treatment for exhaust gas from the boiler). Through these processes, we have achieved a desulfurization efficiency ratio of over 95%, a denitrification efficiency ratio of over 85% and a dust removal efficiency ratio as high as 99.9%. This further reduced the generation and emission of NO_X in the flue gas, ensuring various indicators of flue gas outperforming the relevant national emission standards.

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

Solid Waste Disposal

ND Paper is also the first of its kind to invest in sludge drying equipments and environmentally friendly industrial waste incinerators to effectively manage its solid wastes, and obtained "First Prize for Modernization and Innovative Achievement in Corporate Management in the PRC Light Industry". Advanced exhaust gas treatment facilities, bag filter dust removal unit and semi-dry desulfurization facilities are utilised in incinerators to process light slag and other solid wastes generated in paper manufacturing, with a view to recycle fiber residue to the greatest extent; while emission monitoring units have been installed to ensure real-time online monitoring of gas emission.

Moreover, in order to enhance our overall utilisation rate of solid wastes, we incinerate all solid wastes produced. The water content in the sludge is less than 40%, which is an achievement from our research and development as well as continuous promotion and application of the overall utilisation techniques of paper making, sludge drying and incineration. We have successfully incinerated sludge generated from wastewater treatment through the frame membrane filter drying process, which did not only reduce secondary pollution, but also turned all dried sludge into renewable fuel, thus saving a large amount of coal and realising recycling and zero discharge of sludge. This technique has won the First Prize for "Innovative Achievement in the Outstanding Techniques of Energy Conservation and Emission Reduction in the PRC Paper Industry", and has been widely promoted and applied in the industry to drive healthy and green development of the industry.

In addition, we have implemented a series of measures in establishing a green corporate culture:

Noise Pollution Control

- We have installed acoustic insulation panels and mufflers for equipments that produce heavy noise
- Noise-insulated control rooms are set up in the paper-making workshops to prevent staff from working under high noise levels for prolonged hours
- Personal noise protection devices such as earplugs are provided and employees are required to wear them during inspection around the workshop to ensure safety

Advocacy Of Transparent Management

- To ensure open and transparent environmental information, we have set up an LED display screen at the main entrance of our plant area and published key environmental data for the paper manufacturing industry to the public, such as sulfur dioxide and COD, which is currently monitored in real time by the local environmental authorities via intranet

Construction Of Environmental Protection Management System

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

Energy Saving And Environmental Protection Measures At Office Areas

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

Green Products

Guided by the principle of environmental protection and green development, ND Paper is working towards the "Ecological Development of the Industry", which seeks for a green management model that can benefit corporates, environment and society. Under this model, we will continue to pursue green design, initiate green product certifications, develop green application technologies, introduce clean production and develop recycling economy, carry out green procurement and develop green marketing.

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

Through relentless efforts in exploration and implementation, our wastewater discharge and gas emission achieved a steady compliance rate of 100%, thereby realising reduction of energy and resources consumption and reduction of pollutant emission. In this regard, we have been named an "Environmentally Friendly Enterprise in the PRC's Paper Industry" and were granted the honour of "National May 1st Labor Day Award", "Green Enterprise Management Award", and the "Most Influential Enterprise of the Year for Renewable Resources in the PRC". We were also named an "Environmental Credible Enterprise (Green Label) of Guangdong Province" for nine consecutive years.

"RESPECT AND CARE FOR OUR STAFF; REFINEMENT AND INNOVATION IN MANAGEMENT; PERPETUATING A BRAND THAT THRIVES FOR A CENTURY; PROPAGATING THE SPIRIT OF DILIGENCE"

We have advocated the people-oriented management philosophy since our establishment. We insist on a management principle of "sustainable development with better quality control and customer service, continuous improvements of management, and better position our products with cost competitiveness in corporate development". We believe in people-oriented, liberal, intelligent and scientific model approach of management. We put great emphasis on staff training, actively cultivating the fine qualities and positive spirits of our staff. We also continue to provide our staff of different job duties and experiences with suitable career development plans, as well as organise extensive leisure and cultural activities which are widely-welcomed by the staff. We also care about the welfare of our staff, for which we have built garden-style housing complexes and staff apartments, equipped with high quality cultural and sports centres as well as indoor and outdoor sports grounds for staff, demonstrating our commitment to provide a nice working and living environment to our employees.

Staff Training Plan and Training Development of Mentors

We have drawn up a number of annual plans, under which managers at various levels are encouraged to conduct systematic training and share with their team members, with a view to enhance the overall quality and working efficiency of the staff in terms of innovative thinking, specialised techniques, management skills and safety rules.

In order to make new employees feel at home with the impression that "this is a better home than elsewhere" and to help them acclimate to the ND Paper culture in no time, we continue to organise excellent training programs that have been launched in the past, such as the "Management Trainee Program", mentorship program for new employees and on-the-job training for special operations, so as to guide these newcomers into the ND Paper family and provide solid support and assistance for their continuous career development.

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

Fair and Impartial Staff Assessment System

We provide a comprehensive promotion and performance assessment system to offer employees with opportunities and rooms for continuous development. In order to provide a more equitable and open promotion platform to our staff, we have started an extensive internal employment scheme for an open selection of outstanding talents within the Group.

"The Nine Dragons Paper People" (《紙業玖龍人》), our corporate newsletter, is being published at each ND Paper production base at regular intervals to update employees on the latest developments of the Group, disclose outstanding achievement of our employees and provide them the opportunity to voice their opinions, thereby enhancing their loyalty to ND Paper. Moreover, staff communication sessions are being conducted through the staff union on a regular basis, where we can obtain feedbacks from our employees and understand their needs and thus allow us to devise effective solutions and make improvements, with a view to maintaining a harmonious relationship with our staff.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REMUNERATION AND BENEFITS

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

OCCUPATIONAL HEALTH AND SAFETY MEASURES

We always regard the assurance of safety and health of our staff as the best way to show our care for them. For safety management, we constantly promote the standardization of safety rules and systems and continuously enhance the level of safety management through internal and external training. We also actively develop talents in safety management, with a view to establish a highly effective safety management team.

We have also developed intensified trainings on safety so as to continuously enhance the safety awareness of our staff. Accordingly, we have adopted a range of precautionary measures as part of our efforts to provide employees with a safe workplace:

- Develop "Rules for Management of Safety Education and Training" and refine internal training system to increase training efficiency
- Carry out special inspections on the use of labor protection devices regularly, so as to ensure that employees wear corresponding labor protection devices before work in accordance with ND Paper's requirements
- Organize physical examination in respect of occupational health for staff every year and continue to increase their awareness of self-protection
- Invite external instructors to conduct special safety education and training sessions, so as to provide point-to-point safety trainings for different targeted positions
- Invite internationally-authoritative management system experts each year on a regular basis to carry out system audits, while the Company has passed the OHSAS18001 certification for occupational health and safety management systems
- Establish a fire safety culture: set up a dedicated fire services team of ND Paper and create a sound fire safety environment for corporate development. Meanwhile, we will continue to enhance the service quality of the firemen and enhance their comprehensive strengths

A COMFORTABLE LIVING ENVIRONMENT

In order to offer our staff with a comfortable and safe living environment in the staff quarters, we continuously improve their accommodation and provide them with a variety of facilities, including air-conditioner, water heater and cooker hood, etc. Water and electricity maintenance as well as facility repair services are available 24 hours a day.

The staff quarters are equipped with various types of cultural and sports facilities, such as reading rooms, study rooms, staff recreation centres, cultural and sports centres and outdoor sports grounds. There are various multi-function halls in the staff recreation centres, including ballrooms, karaoke rooms, gyms, billiard parlours, table tennis rooms, projection rooms and chess and card rooms. The cultural and sports centres offer a number of venues of sport activities, including indoor basketball courts, badminton courts, indoor swimming pools, children playgrounds and yoga rooms, while indoor and outdoor sports grounds comprise various venues and facilities including synthetic-rubber sports tracks, football fields, basketball courts, tennis courts, volleyball courts, swimming pools, children swimming pools, children playgrounds, BBQ sites, dance areas and athletic facilities. Amenities such as supermarkets, pharmacies, restaurants and bank automated teller machines (ATM) have been introduced into these staff quarters, so as to provide our staff with a convenient living environment.

COLOURFUL CULTURAL LIFE AT LEISURE

To enrich our staff's cultural life at leisure, we also organize various types of cultural activities regularly, such as Chinese New Year gala, grand Mid-autumn Festival BBQ gathering, athletic meet, basketball tournament, football tournament, tug-of-war, swimming contest, table tennis tournament, board and card game tournament, karaoke singing contest, Master-of-Ceremony contest, reading festival, calligraphy competition, writing competition, youth gathering, fishing contest, festival celebration in park, Happy Fishing Festival activities, movie screenings, etc. We have also set up various types of associations, such as culture and arts association, the association of volunteers, as well as badminton, tennis, football, basketball and fishing associations. While complementing staff's life at leisure, we also organise dance classes, vocal classes and linguistic art classes. All of the above activities serve as a way to enhance the artistic and cultural qualities of our staff.

The continuous improvements in staff welfare also help us to secure a leading position in the industry, creating an environment for one to readily experience "the management's care for the staff and the staff's love for ND Paper". The Group was also awarded "Harmonious Labour Relations Enterprise in the PRC Paper Industry" in this regard.

TO SERVE THE SOCIETY AND FOSTER THE WELLBEING OF THE SOCIETY AND MANKIND

While developing its paper-making business, ND Paper always keeps in mind its original intention to "Promote economic development and contribute to society". We actively support various community welfare projects to give back to society and fulfil our social responsibility. As our chairlady, Cheung Yan, once said, "Dedicating love and care to society is the best way to maximise the value of life. I am just a representative of the company, and all the honours I received represent the values created by the joint efforts of all members of ND Paper." Under such atmosphere, ND Paper has created a sound environment top down which demonstrates our values of "All for community welfare" and "Unity, friendship and support". The Group strongly advocates the spirit of charity and launches various community welfare projects.

Since its establishment, ND Paper has donated a total of over RMB100 million for community welfare projects. Based on our own development, we continually provide funding to support various community welfare activities in society. We organise "Nine Dragons Class" on a long-term basis in key areas to offer secondary education and job opportunities to underprivileged students in remote areas, continue to support and participate in the "Guangdong Poverty Alleviation Day", set up charity and education bases to help, assist and show care for elderly living alone and left-behind children at fixed locations, establish "Nine Dragons Emergency Relief Fund" and subsidise local educational projects.

ND Paper's devotion in charitable community welfare has won wide recognition from different sections in society, and has been awarded a number of honours such as "China Charity Prize", "Guangdong Overseas Chinese Special Contribution Award in Commemoration of Three Decades of Economic Reform", "Chinese Merchants Contribution Award", "Poverty Alleviation Cotton Tree Golden Cup Award", etc.

In the future, we will continue to develop towards the goal of becoming an environmentally friendly and energy-conserving enterprise boasting international management standards, with a view to consolidating our leading position in the industry and establishing a strong foundation for perpetuating an enterprise that thrives for a century.

INVESTOR RELATIONS

ND Paper has been firmly adhering to a high standard of corporate governance and disclosures. Our proactive approach to investor relations has also made us highly recognised by investors worldwide. We have adopted a variety of channels and methods to ensure effective two-way communications and close contacts with shareholders, investors and financial institutions in the capital market, in order to build a long term trusted relationship with the various investor communities. ND Paper has persistently disseminated relevant and uniform information to investors. Such protocol allows the Group's business development, operating strategies and industry updates to be regularly communicated and interpreted effectively to facilitate investment decisions. Corporate updates, press releases and the annual and interim reports provide the means for investors and the public to receive accurate and timely information about ND Paper's current operations and future outlook.

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

Participation by management in one-on-one and group investor meetings, conference calls and regional and global investor forums also allows business visions and financials to be well interpreted and analyzed. In FY2015, ND Paper has organized 8 non-deal roadshows covering Hong Kong, Mainland China, Singapore, USA, UK and Europe. It has participated in 11 investor conferences and events in Hong Kong, Mainland China, Singapore and Macau, and 6 group conference calls arranged by various financial institutions.

Major Investor Relations Activities in FY2015

Time	Event	Organiser/Arranger	Location
September, 2014	Post-results non-deal roadshow	Citi	Hong Kong
October, 2014	Post-results non-deal roadshow	Citi	US
October, 2014	Post-results non-deal roadshow	CICC	Shenzhen/ Shanghai/ Beijing, China
October, 2014	Post-results non-deal roadshow	Macquarie	Singapore
October, 2014	Post-results non-deal roadshow	CICC	Europe/U.K.
November, 2014	Investor conference — Double in 3 Triple in 5 Asia Pacific Emerging Conference 2014	Standard Chartered	Hong Kong
November, 2014	Investor conference — Citi China Investor Conference 2014	Citi	Macau
November, 2014	Investor conference — Bank of America Merrill Lynch China Conference 2014	Bank of America Merrill Lynch	Beijing, China
November, 2014	Investor conference — Morgan Stanley 13th Annual Asia Pacific Summit	Morgan Stanley	Singapore

Time	Event	Organiser/Arranger	Location
November, 2014	Group conference call	Fubon Financial	Hong Kong
November, 2014	Group conference call	J.P. Morgan	Hong Kong
December, 2014	Investor conference — CIMB China Logistics Corporate Day	CIMB	Hong Kong
December, 2014	Group Luncheon	Daiwa Capital Markets	Hong Kong
December, 2014	Group conference call	Macquarie	Hong Kong
January, 2015	Investor conference — UBS Greater China Conference 2015 — Investing in The New Normal	UBS	Shanghai, China
January, 2015	Group Luncheon	China Galaxy International	Hong Kong
February, 2015	Post-results non-deal roadshow	Citi	Hong Kong
March, 2015	Post-results non-deal roadshow	Citi	Singapore
March, 2015	Group conference call	First Shanghai Group	Hong Kong
March, 2015	Group Luncheon	Macquarie	Hong Kong
March, 2015	Investor conference — 18th Annual Asian Investment Conference	Credit Suisse	Hong Kong
May, 2015	Investor conference — Macquarie Greater China Conference 2015	Macquarie	Hong Kong
May, 2015	Group conference call	UOB Kay Hian	Hong Kong
May, 2015	Group conference call	Mizuho	Hong Kong
June, 2015	Non-deal roadshow	Daiwa Capital Markets	Hong Kong

Effective communications are further enhanced by plant tours conducted for fund managers, research analysts, institutional investors and media. This allows for better understanding of ND Paper's business model and operation processes on-site. It also provides an informative orientation to investors on the relevance of ND Paper's manufacturing and management capabilities to the Group's long term strategic strength. During the Year, there were a total of 6 plant tours conducted for delegates from various asset management companies, institutional brokers and media.

ND Paper maintains a relatively popular profile among investor communities. Over 30 local and international research institutions have published reports on ND Paper. Continuous dialogues are maintained efficiently through roadshows, investor meetings and conference calls, etc.

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

The last Annual General Meeting was held at the Auditorium, Sun Hung Kai Centre in Hong Kong on 15 December 2014. All resolutions proposed in the meeting were duly passed by the shareholders by way of poll.

Investor Relations Contact:
Nine Dragons Paper (Holdings) Limited
Corporate Communications Department
Unit 1, 22/F, One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Tel: (852) 3929-3800
Fax: (852) 3929-3890
Email: info_hk@ndpaper.com

CORPORATE GOVERNANCE

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

During FY2015, the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules.

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

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

Senior management who, because of their office in the Company, are likely to be in possession of unpublished price sensitive/inside information, have been requested to comply with the provisions of the Model Code.

INSIDE INFORMATION DISCLOSURE POLICY

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

BOARD

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

During FY2015, the Company has experienced the following change of composition of the Board:

(1) Mr. Wang Hong Bo has resigned as an INED and a member of the Audit Committee of the Company with effect from 3 March 2015 due to his personal work commitments.

(2) Mr. Fok Kwong Man has passed away and ceased to be an INED of the Company, the Chairman of the Corporate Governance Committee and a member of the Nomination Committee on 18 June 2015.

(3) Mr. Ng Leung Sing has been appointed as the Chairman of the Corporate Governance Committee and a member of the Nomination Committee with effect from 22 June 2015.

(4) Mr. Lau Chun Shun has been appointed as a member of the Executive Committee with effect from 22 June 2015.

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

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

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

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

The attendance record of each Director at Board Meetings, Board Committee meetings and general meeting for the Year is set out below:

	Board	Private	Remuneration Committee	Audit Committee	Nomination Committee	Corporate Governance Committee	2014 AGM
Number of Meetings	4	1	2	4	2	1	1
Executive Directors							
Ms. Cheung *(Chairlady)*	4/4	1/1			2/2	1/1	1/1
Mr. Liu *(Deputy Chairman and Chief Executive Officer)*	4/4		2/2				1/1
Mr. Zhang *(Deputy Chief Executive Officer)*	4/4		2/2		2/2	1/1	1/1
Mr. Lau Chun Shun	4/4						1/1
Mr. Zhang Yuanfu *(Chief Financial Officer)*	4/4						1/1
Independent Non-Executive Directors							
Ms. Tam Wai Chu, Maria	4/4	1/1	2/2	4/4	2/2	1/1	1/1
Dr. Cheng Chi Pang	4/4	1/1	2/2	4/4	2/2	1/1	1/1
Mr. Ng Leung Sing (Note 1)	4/4	1/1	2/2	4/4			1/1
Mr. Fok Kwong Man (Note 2)	3/3	1/1			2/2	1/1	1/1
Mr. Wang Hong Bo (Note 3)	2/2	1/1		4/4			0/1

Note:

(1) Mr. Ng Leung Sing has been appointed as the Chairman of the Corporate Governance Committee and a member of the Nomination Committee with effect from 22 June 2015.

(2) Mr. Fok Kwong Man has passed away and ceased to be an INED of the Company, the Chairman of the Corporate Governance Committee and a member of the Nomination Committee on 18 June 2015.

(3) Mr. Wang Hong Bo has resigned as an INED and a member of the Audit Committee of the Company with effect from 3 March 2015 due to his personal work commitments.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The composition of the Board, with 3 INEDs out of the 8-member Board, reaches the requirements of the Listing Rules which provides that every board of Directors of a listed issuer must include at least 3 INEDs and the number of INEDs must represent at least one-third of the Board.

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, profitability and cash flows of the Group. In preparing the financial statements of the Group for FY2015, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movements of the Group at any time.

The Directors recognize the responsibility for preparing the consolidated financial statements of the Group. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The statement of reporting responsibilities of the Company's external auditor in connection with the financial statements of the Company are set out in the Independent Auditor's Report on pages 72 and 73.

EXECUTIVE COMMITTEE

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

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

On 22 June 2015, Mr. Lau Chun Shun has been appointed as a member of the Executive Committee. Currently, the members of the Executive Committee include Ms. Cheung (Chairlady), Mr. Liu, Mr. Zhang and Mr. Lau Chun Shun.

REMUNERATION COMMITTEE

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

A separate report prepared by the Remuneration Committee which summarized its works performed during FY2015, and also set out details of the share options to the Directors and the employees on pages 51 to 54 of this Annual Report. No Director or any of his/her associates is involved in deciding his/her own remuneration.

AUDIT COMMITTEE

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

A separate report prepared by the Audit Committee which summarized its works performed during FY2015 is set out on pages 55 to 56 of this Annual Report.

RISK CONTROL COMMITTEE

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

NOMINATION COMMITTEE

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

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

During FY2015, the Nomination Committee reports directly to the Board and the work performed by the Nomination Committee are:

- determined the policy for the nomination of Directors and set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship which shall take into consideration the principle of diversity;
- reviewed the structure, size, composition and diversity of the Board and make recommendations on any proposed changes to the Board;
- assessed the independence of INEDs;
- made recommendations to the Board on the appointment or re-appointment of Directors; and
- reviewed the board diversity policy and make recommendations on any required changes to the Board.

Starting from August 2013, the Nomination Committee undertakes an additional function delegated from the Board to review the board diversity policy adopted in August 2013, and makes recommendations on any required changes to the Board. The board diversity policy sets out the approach to achieve diversity on the Board, including makes good use of the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and all Board appointments will be based on merit, having due regard to the overall effective function of the Board as a whole. The Company believes that diversity can strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring. The Nomination Committee discusses and agrees annually the relevant measurable objectives that the Board has set for implementing this policy and makes recommendations to the Board for adoption. It also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

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

During the Year, two Nomination Committee meetings were held with full attendance by the committee members. The Company Secretary prepared full minutes of the Nomination Committee meetings, and the draft minutes were sent to all committee members.

CORPORATE GOVERNANCE COMMITTEE

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

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

During FY2015, the Corporate Governance Committee reports directly to the Board and the work performed by the Corporate Governance Committee are:

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

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

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

INDUCTION AND PROFESSIONAL DEVELOPMENT

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

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

	Attending briefings/ seminars	Reading materials/ regulatory updates/ management monthly updates
Executive Directors		
Ms. Cheung	√	√
Mr. Liu	√	√
Mr. Zhang	√	√
Mr. Zhang Yuanfu	√	√
Mr. Lau Chun Shun	√	√
Independent Non-Executive Directors		
Ms. Tam Wai Chu, Maria	√	√
Dr. Cheng Chi Pang	√	√
Mr. Ng Leung Sing	√	√
Mr. Fok Kwong Man (Note 1)	√	√
Mr. Wang Hong Bo (Note 2)	√	√
Company Secretary		
Cheng Wai Chu, Judy	√	√

Note:

(1) Mr. Fok Kwong Man has passed away and ceased to be an INED of the Company on 18 June 2015.

(2) Mr. Wang Hong Bo has resigned as an INED with effect from 3 March 2015.

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

COMPANY SECRETARY

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

During FY2015, the Company Secretary confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

DIRECTORS' AND OFFICERS' INSURANCE

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

CONSTITUTIONAL DOCUMENTS

During FY2015, there has not been any change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

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

Disclosure of information on Company's Website

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

Annual General Meeting

The annual general meeting provides an important opportunity for constructive communication between the Board and the Shareholders. The Chairlady and the chairmen of the Board Committees maintained an on-going dialogue with the Shareholders and answered all questions raised by the Shareholders throughout the last annual general meeting held on 15 December 2014.

Investor Relations

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

Shareholders' enquiries

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

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

3 Shareholders may make enquiries to the Board in writing to the Company Secretary at the office of the Company at Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, by email to info_hk@ndpaper.com or by fax to (852) 3929 3894.

Procedure for Shareholders

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

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

1.1 Shareholders or a group of Shareholders holding not less than one-tenth of the paid-up capital of the Company as at the date of the deposit of the requisition carrying the right of voting at general meetings of the Company may by written requisition deposit at the Company's principal place of business at Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong for the attention of the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

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

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

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

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

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

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

2.3 The written request/statements must be signed by the Shareholder(s) concern and deposited at the Company's principal place of business at Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, for the attention of the Board of Directors or the Company Secretary, not less than six (6) weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one (1) week before the general meeting in the case of any other requisition.

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

REMUNERATION COMMITTEE

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

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

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

Major responsibilities and functions of the Remuneration Committee are:

- make recommendations to the Board on the Company's policy and structure of all Directors' and senior management's remuneration; and the establishment of a formal and transparent procedure for developing remuneration policy;
- review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management; and
- make recommendations to the Board on the remuneration of INED.

SUMMARY OF MAJOR WORK DONE IN FY2015

During FY2015, the Remuneration Committee held two meetings. The following is a summary of the major tasks completed by the Remuneration Committee during the Year:

- reviewed the remuneration level for Directors;
- recommended the Board to approve the fee of the Directors and senior management;
- reviewed and approved the remuneration packages and service contracts of Directors;
- reviewed the movement of the share options under the 2006 Share Option Scheme; and
- reviewed the bonus payments to the Directors and the Bonus Distribution policy.

SHARE OPTION SCHEME

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

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

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

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

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

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

MOVEMENT OF SHARE OPTIONS

As at 30 June 2015, i) a total of 155,602,286 shares options were granted under the 2006 Share Option Scheme, representing approximately 3.33% of the total number of issued shares of the Company; and ii) an aggregate of 300,000 shares are issuable for options granted under the 2006 Share Option Scheme, representing approximately 0.01% of the total number of issued shares of the Company.

As at the date of this Annual Report, 114,397,714 shares are issuable under the 2006 Share Option Scheme representing 2.45% of the total number of issued shares.

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

		Number of Share options					
	Grantees	**Balance as at 1 July 2014**	**Granted during the Year**	**Exercised during the Year**	**Cancelled/ Lapsed during the Year**	**Balance as at 30 June 2015**	**Approximate percentage of shareholding***
i)	**Director**						
	Mr. Lau Chun Shun (Notes 1 & 3)	450,000	—	—	(450,000)	—	—
ii)	**Employees and others** (Note 2)	2,200,000	—	—	(1,900,000)	300,000	0.01%
	Total:	2,650,000	—	—	(2,350,000)	300,000	0.01%

* The issued share capital of the Company was 4,666,220,811 as at 30 June 2015.

Notes:

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

Name of Director	Date of grant ("Grant Date")	Exercise Price HK$	Exercisable Period	Number of shares options: Balance as at 1 July 2014	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Balance as at 30 June 2015	Closing price immediately before Grant Date HK$
Mr. Lau Chun Shun	1 June 2010	11.052	1 June 2011 to 30 May 2015	450,000	–	–	(450,000)	–	11.58

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

Date of grant ("Grant Date")	Exercise Price HK$	Exercisable Period	Number of shares options: Balance as at 1 July 2014	Granted during the Year	Exercised during the Year	Cancelled/ lapsed during the Year	Balance as at 30 June 2015	Closing price immediately before Grant Date HK$
19 November 2009 (Note 3)	13.520	19 November 2010 to 18 November 2014	500,000	–	–	(500,000)	–	13.66
8 April 2010 (Note 4)	14.220	8 April 2010 to 7 April 2015	1,100,000	–	–	(1,100,000)	–	14.28
24 May 2010 (Note 3)	11.488	24 May 2011 to 23 May 2015	300,000	–	–	(300,000)	–	10.52
13 July 2010 (Note 3)	10.800	13 July 2011 to 12 July 2015	300,000	–	–	–	300,000	11.16
Total:			**2,200,000**	**–**	**–**	**(1,900,000)**	**300,000**	

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

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

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

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

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

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

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

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

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

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

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

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

VALUE OF SHARE OPTIONS

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

Key assumptions of the Model are:

Date of Grant	Risk-free rate	Expected dividend yield	Expected volatility of the market price of the Shares	Fair value (approximately) HK$
19 November 2009	1.542%	per annum 1.000%	71%	6,000,000
8 April 2010	1.997%	per annum 1.000%	78%	9,000,000
24 May 2010	1.535%	per annum 1.000%	78%	2,000,000
1 June 2010	1.581%	per annum 1.000%	79%	3,000,000
13 July 2010	1.500%	per annum 1.000%	80%	2,000,000

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

DIRECTORS' SERVICES CONTRACTS

None of the Directors who are proposed for re-election at the 2015 AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENT DETAILS

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

AUDIT COMMITTEE

MEMBERS

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

TERMS OF REFERENCE

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

SUMMARY OF MAJOR WORK DONE IN FY2015

The Audit Committee holds regular meetings and organizes additional meetings if and when necessary. During FY2015, the Committee held four meetings. The following is a summary of the tasks completed by the Audit Committee during FY2015:

- reviewed the financial statements for FY2014 and for the six months ended 31 December 2014 before submission to the Board focusing particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) the going concern assumption;

  (v) compliance with accounting standards; and

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

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

- considered and approved FY2015 external audit fees;

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

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

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

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

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

FINANCIAL REPORTS

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

REVIEW OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

REVIEW OF THE GROUP'S ACCOUNTING AND FINANCIAL REPORTING FUNCTION

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

RE-APPOINTMENT OF EXTERNAL AUDITOR

The Audit Committee recommended to the Board that, subject to Shareholders' approval at the 2015 AGM, PricewaterhouseCoopers be re-appointed as the Company's external auditor for FY2016.

For FY2015, the external auditor of the Company received approximately RMB7.5 million for audit services and RMB1.3 million for tax and other services.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

BUSINESS RISK

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

FINANCIAL RISK

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

COMPLIANCE RISK

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

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

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

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

OPERATIONAL RISK

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

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

PROFILE OF EXECUTIVES DIRECTORS

Ms. Cheung Yan, 58, has been the Chairlady of the Company since 2006. She is a director of several subsidiaries of the Company. She is one of the founders of the Group and is in charge of the Company's overall corporate development and the Group's strategic planning. Ms. Cheung has over 19 years of experience in paper manufacturing and over 29 years of experience in recovered paper recycling and international trade. Ms. Cheung is a member of the National Committee of the Chinese People's Political Consultative Conference, executive vice chairman of the China Overseas Chinese Entrepreneurs Association, vice president of China Paper Association, executive member of All-China Federation of Industry & Commerce, vice president of China Paper Industry Chamber of Commerce, president of the Guangdong Overseas Chinese Enterprises Associations, vice chairman of Guangdong Federation of Industry and Commerce, executive vice president of the Hong Kong China Chamber of Commerce, Honorary President of World Dongguan Entrepreneurs, Honorary Life President of Hong Kong Federation of Overseas Chinese Associations and Vice Chairman of New Home Association. Ms. Cheung is an honorary citizen of the City of Dongguan, Guangdong Province, China. In 2007, Ms. Cheung was awarded the "Entrepreneur of the Year in China 2007" by Ernst & Young and in 2008, she was accredited as a "Leader Figure" ("領袖人物獎") in "China Cailun Award" ("中華蔡倫獎") by China Paper Industry Chamber of Commerce and was awarded "China Charity Award 2008" ("2008年中華慈善獎") by the Ministry of Civil Affairs of the PRC. In May 2009, Ms. Cheung was awarded "Outstanding Entrepreneur in Pulp and Paper Manufacturing Industry in China" ("全國製漿造紙行業優秀企業家") by China Paper Association. She was awarded "Chinese Chamber of Commerce Contributions Award" ("華商貢獻獎") in the city of Chongqing in January 2010, the title of "Outstanding Person on Energy Saving and Emission Reduction in China 2009" ("2009中國節能減排功勳人物") by All-China Environment Federation in May 2010, "Outstanding Contribution Award on Poverty Alleviation and Benefiting the Community by a Businessman in the Private Sector in Guangdong Province" ("廣東省非公有制經濟人士扶貧濟困回報社會突出貢獻獎") in July 2010. Ms. Cheung was also awarded "Outstanding Entrepreneur in China" ("全國優秀企業家") by China Enterprise Association in May 2014, "Asian CEO of the Year" ("亞洲最佳CEO獎") by RISI and "Outstanding Contribution Award in Paper Industry in China" ("全國造紙行業傑出貢獻獎") by China Paper Association in June 2014. Ms. Cheung is the wife of Mr. Liu, the sister of Mr. Zhang and the mother of Mr. Lau Chun Shun.

Mr. Liu Ming Chung, 53, has been the Deputy Chairman and Chief Executive Officer of the Company since 2006. He is a director of various subsidiaries of the Company. He is one of the founders of the Group and is responsible for the overall corporate management and planning, the development of new manufacturing technologies, the procurement of production equipment and human resources management of the Group. Mr. Liu has over 24 years of experience in international trade and over 16 years of experience in corporate management. Mr. Liu graduated with a bachelor degree in Dental Surgery from the University of Santo Amaro in 1983. Mr. Liu is an honorary citizen of the City of Dongguan, Guangdong Province, China. In 2000, Mr. Liu was appointed as a member of the Ninth Committee of the Chinese People's Political Consultative Conference of Guangzhou of Guangdong province and a consultant of the Committee for Affairs of Hong Kong, Macao, Taiwan Compatriots and Overseas Chinese. In 2001, Mr. Liu was awarded a member of All-China Youth Federation. Mr. Liu is the husband of Ms. Cheung, the brother-in-law of Mr. Zhang and the father of Mr. Lau Chun Shun.

Mr. Zhang Cheng Fei, 47, has been the Executive Director and Deputy Chief Executive Officer of the Company since 2006. He is a director of various subsidiaries of the Company. He is one of the founders and is responsible for the overall management of the operations and business of the Group including marketing, finance, procurement, sales and IT departments. Mr. Zhang has over 21 years of experience in procurement, marketing and distribution and is a member of the Third Committee of the Chinese People's Political Consultative Conference of Chongqing. Mr. Zhang is the younger brother of Ms. Cheung, Mr. Liu's brother-in-law and the uncle of Mr. Lau Chun Shun.

Mr. Lau Chun Shun, 34, joined the Company as a Non-executive Director in 2006 and was re-designated as an Executive Director of the Company in August 2009. He is a director of various subsidiaries of the Company. He is responsible for the management and operation of the Group including marketing and distribution, procurement and sales departments. Mr. Lau holds a bachelor degree in Economics from the University of California, Davis and a master degree in Industrial Engineering from Columbia University. Mr. Lau is the son of Ms. Cheung and Mr. Liu and the nephew of Mr. Zhang.

Mr. Zhang Yuanfu, 52, has been an Executive Director of the Company since 2008. He is also a director of various subsidiaries of the Company. He also serves as the Group's Chief Financial Officer in charge of financial matters and investor relations. Prior to joining the Group, Mr. Zhang served as the chief financial officer, qualified accountant and company secretary of Weichai Power Co., Ltd. for more than 5 years and also worked in a number of Hong Kong listed companies in charge of accounting and financial management. He has more than 29 years of experience in auditing, accounting and corporate finance. Mr. Zhang holds a bachelor degree in Economics. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants.

PROFILE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tam Wai Chu, Maria, GBM, JP, 69, has been an Independent Non-Executive Director of the Company since 2006. She serves as an independent non-executive director of Guangnan (Holdings) Limited, Minmetals Land Limited, Sa Sa International Holdings Limited, Sinopec Kantons Holdings Limited, Tong Ren Tang Technologies, Co., Ltd., Wing On Company International Limited and Macau Legend Development Limited, all the shares of which are listed on the Stock Exchange. Ms. Tam is a Deputy of the National People's Congress P.R.C. from H.K.S.A.R. and a member of the Hong Kong Basic Law Committee under the Standing Committee of the National People's Congress. She is qualified as a barrister-at-law at Gray's Inn, London and has practice experience in Hong Kong.

Mr. NG Leung Sing, SBS, JP, 66, has been appointed as an independent non-executive director of the Company since March 2013. Mr. Ng is vice chairman of Chiyu Banking Corporation Limited, the chairman of Bank of China (Hong Kong) Trustees Limited, a director of BOCHK Charitable Foundation Limited and a director of the Hong Kong Mortgage Corporation Limited. Mr. Ng is a Hong Kong Deputy to the 10th, 11th and 12th National People's Congress, People's Republic of China, and a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also an independent non-executive director of MTR Corporation Limited, SmarTone Telecommunications Holdings Limited and Hanhua Financial Holding Company Limited, all are listed companies in Hong Kong. Mr. Ng was a member of The Court of The Lingnan University from 1999 to 2011, the General Manager of Bank-wide Operation Department of Bank of China (Hong Kong) Limited from August 2005 to July 2009, the executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. He was previously a member of the managing board of The Kowloon-Canton Railway Corporation, Hong Kong. Mr. Ng is a graduate of University of East Asia, Graduate College, Macau and holds a diploma in Chinese Law.

Dr. Cheng Chi Pang, 58, has been an Independent Non-Executive Director of the Company since 2006. He holds a bachelor degree in Business, a master degree in Business Administration and a master degree of Laws as well as and a doctorate degree of philosophy in Business Management. Dr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, the Australian Society of Certified Practising Accountants, the Taxation Institute of Hong Kong and a fellow member of the Hong Kong Institute of Directors. He is a Certified Public Accountant practicing in Hong Kong and has approximately 34 years of experience in auditing, business advisory and financial management.

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

PROFILE OF SENIOR MANAGEMENT

Mr. Lin Xin Yang, 45, joined the Group in 2003 and has served as the General Manager of Dongguan Nine Dragons Paper Industries Co., Ltd. in charge of operations and management since December 2010. Prior to joining the Group, he worked for Shandong Huazhong Paper Co., Ltd.. Mr. Lin has over 22 years of experience in pulp and paper manufacturing, equipment and production management. Mr. Lin graduated from Northwest Institute of Light Industry Pulp and Paper Engineering (currently Shaanxi University of Science and Technology) and is a senior engineer in the paper manufacturing industry.

Mr. Meng Feng, 43, has served as the General Manager of Nine Dragons Paper Industries (Taicang) Co., Ltd. in charge of supervision and management since December 2010. Mr. Meng has over 22 years production management experience in the large-scale paper manufacturing industry. Prior to joining the Group, he worked in Shandong Chenming Paper Industries Co., Ltd as a senior management and also acted as the general manager of a subsidiary. He graduated from Shandong Weifang Radio & Television Institute (major in Economic Information & Management Professional).

Mr. Zhou Chuan Hong, 54, joined the Group in July 2002. He has served as the General Manager of Nine Dragons Paper Industries (Tianjin) Co. Ltd. in charge of supervision and management since September 2007. Mr. Zhou has over 27 years of experience in equipment, project management and business management in the paper manufacturing industry. Prior to joining the Group, he worked in Shandong Huazhong Paper Co., Ltd. He graduated from South China Institute of Technology (currently South China University of Technology) and is an engineer.

Mr. Sun Zuo Hua, 41, joined the Group in June 2011 and has served as the General Manager of Nine Dragons Paper Industries (Chongqing) Co., Ltd. since December 2014. Prior to joining the Group, he has worked in Shandong Chenming Paper Holdings Limited and was served as a general manager of a subsidiary. He has over 20 years of experience in paper manufacturing management. Mr. Sun was graduated from Shandong Weifang University of Science and Technology, major in Economic Management.

Mr. Ye Jian, 40, joined the Group in 2003 and has served as the General Manager of Nine Dragons Pulp and Paper (Leshan) Co., Ltd. in charge of operations and management since July 2014. Mr. Ye has 20 years of experience in production, technology and management in the paper manufacturing industry. Prior to joining the Group, he worked in Ningbo Zhonghua Paper Industry Co., Ltd.. He graduated from Quzhou College of Technology, Zhejiang Province.

Mr. Xin Gang, 41, joined the Group in 1998 and has served as the General Manager of Nine Dragons Paper Industries (Quanzhou) Co., Ltd. in charge of supervision and management since September 2012. Mr. Xin has over 19 years of experience in production, technology and management in the paper manufacturing industry. He graduated from Shandong Institute of Light Industry in 1996 with a bachelor degree in Pulp and Paper Manufacturing.

Mr. Zhu Qi Han, 35, joined the Group in 2003 and has served as the General Manager of Nine Dragons Paper Industries (Shenyang) Co. Ltd. since July 2015, in charge of its overall management. Mr. Zhu has over 12 years of experience in marketing of paper industry, procurement management of recycled paper and operational management in carton manufacturing. Prior to joining the Group, he was served as the general manager of Nine Dragons Packaging (Taicang) Company Limited. Mr. Zhu was graduated from Shanghai University of Sport.

Mr. Zhang Du Ling, 45, joined as the Group's General Manager of the Sales Department in charge of sales management and operation of the Group. He joined the Group in July 1998. Prior to joining the Group, he worked as the Manager of the sales department of Dongguan Chung Nam Paper Manufacturing Co., Ltd. He has approximately 19 years of experience in sales and marketing in the paper manufacturing industry in China. He graduated from the School of Management of Chinese Academy of Sciences with a higher diploma in Business Administration.

Mr. Ng Kwok Fan, Benjamin, 59, has served as the Group's Deputy General Manager and Assistant to Chairlady in charge of corporate administration and investor relations since February 2006. Prior to joining the Group, Mr. Ng worked in several international marketing communications enterprises and public companies listed in Hong Kong and overseas. He has extensive experience in advertising, marketing and corporate finance. He graduated from the University of Hong Kong and is a member of both Chartered Professional Accountants of Canada and the CFA Institute.

Mr. Chu Yiu Kuen, Ricky, 44, has served as the Group's Deputy Chief Financial Officer in charge of financial operation since October 2008. Mr. Chu has more than 21 years of experience in auditing, accounting and financing. Prior to joining the Group, Mr. Chu had worked in a major international accounting firm for over 8 years and the Listing Division of the Stock Exchange for over 2 years where he accumulated extensive experience in floatation and business advisory of a wide variety of business. Mr. Chu obtained a bachelor degree in Economics and is a member of both Certified Public Accountants of Australia and Hong Kong Institute of Certified Public Accountants.

Mr. Zhong Hong Xiang, 47, has served as the Group's General Manager of the Paper Making Technology Department in charge of paper making production and technology. Mr. Zhong joined the Group since 1996 and has over 25 years' experience in production, technology and equipment installment in the paper manufacturing industry. Prior to joining the Group, he worked for Fujian Qinshan Paper Co., Ltd. He graduated from Fujian College of Forestry with a diploma in Stock Preparation and Paper Manufacturing Technology.

Mr. Ouyang Liming, 42, served as the Chief Information Officer of the Group in charge of IT management, development and operation. Mr. Ouyang joined the Group in 2009. Prior to joining the Group, he worked in Lenovo. He has over 21 years of experience in enterprise applications and information technology in general. He has a background in ERP consulting service and a master degree in management from McGill University.

Mr. Chu Xin Qi, 51, has served as the Deputy Chief Financial Officer -Internal Control in charge of group cost management and internal control since 2014. Mr. Chu joined the Group in 2001, he acted as a Deputy General Manager in Nine Dragons Paper Industries (Taicang) Co., Ltd. in charge of finance and resource management. Before joining the Group, he was the General Manager of Shandong Huazhong Paper Manufacturing Co., Ltd. He has over 26 years of experience in finance management. Mr. Chu is a senior economist and he graduated in 1990 from Shandong College of Economics with a Diploma in Finance.

DIRECTORS' REPORT

The Directors are pleased to present the audited consolidated financial statements of ND Holdings for FY2015.

PRINCIPAL BUSINESSES

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

RESULTS AND APPROPRIATIONS

The results of the Group for FY2015 are set out in the accompanying financial statements on page 76.

An interim dividend of RMB2.0 cents (equivalent to approximately HK2.5 cents) per share for the six months ended 31 December 2014 (six months ended 31 December 2013: RMB2.0 cents) was paid to shareholders on 20 July 2015.

The Board has resolved to recommend the payment of a final dividend of RMB5.0 cents (equivalent to approximately HK6.1 cents) per share for FY2015, which is expected to be paid on Friday, 15 January 2016 subject to the approval of 2015 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, 28 December 2015. The translation of RMB into Hong Kong dollars is made at the exchange rate of HK$1.00 = RMB0.82288 as at 23 September 2015 for illustration purpose only. The actual translation rate for the purpose of dividend payment in Hong Kong dollars will be subject to exchange rate at the remittance date.

FINANCIAL SUMMARY

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2015 are set out in note 9a to the financial Statements.

PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

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

BORROWINGS

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

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 30 June 2015, the Company's reserve available for cash distribution and/or distribution in specie, representing the retained earnings, amounted to RMB303,573,000 (30 June 2014: RMB673,356,000). In addition, the Company's share premium account and contributed surplus of RMB8,730,315,000 and RMB2,074,700,000, respectively, as at 30 June 2015 may be distributed to shareholders in certain circumstance prescribed by Section 54 of the Companies Act 1981 of Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate amount of purchases attributable to the Group's five largest suppliers represented about 73.3% of the Group's total purchases and the purchase attributable to the Group's largest supplier was about 32.4% of the Group's total purchases. The aggregate amount of turnover attributable to the Group's five largest customers was approximately 5.1% of total turnover of the Group.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

MANAGEMENT CONTRACTS

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

DIRECTORS

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

Executive Directors

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

INEDs

Ms. Tam Wai Chu, Maria
Mr. Ng Leung Sing
Dr. Cheng Chi Pang
Mr. Fok Kwong Man (passed away and ceased to be an INED on 18 June 2015)
Mr. Wang Hong Bo (resigned on 3 March 2015)

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

Mr. Lau Chun Shun, Ms. Tam Wai Chu, Maria and Dr. Cheng Chi Pang will retire at the 2015 AGM under the provision of Bye-law 87 and, being eligible, will offer themselves for re-election.

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

As at 30 June 2015, the Directors and chief executive of the Company and their associates had the following interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

The Company

(A) Interests in the Company

The table below sets out the aggregate long positions in the Shares and underlying shares of the Directors and the chief executive of the Company as at 30 June 2015.

		Number of Shares			Number of underlying shares (in respect of share options)			
Name of Directors	Long Position/ Short Position	Personal Interests	Family Interests	Corporate Interests (Note 1)	Personal Interests	Family Interests	Total	Approximate percentage of shareholdings
Ms. Cheung	Long Position	83,495,758	27,094,184	2,992,120,000	–	–	3,102,709,942	66.49%
Mr. Liu	Long Position	27,094,184	83,495,758	2,992,120,000	–	–	3,102,709,942	66.49%
Mr. Zhang	Long Position	29,899,821	–	–	–	–	29,899,821	0.64%
Mr. Lau Chun Shun	Long Position	1,830,000	–	2,992,120,000	–	–	2,993,950,000	64.16%
Ms. Tam Wai Chu, Maria	Long Position	1,216,670	–	–	–	–	1,216,670	0.03%

(B) Interests in Associated Corporation — Best Result

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

Notes:

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

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

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

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

Save as disclosed above, none of the Directors or chief executive of the Company or any of their associates (within the meaning of Part XV of SFO) had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation as at 30 June 2015, as recorded in the register required to be kept under 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Directors or chief executive of the Company, as at 30 June 2015, the following persons had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

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

Note:

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

Save as disclosed above, as at 30 June 2015, as far as the Company is aware of, there was no other person who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

DONATIONS

The Group's charitable and other donations during the Year amounted to RMB18,289,000 (2014: approximately RMB21,883,000).

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51(B) OF THE LISTING RULES

The following is the change in the information of Directors since the date of the 2014/15 Interim Report of the Company, which is required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules:

Mr. Fok Kwong Man passed away and ceased to be an INED, the Chairman of the Corporate Governance Committee and a member of the Nomination Committee on 18 June 2015. Mr. Ng Leung Sing has been appointed as the Chairman of the Corporate Governance Committee and a member of the Nomination Committee with effect from 22 June 2015. Mr. Lau Chun Shun has been appointed as a member of the Executive Committee with effect from 22 June 2015.

CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE LISTING RULES

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

In 2015, the Company has a facility agreement with China Development Bank Corporation, Hong Kong Branch in an aggregate amount of USD250 million for a term of 3 years. It would constitute an event of default if (i) any one of Ms. Cheung, Mr. Liu and Mr. Zhang (together, the "Controlling Shareholders"), the Controlling Shareholders of the Company, ceases to be a Director of the Company; or (ii) the Controlling Shareholders cease to have joint management control of the Company; or (iii) the Controlling Shareholders and the family members of Ms. Cheung, together, cease to beneficially own in aggregate, directly or indirectly, at least 51% of the issued share capital (which carries full voting rights) of the Company. Upon the occurrence of any of the above events, the outstanding liability under the loan facilities will become immediately repayable.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for FY2015.

RELATED PARTY TRANSACTIONS

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

CONTINUING CONNECTED TRANSACTIONS

During FY2015 and in the normal course of business, the Company and its subsidiaries had various commercial transactions with certain connected persons. These transactions are considered to be continuing connected transactions under the Listing Rules.

Details of these transactions are as follows:

(a) Come Sure Raw Paper Materials Supply Agreement

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

During the period from 1 April 2014 to 31 March 2015, the actual amount of transactions under the Come Sure Raw Paper Materials Supply Agreement was RMB192 million and was within the annual cap of RMB500 million. During FY2015, the actual amount of transactions was RMB182 million.

(b) Longteng Packaging Materials and Chemicals Purchase Agreement

Dongguan Longteng is a company which is held as to 80% by Mr. Zhang Cheng Ming, a brother of Mr. Zhang and Ms. Cheung. On 8 May 2014, Dongguan Longteng and the Company entered into a purchase agreement (the "Longteng Packaging Materials and Chemicals Purchase Agreement"), pursuant to which the Company agreed to purchase packaging materials and chemicals from Dongguan Longteng for the Group's production requirements from 1 July 2014 to 30 June 2017.

During FY2015, the actual amount of transactions under the Longteng Packaging Materials and Chemicals Purchase Agreement was RMB234 million and was within the annual cap of RMB600 million. The Longteng Packaging Materials and Chemicals Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

(c) Nantong Tenglong Chemicals Purchase Agreement

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

During FY2015, the actual amount of transactions under the Nantong Tenglong Chemicals Purchase Agreement was RMB108 million and was within the annual cap of RMB1,150 million. The Nantong Tenglong Chemicals Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

(d) Longteng Packaging Paperboard Supply Agreement

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

During FY2015, the actual amount of transactions under the Longteng Packaging Paperboard Supply Agreement was RMB452 million and was within the annual cap of RMB610 million. The Longteng Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

(e) Taicang Packaging Paperboard Supply Agreement

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

During FY2015, the actual amount of transactions under the Taicang Packaging Paperboard Supply Agreement was RMB185 million and was within the annual cap of RMB330 million. The Taicang Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

(f) Honglong Packaging Paperboard Supply Agreement

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

During FY2015, the actual amount of transactions under the Honglong Packaging Paperboard Supply Agreement was RMB80 million and was within the annual cap of RMB110 million. The Honglong Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

(g) ACN Recovered Paper Purchase Agreement

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

During FY2015, the actual amount of transactions under the ACN Recovered Paper Purchase Agreement was RMB6,955 million and was within the annual cap of RMB15,000 million. The ACN Recovered Paper Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

(h) Tianjin ACN Wastepaper Purchase Agreement

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

During FY2015, the actual amount of transactions under the Tianjin ACN Wastepaper Purchase Agreement was RMB5,784 million and was within the annual cap of RMB7,600 million. The Tianjin ACN Wastepaper Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

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

The auditor of the Company was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the non-exempt continuing connected transactions in accordance with Main Board Listing Rule 14A.56.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

AUDITOR

The Group's financial statements for FY2015 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer itself for re-appointment. A resolution to re-appoint PricewaterhouseCoopers and to authorize the Directors to fix its remuneration will be proposed at the 2015 AGM.

On behalf of the Board

Cheung Yan
Chairlady

Hong Kong, 23 September 2015

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

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

We have audited the consolidated financial statements of Nine Dragons Paper (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 74 to 140, which comprise the consolidated and company balance sheets as at 30 June 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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pwc 羅兵咸永道

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2015, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32).

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 September 2015

BALANCE SHEETS

	Note	Consolidated		Company	
		30 June 2015 RMB'000	30 June 2014 RMB'000	30 June 2015 RMB'000	30 June 2014 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	45,010,861	45,599,196	269	607
Land use rights	7	1,472,399	1,479,774	—	—
Intangible assets	8	251,528	223,245	—	—
Investments in subsidiaries	9a	—	—	2,444,025	2,443,883
Investments in an associate and a joint venture	9b	64,240	52,739	—	—
Deferred income tax assets	17	6,750	24,284	—	—
		46,805,778	47,379,238	2,444,294	2,444,490
Current assets					
Inventories	10	3,553,245	4,523,339	—	—
Trade and bills receivables	12	5,351,488	4,894,602	—	—
Other receivables and prepayments	12	1,397,598	2,230,970	2,182	3,301
Amounts due from subsidiaries	12	—	—	11,165,984	11,373,211
Tax recoverable		28,007	12,990	—	—
Derivative financial instruments	11	—	3,460	—	—
Restricted cash		23,100	36,759	—	—
Short-term bank deposits	13	563,617	—	—	—
Cash and cash equivalents	13	7,310,840	7,901,644	8,805	104,834
		18,227,895	19,603,764	11,176,971	11,481,346
Total assets		65,033,673	66,983,002	13,621,265	13,925,836
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	14	9,208,587	9,208,587	9,208,587	9,208,587
Other reserves	15	1,240,359	1,174,678	2,093,668	2,093,429
Retained earnings					
— Proposed final dividend	27	233,311	279,973	233,311	279,973
— Unappropriated retained earnings		14,544,482	13,409,347	70,262	393,383
		25,226,739	24,072,585	11,605,828	11,975,372
Non-controlling interests		298,790	526,891	—	—
Total equity		25,525,529	24,599,476	11,605,828	11,975,372

		Consolidated		Company	
	Note	30 June 2015 RMB'000	30 June 2014 RMB'000	30 June 2015 RMB'000	30 June 2014 RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	16	19,802,381	23,124,364	1,528,400	1,845,078
Deferred income tax liabilities	17	1,912,311	1,628,329	–	–
Other payables	18	34,529	31,457	–	–
		21,749,221	24,784,150	1,528,400	1,845,078
Current liabilities					
Trade and bills payables	18	3,963,649	3,243,183	–	–
Other payables and deposits received	18	1,181,424	1,649,556	487,037	105,386
Current income tax liabilities		423,195	354,311	–	–
Borrowings	16	12,188,128	12,349,656	–	–
Derivative financial instruments	11	2,527	2,670	–	–
		17,758,923	17,599,376	487,037	105,386
Total liabilities		39,508,144	42,383,526	2,015,437	1,950,464
Total equity and liabilities		65,033,673	66,983,002	13,621,265	13,925,836
Net current assets		468,972	2,004,388	10,689,934	11,375,960
Total assets less current liabilities		47,274,750	49,383,626	13,134,228	13,820,450

Ms. Cheung Yan
Chairlady

Mr. Liu Ming Chung
Deputy Chairman and Chief Executive Officer

The notes on pages 81 to 140 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	For the year ended 30 June 2015 RMB'000	2014 RMB'000
Sales	19	**30,092,546**	28,928,740
Cost of goods sold	21	**(25,376,141)**	(24,177,648)
Gross profit		**4,716,405**	4,751,092
Other income/(expenses) and other (losses)/gains, net	20	**147,514**	218,117
Loss arising from disposal of a subsidiary	9a(c)	**(26,640)**	—
Selling and marketing costs	21	**(679,147)**	(525,666)
Administrative expenses	21	**(917,743)**	(820,670)
Operating profit		**3,240,389**	3,622,873
Finance income	23	**130,164**	70,355
Finance costs	23	**(1,454,567)**	(1,573,484)
Finance costs — net		**(1,324,403)**	(1,503,129)
Share of profit of an associate and a joint venture — net	9b	**39,487**	37,509
Profit before income tax		**1,955,473**	2,157,253
Income tax expense	24	**(499,184)**	(370,303)
Profit for the year		**1,456,289**	1,786,950
Profit attributable to:			
— Equity holders of the Company		**1,411,520**	1,755,172
— Non-controlling interests		**44,769**	31,778
		1,456,289	1,786,950
Basic and diluted earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*	26	**0.3025**	0.3762

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

The notes on pages 81 to 140 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit for the year	**1,456,289**	1,786,950
Other comprehensive income		
(Items that may be reclassified subsequently to profit or loss):		
Currency translation differences	**(9,372)**	(5,396)
Cash flow hedges	**(294)**	294
Other comprehensive income for the year	**(9,666)**	(5,102)
Total comprehensive income for the year	**1,446,623**	1,781,848
Attributable to:		
— Equity holders of the Company	**1,405,441**	1,752,206
— Non-controlling interests	**41,182**	29,642
	1,446,623	1,781,848

The notes on pages 81 to 140 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity holders of the Company					
	Share capital RMB'000 (Note 14)	Other reserves RMB'000 (Note 15)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2014	9,208,587	1,174,678	13,689,320	24,072,585	526,891	24,599,476
Comprehensive income						
Profit for the year	–	–	1,411,520	1,411,520	44,769	1,456,289
Other comprehensive income						
Currency translation differences	–	(5,785)	–	(5,785)	(3,587)	(9,372)
Cash flow hedges	–	(294)	–	(294)	–	(294)
Total other comprehensive income	–	(6,079)	–	(6,079)	(3,587)	(9,666)
Total comprehensive income	–	(6,079)	1,411,520	1,405,441	41,182	1,446,623
Transactions with owners						
2014 final and 2015 interim dividends to equity holders of the Company	–	–	(373,297)	(373,297)	–	(373,297)
Dividend paid to a non-controlling interest	–	–	–	–	(34,263)	(34,263)
Capital injection by a non-controlling interest	–	–	–	–	38,910	38,910
Acquisition of additional interests in subsidiaries (Note 9a(b))	–	121,771	–	121,771	(177,641)	(55,870)
Share options granted to directors and employees	–	239	–	239	–	239
Disposal of a subsidiary	–	(50,250)	50,250	–	(96,289)	(96,289)
Total transactions with owners	–	71,760	(323,047)	(251,287)	(269,283)	(520,570)
Balance at 30 June 2015	9,208,587	1,240,359	14,777,793	25,226,739	298,790	25,525,529

The notes on pages 81 to 140 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 30 June	
		2015	2014
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash generated from operations	28(a)	**7,201,656**	5,371,113
Income tax paid		**(149,876)**	(110,072)
Interest paid		**(1,445,407)**	(1,778,613)
Net cash generated from operating activities		**5,606,373**	3,482,428
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,703,543)**	(2,573,780)
Payments for intangible assets		**–**	(2,149)
Proceeds from disposal of property, plant and equipment	28(b)	**22,052**	13,161
Payment for acquisition of land use rights		**(59,298)**	–
Proceeds from disposal of land use rights		**–**	17,394
Capital contribution made to a joint venture	9b	**(20,940)**	(18,623)
Disposal of a subsidiary	9a(c)	**(7,075)**	–
Interest received		**130,164**	70,355
Payments for short-term bank deposits		**(886,762)**	–
Proceeds from short-term bank deposits		**323,145**	–
Dividends received from an associate	9b	**48,926**	13,500
Cash advances made to a joint venture	30(e)	**(34,580)**	–
Net cash used in investing activities		**(2,187,911)**	(2,480,142)
Cash flows from financing activities			
Issue of shares upon exercise of share options		**–**	2,445
Proceeds from borrowings		**27,372,610**	23,521,125
Repayments of borrowings		**(30,956,552)**	(22,277,552)
Restricted cash pledged for bank borrowings		**(23,100)**	(35,759)
Restricted cash released		**35,759**	55,000
Payments for derivative financial instruments		**(11,526)**	(1,846)
Payments for acquisition of additional interests in subsidiaries		**(55,870)**	–
Dividends paid to a non-controlling interest		**(34,263)**	–
Dividends paid to equity holders of the Company		**(373,371)**	(372,746)
Capital contribution made by a non-controlling interest		**38,910**	–
Net cash (used in)/generated from financing activities		**(4,007,403)**	890,667
Net (decrease)/increase in cash and cash equivalents		**(588,941)**	1,892,953
Cash and cash equivalents at beginning of the year		**7,901,644**	6,015,451
Exchange losses on cash and cash equivalents		**(1,863)**	(6,760)
Cash and cash equivalents at end of the year	13	**7,310,840**	7,901,644

The notes on pages 81 to 140 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

These financial statements are presented in Renminbi, unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company (the "BoD") on 23 September 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

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

2.1 Basis of preparation *(continued)*

(a) Effect of adopting amendments to standards and interpretation

The following amendments to standards and interpretation are mandatory for the Group's financial year beginning on 1 July 2014. The adoption of these amended standards and interpretation does not have any significant impact to the results and financial position of the Group and the Company.

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
HKAS 32 (Amendment)	Financial Instruments: Presentation on Asset and Liability Offsetting
HKAS 36 (Amendment)	Impairment of Assets on Recoverable Amount Disclosure
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Novation of Derivatives
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Consolidated for Investment Entities
HK (IFRIC) — Int 21	Levies

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 July 2014 and have not been early adopted by the Group:

HKFRS 9 (2014)	Financial Instruments [3]
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations [1]
HKFRS 15	Revenue from Contracts with Customers [2]
HKAS 1 (Amendment)	Disclosure Initiative [1]
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements [1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception [1]
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle [1]

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

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

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

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

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the revised listing rules on disclosure of financial information with reference to the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year ending on or after 30 June 2016. The Group is in the process of making an assessment of expected impact of the changes. So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 30 June 2015.

(a) Subsidiaries

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

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

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

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

(c) Disposal of subsidiaries

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

(d) Separate financial statements

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

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

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

2.2 Consolidation *(continued)*

(e) Associates

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

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

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

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

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

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

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

2.3 Joint arrangements

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

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2.5 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

— all resulting currency translation differences are recognised in other comprehensive income.

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

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

2.6 Property, plant and equipment

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

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

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

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

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

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

2.6 Property, plant and equipment *(continued)*

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

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

2.7 Construction in progress

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

2.8 Land use rights

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

2.9 Intangible assets

(a) Goodwill

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

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

(b) Other intangible assets

(i) Trademark

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

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

2.9 Intangible assets *(continued)*

(b) Other intangible assets *(continued)*

(ii) Patent

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

(iii) Customer relationship

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

(c) Computer software

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

(d) Sea area use rights

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

2.10 Impairment of non-financial assets

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

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

2.11 Financial assets

(a) Classification

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

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

(b) Recognition and measurement

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

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Other gains/(losses) — net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Impairment of financial assets

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

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

2.13 Impairment of financial assets *(continued)*

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

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

2.14 Derivative financial instruments and hedging activities

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

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

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

Cash flow hedges

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

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

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

2.14 Derivative financial instruments and hedging activities *(continued)*

Cash flow hedges *(continued)*

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

2.15 Inventories

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

2.16 Trade, bills and other receivables

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

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

2.17 Restricted cash, short-term bank deposits and cash and cash equivalents

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

2.18 Share capital

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

2.19 Trade, bills and other payables

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

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

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

2.20 Borrowings and borrowing costs

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

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

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

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

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

2.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

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

2.21 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Outside basis differences

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

(c) Offsetting

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

2.22 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

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

2.22 Employee benefits *(continued)*

(c) Share-based compensation

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

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

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

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

2.23 Provisions

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

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

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

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

2.24 Revenue and other income recognition

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

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

(a) Revenue from sales of goods

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Other income from sales of electricity

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

(d) Other income from rendering of transportation service

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

2.25 Leases (as the lessee for operating leases)

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

2.26 Government grants

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

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

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

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

2.27 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

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

To manage the Group's exposure to fluctuations in foreign exchange rates on specific transactions, foreign currency borrowings, currency structured instruments and other appropriate financial instruments may be used to hedge material exposure. At 30 June 2015, if RMB had weakened/strengthened by 5.0% against US$, EURO and HK$, with all other variables held constant, post-tax profit for the year ended 30 June 2015 would have been RMB836,279,000 lower/higher (2014: RMB708,310,000) and other reserves would have been RMB2,972,000 lower/higher (2014: RMB812,000 lower/higher), respectively, mainly as a result of unrealised foreign exchange losses/gains on translation of foreign currency-denominated financial instruments (including cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and derivative financial instruments) into the functional currency of the group entities and the translation of financial statements of the Group's foreign operations into the Group's presentation currency.

(b) Interest rate risk

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

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Interest rate risk *(continued)*

At 30 June 2015, if interest rates on borrowings had been 25 basis point higher/lower with all other variables held constant, post-tax profit for the year would have been RMB45,237,000 lower/higher (2014: RMB40,927,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

(c) Credit risk

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

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

The table below shows the cash at bank of the major counterparties with external credit ratings as at 30 June 2015.

Counterparties with external credit rating (Note)

	30 June 2015 RMB'000	30 June 2014 RMB'000
Aa1	**26,344**	—
Aa3	**226,433**	557,184
A1	**3,643,130**	3,497,111
A2	**1,381,494**	1,649,954
A3	**104,160**	50,014
Baa1	**685,334**	510,380
Baa2	**43,054**	67,264
others	**1,785,758**	1,604,799
	7,895,707	7,936,706

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

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

(d) Liquidity risk

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

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(d) Liquidity risk *(continued)*

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At 30 June 2015				
Borrowings (including interests) (Note)	**13,008,728**	**11,109,952**	**9,279,289**	**18,115**
Trade, bills and other payables	**4,769,765**	**34,529**	**—**	**—**
Financial guarantee contracts provided to a joint venture	**40,004**	**—**	**—**	**—**
At 30 June 2014				
Borrowings (including interests) (Note)	13,470,215	12,498,242	10,652,135	1,017,199
Trade, bills and other payables	4,584,696	31,457	—	—
Forward foreign exchange contracts				
— Outflow	373,628	—	—	—
— Inflow	(370,958)	—	—	—
Company				
At 30 June 2015				
Borrowings (including interests) (Note)	**49,415**	**49,415**	**1,583,719**	**—**
Other payables	**487,037**	**—**	**—**	**—**
Financial guarantee contracts provided to subsidiaries	**26,211,412**	**—**	**—**	**—**
At 30 June 2014				
Borrowings (including interests) (Note)	59,207	1,851,971	—	—
Other payables	105,386	—	—	—
Financial guarantee contracts provided to subsidiaries	25,984,681	—	—	—

Note: Interest on borrowings is calculated on borrowings held as at 30 June 2015 and 2014, respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2015 and 2014, respectively.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

The gearing ratio is calculated as follows:

	30 June 2015 RMB'000	30 June 2014 RMB'000
Total borrowings (Note 16)	**31,990,509**	35,474,020
Less: cash and cash equivalents, restricted cash and short-term bank deposits	**(7,897,557)**	(7,938,403)
Net debt	**24,092,952**	27,535,617
Total equity	**25,525,529**	24,599,476
Gearing ratio	**94.4%**	111.9%

The decrease in gearing ratio during the year ended 30 June 2015 was mainly resulted in the decrease in net debt during the year.

3.3 Fair value estimation

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

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

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

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

Derivative financial instruments of the Group are measured at fair value in level 2 as at 30 June 2015 (2014: same). These derivative financial instruments are not traded in an active market (for example, over-the counter derivatives), so their fair value is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. All significant inputs required to fair value the instruments are observable, so the instrument is included in level 2.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Useful lives of plant and machinery

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

Should the actual useful lives of the paper manufacturing plant and machinery be 10% shorter/longer from management's estimate, the carrying amount of the plant and machinery as at 30 June 2015 would be RMB686,787,000 lower (2014: RMB584,978,000) or RMB839,405,000 higher (2014: RMB714,973,000).

(b) Plant and machinery under construction

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

Had these plant and machinery under construction, which had been transferred to property, plant and equipment during the year ended 30 June 2015, been capable to operate in the manner intended by management one month earlier or later, net profit for the year ended 30 June 2015 would have been RMB3,046,000 higher (2014: RMB4,007,000 lower) and RMB537,000 higher (2014: RMB5,892,000) respectively.

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

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

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

(d) Income taxation and deferred taxation

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

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

5. SEGMENT INFORMATION

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

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

The Group is domiciled in the PRC. The revenue from external customers attributable to the PRC for the year ended 30 June 2015 is RMB27,807,607,000 (2014: RMB26,282,725,000), and the total of its revenue from external customers from other countries is RMB2,284,939,000 (2014: RMB2,646,015,000). The breakdown of the major products of the total sales is disclosed in Note 19.

As at 30 June 2015, the total of non-current assets other than deferred tax assets located in the PRC is RMB46,643,520,000 (2014: RMB47,219,990,000), and the total of these non-current assets located in other countries is RMB155,508,000 (2014: RMB134,964,000).

6. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles, transportation and logistics equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2013						
Cost	7,213,636	37,696,472	636,955	821,649	5,647,042	52,015,754
Accumulated depreciation	(1,520,332)	(5,228,863)	(282,752)	(292,976)	—	(7,324,923)
Net book amount	5,693,304	32,467,609	354,203	528,673	5,647,042	44,690,831
Year ended 30 June 2014						
Opening net book amount	5,693,304	32,467,609	354,203	528,673	5,647,042	44,690,831
Additions	16,866	55,100	121,769	32,092	2,430,323	2,656,150
Transfer	692,506	4,539,458	18,799	214	(5,250,977)	—
Disposals (Note 28)	(2,148)	(5,098)	(927)	(3,151)	—	(11,324)
Depreciation (Note 21)	(318,754)	(1,260,970)	(73,884)	(81,394)	—	(1,735,002)
Exchange differences	(330)	(889)	(4)	(17)	(219)	(1,459)
Closing net book amount	6,081,444	35,795,210	419,956	476,417	2,826,169	45,599,196
At 30 June 2014						
Cost	7,912,639	42,229,968	773,339	828,132	2,826,169	54,570,247
Accumulated depreciation	(1,831,195)	(6,434,758)	(353,383)	(351,715)	—	(8,971,051)
Net book amount	6,081,444	35,795,210	419,956	476,417	2,826,169	45,599,196
Year ended 30 June 2015						
Opening net book amount	**6,081,444**	**35,795,210**	**419,956**	**476,417**	**2,826,169**	**45,599,196**
Additions	**6,355**	**55,978**	**36,131**	**63,563**	**1,363,151**	**1,525,178**
Transfer	**214,996**	**2,678,740**	**38,064**	**—**	**(2,931,800)**	**—**
Disposals (Note 28)	**(7,834)**	**(47,226)**	**(3,067)**	**(5,125)**	**—**	**(63,252)**
Disposal of a subsidiary (Note 9a(c))	**(39,372)**	**(110,419)**	**(728)**	**(4,205)**	**(91,181)**	**(245,905)**
Depreciation (Note 21)	**(334,274)**	**(1,311,984)**	**(82,989)**	**(70,069)**	**—**	**(1,799,316)**
Exchange differences	**(904)**	**(3,624)**	**(23)**	**(155)**	**(334)**	**(5,040)**
Closing net book amount	**5,920,411**	**37,056,675**	**407,344**	**460,426**	**1,166,005**	**45,010,861**
At 30 June 2015						
Cost	**8,066,943**	**44,611,326**	**833,514**	**827,026**	**1,166,005**	**55,504,814**
Accumulated depreciation	**(2,146,532)**	**(7,554,651)**	**(426,170)**	**(366,600)**	**—**	**(10,493,953)**
Net book amount	**5,920,411**	**37,056,675**	**407,344**	**460,426**	**1,166,005**	**45,010,861**

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

Company

	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000
At 1 July 2013			
Cost	63	2,750	2,813
Accumulated depreciation	(61)	(1,834)	(1,895)
Net book amount	2	916	918
Year ended 30 June 2014			
Opening net book amount	2	916	918
Additions	27	—	27
Depreciation	(6)	(332)	(338)
Closing net book amount	23	584	607
At 30 June 2014			
Cost	90	2,750	2,840
Accumulated depreciation	(67)	(2,166)	(2,233)
Net book amount	23	584	607
Year ended 30 June 2015			
Opening net book amount	**23**	**584**	**607**
Depreciation	**(6)**	**(332)**	**(338)**
Closing net book amount	**17**	**252**	**269**
At 30 June 2015			
Cost	**90**	**2,750**	**2,840**
Accumulated depreciation	**(73)**	**(2,498)**	**(2,571)**
Net book amount	**17**	**252**	**269**

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

(a) Certain property, plant and equipment of the Group with carrying values of approximately RMB1,163,166,000 as at 30 June 2015 (2014: RMB1,181,057,000) had been pledged for the borrowings of the Group (Note 16).

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

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cost of goods sold	**1,571,093**	1,532,017
Administrative expenses	**161,620**	142,577
Selling and marketing costs	**62,949**	56,182
Other expenses	**3,654**	4,226
	1,799,316	1,735,002

(c) As at 30 June 2015, except for those buildings of the subsidiary located in Vietnam with net book value of RMB21,693,000 (2014: RMB17,681,000), all other buildings are located in the mainland China.

7. LAND USE RIGHTS — GROUP

	Land use rights
	RMB'000
At 1 July 2013	
Cost	1,753,011
Accumulated amortisation	(230,307)
Net book amount	1,522,704
Year ended 30 June 2014	
Opening net book amount	1,522,704
Disposals	(11,114)
Amortisation (Note 21)	(31,249)
Exchange differences	(567)
Closing net book amount	1,479,774
At 30 June 2014	
Cost	1,741,897
Accumulated amortisation	(262,123)
Net book amount	1,479,774
Year ended 30 June 2015	
Opening net book amount	**1,479,774**
Additions	**69,298**
Disposal of a subsidiary (Note 9a(c))	**(41,918)**
Amortisation (Note 21)	**(33,771)**
Exchange differences	**(984)**
Closing net book amount	**1,472,399**
At 30 June 2015	
Cost	**1,769,277**
Accumulated amortisation	**(296,878)**
Net book amount	**1,472,399**

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

Amortisation of RMB33,771,000 (2014: RMB31,249,000) is included in the "cost of goods sold" of the consolidated income statement.

As at 30 June 2015, the Group is in the process of applying the title certificates for certain of its land use rights with an aggregate carrying value of RMB59,525,000 (2014: RMB60,471,000). However, the directors of the Company are of the opinion that substantially all risks and rewards of these land use rights have already been transferred to the Group.

8. INTANGIBLE ASSETS — GROUP

	Goodwill	Trademark	Patent	Customer relationship	Computer software	Sea area use right	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2013							
Cost	221,830	56,357	4,524	30,709	9,076	—	322,496
Accumulated amortisation and impairment	(75,136)	—	(2,830)	(15,355)	(3,428)	—	(96,749)
Net book amount	146,694	56,357	1,694	15,354	5,648	—	225,747
Year ended 30 June 2014							
Opening net book amount	146,694	56,357	1,694	15,354	5,648	—	225,747
Additions	—	209	—	—	1,940	—	2,149
Amortisation (Note 21)	—	—	(566)	(3,071)	(1,014)	—	(4,651)
Closing net book amount	146,694	56,566	1,128	12,283	6,574	—	223,245
At 30 June 2014							
Cost	221,830	56,566	4,524	30,709	11,016	—	324,645
Accumulated amortisation and impairment	(75,136)	—	(3,396)	(18,426)	(4,442)	—	(101,400)
Net book amount	146,694	56,566	1,128	12,283	6,574	—	223,245
Year ended 30 June 2015							
Opening net book amount	**146,694**	**56,566**	**1,128**	**12,283**	**6,574**	**—**	**223,245**
Additions	**—**	**—**	**—**	**—**	**—**	**33,728**	**33,728**
Amortisation (Note 21)	**—**	**—**	**(566)**	**(3,071)**	**(1,441)**	**(367)**	**(5,445)**
Closing net book amount	**146,694**	**56,566**	**562**	**9,212**	**5,133**	**33,361**	**251,528**
At 30 June 2015							
Cost	**221,830**	**56,566**	**4,524**	**30,709**	**11,016**	**33,728**	**358,373**
Accumulated amortisation and impairment	**(75,136)**	**—**	**(3,962)**	**(21,497)**	**(5,883)**	**(367)**	**(106,845)**
Net book amount	**146,694**	**56,566**	**562**	**9,212**	**5,133**	**33,361**	**251,528**

Amortisation of RMB5,078,000 and RMB367,000 (2014: RMB4,651,000 and nil) are charged to the "administrative expenses" of the consolidated income statement and capitalised in "property, plant and equipment" of the balance sheets, respectively.

8. INTANGIBLE ASSETS — GROUP *(continued)*

(a) Impairment test for goodwill

Goodwill is allocated to the Group's CGU identified. The goodwill of the Group is related to acquisition of three production lines, which is considered as one CGU for impairment test purpose. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, which is based on management's past experience and its expectation for the market development and is consistent with their business plan. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

	30 June 2015	30 June 2014
Gross margin (Note (i))	16%	17%
Long-term growth rate (Note (ii))	1%	1%
Discount rate (Note (iii))	13%	14%

Note:

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

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

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

For the year ended 30 June 2015, management of the Group was of the view there was no impairment of goodwill (2014: nil).

As at 30 June 2015, if the budgeted gross margin applied to the cash flow projections had been 5% lower, or if a long-term growth rate of 0% was applied in the value-in-use calculation, or if the discount rate applied in the value-in-use calculation had been 5% higher, with other variables held at constant, the recoverable amount of goodwill would still exceed its carrying value and no impairment will be required.

8. INTANGIBLE ASSETS — GROUP *(continued)*

(b) Impairment test for trademark

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

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

	30 June 2015	30 June 2014
Royalty rate (Note (i))	**2%**	2%
Long-term growth rate (Note (ii))	**2%**	2%
Discount rate (Note (iii))	**12%**	13%

Note:

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

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

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

For the year ended 30 June 2015, management of the Group was of the view there was no impairment of trademark (2014: nil).

As at 30 June 2015, if the royalty rate, or the long-term growth rate applied to the cash flow projections had been 5% lower, or if the discount rate applied in the valuation had been 5% higher, with other variables held at constant, the recoverable amount of trademark would still exceed its carrying value and no impairment will be required.

9a. INVESTMENTS IN SUBSIDIARIES — COMPANY

	30 June 2015 RMB'000	30 June 2014 RMB'000
Investments in unlisted shares, at cost	**2,386,700**	2,386,700
Share options granted to employees of subsidiaries	**57,325**	57,183
	2,444,025	2,443,883

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

The following is a list of the principal subsidiaries as at 30 June 2015:

Company	Place of incorporation	Principal activities/ place of operation	Issued and fully paid share capital/ paid-in capital	Attributable equity interest held
Directly held:				
Nine Dragons Paper (BVI) Group Limited ("NDP (BVI)")	British Virgin Islands (the "BVI"), limited liability company	Investment holdings/ PRC	US$10,000	100%
Indirectly held:				
Nine Dragons Worldwide Investment Limited	Hong Kong, limited liability company	Investment holdings/ PRC	HK$1	100%
Nine Dragons (China) Investment Co., Ltd. [2]	PRC, limited liability company	Investment holdings/ PRC	US$1,641,372,000	100%
Dongguan Nine Dragons Paper Industries Co., Ltd. [1] (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US$833,181,000	99.9%
Nine Dragons Paper Industries (Taicang) Co., Ltd. [1] (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US$450,720,000	99.5%
Nine Dragons Paper Industries (Chongqing) Co., Ltd. [1] (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US$340,200,080	99.9%
Nine Dragons Paper Industries (Tianjin) Co., Ltd. [1] (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US$402,927,500	99.9%
Nine Dragons Paper Industries (Quanzhou) Co., Ltd. [2]	PRC, limited liability company	Manufacture of paper/ PRC	US$99,942,000	100%
Hebei Yongxin Paper Co., Ltd. [1] ("Hebei Yongxin) (Note (a) and (b))	PRC, limited liability company	Manufacture of paper/ PRC	US$68,995,000	98.13% (2014: 78.13%)
Cheng Yang Paper Mill Co., Ltd. (Note (a))	Vietnam, limited liability company	Manufacture of paper/ Vietnam	US$30,000,000	60%

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

Kind of legal entities:

1. Sino-foreign equity joint venture enterprise

2. Wholly foreign-owned enterprise

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

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

(b) On 8 June 2015, the Group acquired additional 20% equity interests in Hebei Yongxin at a cash consideration of RMB54,870,000. On 27 August 2014, the Group acquired additional 10% equity interests in Nine Dragons Bamboo (Qian Wei) Development Limited ("Qian Wei") at a cash consideration of RMB1,000,000. The effect of changes in the equity attributable to equity holders of the Company and non-controlling interest during the year is summarised as follows:

	Hebei Yongxin	Qian Wei	Total
	RMB'000	RMB'000	RMB'000
Carrying amount of the non-controlling interest acquired	175,942	1,699	177,641
Consideration paid to the non-controlling interest	(54,870)	(1,000)	(55,870)
Excess of non-controlling interests recognised within "other reserves"	121,072	699	121,771

(c) On 2 September 2014 (the "Disposal Date"), the Group fully disposed of its entire 55% equity interest in a subsidiary, Nine Dragons Xing An Paper Industries (Inner Mongolia) Company Limited (the "ND Xing An Paper"), at a cash consideration of RMB91,000,000 to non-controlling interests. Loss arising from disposal of ND Xing An Paper is summarised as follows:

	Disposal Date
	RMB'000
Consideration receivable from the non-controlling interest of ND Xing An Paper (Note (i))	91,000
Carrying amounts of net assets of the 55% equity interests in ND Xing An Paper (Note (ii))	(117,640)
Loss arising from disposal of a subsidiary	(26,640)

Note (i): According to the agreements between the Group and the non-controlling interest of ND Xing An Paper, the consideration receivable from the non-controlling interest of ND Xing An Paper has been offset with the payable to ND Xing An Paper of RMB48,020,000 (Note (ii)) as of the Disposal Date.

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

(c) *(continued)*

Note (ii): The carrying amounts of net assets of the 55% equity interests in ND Xing An Paper at Disposal Date and the cash flow related to the disposal were summarised as follows:

	Disposal Date
	RMB'000
Property, plant and equipment	245,905
Land use rights	41,918
Receivables from the Group (Note (i))	48,020
Cash and cash equivalents	7,075
Other assets and liabilities	(128,989)
Net assets	213,929
Non-controlling interests derecognised	(96,289)
Net assets attributable to equity holders of the Company disposed of	117,640

	For the year ended 30 June 2015
	RMB'000
Cash outflow from the disposal of a subsidiary	
— cash consideration received	–
— cash and cash equivalents in subsidiary disposed of	(7,075)
	(7,075)

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

	Associate	Joint venture	Total
	RMB'000	RMB'000	RMB'000
At 1 July 2013	10,107	—	10,107
Addition of investment cost	—	18,623	18,623
Share of profit	37,509	—	37,509
Dividends received	(13,500)	—	(13,500)
At 30 June 2014	34,116	18,623	52,739
At 1 July 2014	**34,116**	**18,623**	**52,739**
Addition of investment cost	**—**	**20,940**	**20,940**
Share of profit/(loss)	**39,923**	**(436)**	**39,487**
Dividends received	**(48,926)**	**—**	**(48,926)**
At 30 June 2015	**25,113**	**39,127**	**64,240**

9b. INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE — GROUP *(continued)*

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

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

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

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit before taxation	**53,231**	50,012
Profit for the year	**39,923**	37,509
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**39,923**	37,509

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

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

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

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Loss before taxation	**(436)**	—
Loss for the year	**(436)**	—
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**(436)**	—

10. INVENTORIES — GROUP

	30 June 2015 RMB'000	30 June 2014 RMB'000
At cost:		
Raw materials	2,559,339	2,779,141
Finished goods	993,906	1,744,198
	3,553,245	4,523,339

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB25,376,141,000 (2014: RMB24,177,648,000).

11. DERIVATIVE FINANCIAL INSTRUMENTS — GROUP

	30 June 2015		30 June 2014	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Financial instruments not designated as hedges				
— interest rate swap contracts (Note)	—	2,527	—	—
— foreign exchange option contracts	—	—	3,460	—
	—	2,527	3,460	—
Financial instrument designated in cash flow hedges				
— forward foreign exchange contract	—	—	—	2,670
	—	2,527	3,460	2,670

Note: The notional principal amounts of the outstanding interest rate swaps contracts at 30 June 2015 was US$95,000,000 (2014: nil). Changes in fair values recognised in the profit or loss that arises from these swap contracts amounts to RMB2,527,000 (2014: nil) (Note 23).

12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	30 June 2015 RMB'000	30 June 2014 RMB'000	**30 June 2015 RMB'000**	30 June 2014 RMB'000
Trade receivables (Note (b), (c) and (e))				
— third parties	**2,067,618**	2,062,585	**—**	—
— related parties (Note 30(d))	**27,297**	53,812	**—**	—
	2,094,915	2,116,397	**—**	—
Bills receivables				
— third parties (Note (d))	**3,245,858**	2,773,117	**—**	—
— related parties (Note 30(d))	**10,715**	5,088	**—**	—
	3,256,573	2,778,205	**—**	—
	5,351,488	4,894,602	**—**	—
Value-added tax recoverable	**776,620**	1,279,857	**—**	—
Other receivables and deposits (Note (e))				
— third parties	**209,876**	226,565	**2,182**	3,301
— related parties (Note 30(d))	**38,404**	134,428	**—**	—
	248,280	360,993	**2,182**	3,301
Prepayments				
— third parties (Note (h))	**372,698**	590,120	**—**	—
	1,397,598	2,230,970	**2,182**	3,301
Amounts due from subsidiaries (Note (g))	**—**	—	**11,165,984**	11,373,211

(a) As at 30 June 2015, the fair value of trade, bills and other receivables approximate their carrying amounts due to their short term maturities.

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

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

As at 30 June 2015, the ageing analysis of trade receivables based on invoice date is as follows:

	Group	
	30 June 2015	30 June 2014
	RMB'000	RMB'000
0–30 days	**1,615,272**	1,359,182
31–60 days	**453,508**	672,258
61–90 days	**11,195**	41,830
Over 90 days	**14,940**	43,127
	2,094,915	2,116,397

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

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

Trade receivables are analysed below:

	Group	
	30 June 2015	30 June 2014
	RMB'000	RMB'000
Fully performing under credit term (Note (i))	**2,003,222**	2,031,440
Past due but not impaired (Note (ii))	**91,693**	84,957
Total trade receivables	**2,094,915**	2,116,397

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

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

(c) *(continued)*

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

	Group	
	30 June 2015	30 June 2014
	RMB'000	RMB'000
0–30 days	**20,658**	41,789
31–60 days	**57,507**	34,129
61–90 days	**763**	5,900
Over 90 days	**12,765**	3,139
	91,693	84,957

(d) Bills receivables issued by banks are normally with maturity period of 90 to 180 days (2014: 90 to 180 days).

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

	Group		Company	
	30 June 2015	30 June 2014	**30 June 2015**	30 June 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**5,378,199**	5,038,220	**—**	3,301
HK$	**154,084**	158,575	**606**	—
Others	**67,485**	58,800	**1,576**	—
	5,599,768	5,255,595	**2,182**	3,301

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

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

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

	Company	
	30 June 2015 RMB'000	30 June 2014 RMB'000
RMB	**10,558,170**	5,588,260
Others	**607,814**	5,784,951
	11,165,984	11,373,211

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

13. CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS

	Group		Company	
	30 June 2015 RMB'000	30 June 2014 RMB'000	**30 June 2015 RMB'000**	30 June 2014 RMB'000
Cash and cash equivalents				
— Cash in hand	**1,850**	1,697	**—**	—
— Cash at banks (Note (c))	**7,308,990**	7,899,947	**8,805**	104,834
	7,310,840	7,901,644	**8,805**	104,834
Short-term bank deposits (Note (d))	**563,617**	—	**—**	—
	7,874,457	7,901,644	**8,805**	104,834
Cash and cash equivalents and short-term bank deposits denominated in:				
— RMB	**6,525,886**	6,175,022	**199**	1,224
— US$	**867,419**	1,428,411	**3,597**	5,076
— HK$	**121,596**	205,797	**4,968**	98,484
— EURO	**277,850**	2,837	**41**	50
— Others	**81,706**	89,577	**—**	—
	7,874,457	7,901,644	**8,805**	104,834

13. CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS *(continued)*

(a) As at 30 June 2015, the maximum exposure to credit risk is the carrying amount of cash at banks and short-term bank deposits of RMB7,872,607,000 (2014: RMB7,899,947,000).

(b) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated cash and cash equivalents and short-term bank deposits out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(c) Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 30 June 2015, the weighted average effective interest rate of these deposits was 0.53% (2014: 0.38%).

(d) Short-term bank deposits earn interest at 2.78% per annum (2014: nil).

14. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK$'000	RMB'000	RMB'000	RMB'000
Issued and fully paid					
At 1 July 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
At 1 July 2014 and 30 June 2015	**4,666,220,811**	**466,622**	**478,272**	**8,730,315**	**9,208,587**

The total authorised number of ordinary shares as at 30 June 2015 is 8,000,000,000 shares (2014: 8,000,000,000 shares) with a par value of HK$0.1 per share (2014: HK$0.1 per share).

15. OTHER RESERVES

Group

	Contributed surplus	Capital reserve	Share option reserve	Statutory reserve and enterprise expansion fund	Currency translation reserve	Cash flow hedge reserve	Total
	RMB'000 (Note (a))	RMB'000	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000	RMB'000	RMB'000
At 1 July 2013	660,542	98,980	18,951	458,083	(58,690)	—	1,177,866
Share options granted to directors and employees	—	—	939	—	—	—	939
Exercise of share options	—	—	(1,161)	—	—	—	(1,161)
Currency translation differences	—	—	—	—	(3,260)	—	(3,260)
Cash flow hedges:							
— Fair value losses	—	—	—	—	—	(2,670)	(2,670)
— Amounts related to set off the impact of hedged items that affected the consolidated income statement	—	—	—	—	—	2,964	2,964
At 30 June 2014	660,542	98,980	18,729	458,083	(61,950)	294	1,174,678
At 1 July 2014	**660,542**	**98,980**	**18,729**	**458,083**	**(61,950)**	**294**	**1,174,678**
Share options granted to directors and employees	**—**	**—**	**239**	**—**	**—**	**—**	**239**
Acquisition of additional interests in subsidiaries (Note 9a(b))	**—**	**121,771**	**—**	**(50,250)**	**—**	**—**	**71,521**
Currency translation differences	**—**	**—**	**—**	**—**	**(5,785)**	**—**	**(5,785)**
Cash flow hedges:							
— Fair value losses	**—**	**—**	**—**	**—**	**—**	**(6,287)**	**(6,287)**
— Amounts related to set off the impact of hedged items that affected the consolidated income statement	**—**	**—**	**—**	**—**	**—**	**5,993**	**5,993**
At 30 June 2015	**660,542**	**220,751**	**18,968**	**407,833**	**(67,735)**	**—**	**1,240,359**

15. OTHER RESERVES *(continued)*

Company

	Contributed surplus	Share option reserve	Total
	RMB'000 (Note (d))	RMB'000 (Note (b))	RMB'000
At 1 July 2013	2,074,700	18,951	2,093,651
Share options granted to directors and employees	—	939	939
Exercise of share options	—	(1,161)	(1,161)
At 30 June 2014	2,074,700	18,729	2,093,429
At 1 July 2014	**2,074,700**	**18,729**	**2,093,429**
Share options granted to directors and employees	**—**	**239**	**239**
At 30 June 2015	**2,074,700**	**18,968**	**2,093,668**

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

(b) **Share options reserve**

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

Details of the share options are as follows:

			Number of share options		
Grant date	**Exercise price in HK$ per share**	**Exercisable period**	**As at 1 July 2014**	**Expired**	**As at 30 June 2015**
19 November 2009	13.520	19 November 2010 to 18 November 2014	500,000	(500,000)	–
08 April 2010	14.220	8 April 2010 to 7 April 2015	1,100,000	(1,100,000)	–
24 May 2010	11.488	24 May 2011 to 23 May 2015	300,000	(300,000)	–
1 June 2010	11.052	1 June 2011 to 30 May 2015	450,000	(450,000)	–
13 July 2010	10.800	13 July 2011 to 12 July 2015	300,000	—	**300,000**
			2,650,000	(2,350,000)	**300,000**

Out of the 300,000 outstanding options (2014: 2,650,000), 300,000 options (2014: 2,230,000) were exercisable.

15. OTHER RESERVES *(continued)*

(b) Share options reserve *(continued)*

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

Grant date	Risk-free rate	Expected dividend yield	Expected volatility of the market price of the share	Fair value (approximately)
				HK$
19 November 2009	1.542%	Per annum 1.000%	71%	6,000,000
8 April 2010	1.997%	Per annum 1.000%	78%	9,000,000
24 May 2010	1.535%	Per annum 1.000%	78%	2,000,000
1 June 2010	1.581%	Per annum 1.000%	79%	3,000,000
13 July 2010	1.500%	Per annum 1.000%	80%	2,000,000

(c) Statutory reserve and enterprise expansion fund

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

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

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

16. BORROWINGS

	Group		Company	
	30 June 2015 RMB'000	30 June 2014 RMB'000	**30 June 2015 RMB'000**	30 June 2014 RMB'000
Non-current				
— Long-term bank and other borrowings	**19,404,981**	22,028,389	**1,528,400**	1,845,078
— Medium-term notes	**397,400**	1,095,975	**—**	—
	19,802,381	23,124,364	**1,528,400**	1,845,078
Current				
— Short-term bank borrowings	**9,260,988**	6,872,435	**—**	—
— Current portion of long-term bank and other borrowings	**1,529,065**	2,280,309	**—**	—
— Current portion of medium-term notes	**1,098,075**	2,797,179	**—**	—
— Short-term commercial papers	**300,000**	399,733	**—**	—
	12,188,128	12,349,656	**—**	—
	31,990,509	35,474,020	**1,528,400**	1,845,078

(a) As at 30 June 2015, borrowings of RMB598,455,000 (2014: RMB547,455,000) are secured by certain property, plant and equipment (Note 6) of the Group; borrowings of RMB26,138,049,000 (2014: RMB25,984,681,000) are guaranteed by the Company; and borrowings of RMB73,363,000 (2014: RMB73,623,000) are secured by restricted cash.

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

	Group		Company	
	30 June 2015 RMB'000	30 June 2014 RMB'000	**30 June 2015 RMB'000**	30 June 2014 RMB'000
6 months or less	**24,825,438**	19,776,750	**—**	306,878
6–12 months	**3,967,111**	8,720,421	**1,528,400**	1,538,200
1–5 years	**3,197,960**	6,976,849	**—**	—
	31,990,509	35,474,020	**1,528,400**	1,845,078

16. BORROWINGS *(continued)*

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

Group

	30 June 2015 Bank and other borrowings RMB'000	30 June 2015 Short-term commercial paper RMB'000	30 June 2015 Medium-term notes RMB'000	30 June 2015 Total RMB'000
Within 1 year	**10,790,053**	**300,000**	**1,098,075**	**12,188,128**
Between 1 and 2 years	**10,678,054**	**—**	**—**	**10,678,054**
Between 2 and 5 years	**8,708,833**	**—**	**397,400**	**9,106,233**
Over 5 years	**18,094**	**—**	**—**	**18,094**
	30,195,034	**300,000**	**1,495,475**	**31,990,509**

	30 June 2014 Bank and other borrowings RMB'000	30 June 2014 Short-term commercial paper RMB'000	30 June 2014 Medium-term notes RMB'000	30 June 2014 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

Company

	30 June 2015 Bank borrowings RMB'000	30 June 2014 Bank borrowings RMB'000
Between 1 and 2 years	**—**	1,845,078
Between 2 and 5 years	**1,528,400**	—
	1,528,400	1,845,078

16. BORROWINGS *(continued)*

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

	Group		Company	
	30 June 2015 RMB'000	30 June 2014 RMB'000	**30 June 2015 RMB'000**	30 June 2014 RMB'000
Wholly repayable within 5 years	**30,089,737**	31,532,541	**1,528,400**	1,845,078
Not wholly repayable within 5 years	**1,900,772**	3,941,479	**—**	—
	31,990,509	35,474,020	**1,528,400**	1,845,078

(e) The effective interest rates as at 30 June 2015 are as follows:

	Group 30 June 2015				**Company 30 June 2015**	
	RMB	**HK$**	**US$**	**EURO**	**US$**	**RMB**
Long-term bank and other borrowings	**5.25%**	**2.21%**	**2.62%**	**1.64%**	**3.23%**	**—**
Short-term bank borrowings	**5.39%**	**—**	**2.49%**	**1.69%**	**—**	**—**
Medium-term notes	**5.89%**	**—**	**—**	**—**	**—**	**—**
Short-term commercial papers	**6.36%**	**—**	**—**	**—**	**—**	**—**

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

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

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date. As the Group's non-current borrowings are mainly carried at floating rates, as at 30 June 2015, the carrying values of non-current borrowings approximate their fair values.

16. BORROWINGS *(continued)*

(g) The carrying amounts of all the Group's borrowings as at 30 June 2015 are denominated in the following currencies:

	Group		Company	
	30 June 2015 RMB'000	30 June 2014 RMB'000	**30 June 2015 RMB'000**	30 June 2014 RMB'000
RMB	**8,337,526**	14,039,819	**—**	—
US$	**18,165,265**	19,689,902	**1,528,400**	1,845,078
HK$	**999,080**	1,010,329	**—**	—
EURO	**4,488,638**	733,970	**—**	—
	31,990,509	35,474,020	**1,528,400**	1,845,078

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

	Group		Company	
	30 June 2015 RMB'000	30 June 2014 RMB'000	**30 June 2015 RMB'000**	30 June 2014 RMB'000
At floating rates:				
— expiring within one year	**31,034,208**	23,193,880	**—**	—
— expiring beyond one year	**1,995,915**	725,004	**—**	—
	33,030,123	23,918,884	**—**	—

17. DEFERRED INCOME TAX — GROUP

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

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

	30 June 2015 RMB'000	30 June 2014 RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	(6,750)	(24,284)
Deferred income tax liabilities to be recovered within 12 months	4,096	5,252
Deferred income tax liabilities to be recovered after more than 12 months	1,908,215	1,623,077
	1,912,311	1,628,329
Deferred tax liabilities, net	1,905,561	1,604,045

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

	For the year ended 30 June	
	2015 RMB'000	2014 RMB'000
Beginning of the year	1,604,045	1,332,366
Recognised in the consolidated income statement (Note 24)	301,547	271,756
Exchange differences	(31)	(77)
End of the year	1,905,561	1,604,045

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

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

Deferred income tax liabilities

	Accelerated tax depreciation
	RMB'000
At 1 July 2013	1,482,337
Charged to the consolidated income statement	279,165
Exchange differences	(77)
At 30 June 2014	1,761,425
At 1 July 2014	**1,761,425**
Charged to the consolidated income statement	**253,600**
Exchange differences	**(31)**
At 30 June 2015	**2,014,994**

Deferred income tax assets

	Decelerated tax amortisation	Tax losses	Total
	RMB'000	RMB'000	RMB'000
At 1 July 2013	(29,771)	(120,200)	(149,971)
Credited to the consolidated income statement	(6,300)	(1,109)	(7,409)
At 30 June 2014	(36,071)	(121,309)	(157,380)
At 1 July 2014	**(36,071)**	**(121,309)**	**(157,380)**
Charged to the consolidated income statement	**5,214**	**42,733**	**47,947**
At 30 June 2015	**(30,857)**	**(78,576)**	**(109,433)**

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries from 1 January 2008. Deferred income tax liabilities of approximately RMB1,084,202,000 (2014: approximately RMB921,388,000) have not been provided for in these consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Group's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

18. TRADE, BILLS AND OTHER PAYABLES AND DEPOSITS RECEIVED

	Group		Company	
	30 June 2015 RMB'000	30 June 2014 RMB'000	**30 June 2015 RMB'000**	30 June 2014 RMB'000
Trade payables (Note (a))				
— third parties	**1,219,181**	978,305	**—**	—
— related parties (Note 30(d))	**534,325**	694,074	**—**	—
	1,753,506	1,672,379	**—**	—
Bills payables (Note (b))				
— third parties	**2,210,143**	1,570,804	**—**	—
	3,963,649	3,243,183	**—**	—
Deposits from customers				
— third parties	**273,754**	213,565	**—**	—
Other payables (Note (c))				
— third parties	**882,641**	1,406,935	**487,037**	105,386
Staff welfare benefits payable	**59,558**	60,513	**—**	—
Less: other payables included in non-current liabilities	**(34,529)**	(31,457)	**—**	—
	1,181,424	1,649,556	**487,037**	105,386

(a) The ageing analysis of trade payables as at 30 June 2015 is as follows:

	Group	
	30 June 2015 RMB'000	30 June 2014 RMB'000
0–90 days	**1,711,432**	1,476,116
91–180 days	**14,516**	158,497
181–365 days	**4,983**	15,452
Over 365 days	**22,575**	22,314
	1,753,506	1,672,379

(b) Bills payables are normally with maturity period of 90 to 180 days (2014: 90 to 180 days).

(c) Other payables mainly represent payables for acquisition of property, plant and equipment, finance costs and other operating expenses.

19. SALES

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

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Sales of packaging paper	**27,877,646**	26,670,958
Sales of recycled printing and writing paper	**1,970,147**	1,945,280
Sales of high value specialty paper products	**222,577**	215,186
Sales of pulp	**22,176**	97,316
	30,092,546	28,928,740

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

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Other income		
— subsidy income	**148,779**	134,296
— sales of electricity	**44,808**	69,982
— income from transportation service	**121,986**	86,718
Other expenses		
— cost of sales of electricity	**(24,564)**	(38,518)
— cost of transportation service	**(107,994)**	(72,569)
Other (losses)/gains — net	**(35,501)**	38,208
	147,514	218,117

21. EXPENSES BY NATURE

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

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Depreciation (Note 6)	**1,799,316**	1,735,002
Less: amount charged to other expenses	**(3,654)**	(4,226)
	1,795,662	1,730,776
Amortisation of intangible assets (Note 8)	**5,078**	4,651
Employee benefit expenses (Note 22)	**1,231,937**	1,230,745
Raw materials and consumables used (net of claims)	**22,089,574**	22,235,759
Changes in finished goods	**698,926**	(509,630)
Repairs and maintenance expenses	**424,351**	377,473
Transportation expenses	**165,637**	142,633
Operating leases		
— Land use rights (Note 7)	**33,771**	31,249
— Buildings	**1,315**	1,314
Auditor's remuneration	**7,500**	7,500
Non-deductible value-added tax due to indirect export sales	**82,976**	83,911
Others	**436,304**	187,603
	26,973,031	25,523,984

22. EMPLOYEE BENEFIT EXPENSES

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	**1,042,939**	1,166,987
Share options granted to directors and employees (Notes 15)	**239**	939
Allowances and benefits	**188,759**	62,819
	1,231,937	1,230,745

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Pensions costs — defined contribution plans

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

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Gross scheme contributions	**70,887**	31,559

(b) Directors' and senior management's emoluments

The remuneration of each of the directors and chief executive officer of the Company for the year ended 30 June 2015 is set out below:

Name of director	Fees	Allowance	Salary	Discretionary bonus	Share options	Employer's contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Ms. Cheung Yan	4,600	1,840	—	—	—	—	6,440
Mr. Liu Ming Chung (i)	4,370	1,610	—	—	—	—	5,980
Mr. Zhang Cheng Fei	4,818	932	—	—	—	—	5,750
Mr. Zhang Yuan Fu	793	—	3,382	—	—	14	4,189
Mr. Lau Chun Shun	883	109	1,009	—	97	14	2,112
Independent non-executive directors							
Ms. Tam Wai Chu, Maria	419	—	—	68	—	—	487
Dr. Cheng Chi Pang	419	—	—	68	—	—	487
Mr. Wang Hong Bo (ii)	160	—	—	—	—	—	160
Mr. Fok Kwong Man (iii)	419	—	—	68	—	—	487
Mr. Ng Leung Sing	419	—	—	68	—	—	487
	17,300	4,491	4,391	272	97	28	26,579

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

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

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

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

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

(ii) Resigned on 3 March 2015.

(iii) Passed away on 18 June 2015.

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2015 include four (2014: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2014: one) individual during the year are as follows:

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Salaries, share options, other allowances and benefits in kind	**3,336**	3,267

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

(c) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

	Number of individuals For the year ended 30 June	
	2015	2014
HK$4,000,001 to HK$4,500,000	**1**	1

23. FINANCE INCOME AND FINANCE COSTS

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	**130,164**	70,355
Finance costs:		
Interest on borrowings		
— wholly repayable within five years	**(1,103,580)**	(1,242,255)
— not wholly repayable within five years	**(131,395)**	(229,390)
	(1,234,975)	(1,471,645)
Other incidental borrowing costs	**(201,916)**	(129,323)
Less: interest capitalised	**48,612**	152,112
	(1,388,279)	(1,448,856)
Bills discount charge	**(121,543)**	(136,496)
Exchange gains on financing activities	**67,235**	15,784
Cash flow hedge reserve released (Note 15)	**(5,993)**	(2,964)
Fair value loss on foreign exchange option contracts and interest rate swap contracts	**(5,987)**	(952)
	(1,454,567)	(1,573,484)

The capitalisation interest rate applied to funds borrowed generally and used for the development of construction in progress is 4.42% for the year ended 30 June 2015 (2014: 4.62%).

24. INCOME TAX EXPENSE

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current tax		
— Hong Kong profits tax (Note (a))	**—**	—
— PRC corporate income tax (Note (b))	**197,637**	98,547
	197,637	98,547
Deferred income tax (Note 17)	**301,547**	271,756
	499,184	370,303

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group did not have any assessable profits for the year ended 30 June 2015 (2014: 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 2015 (2014: 15%).

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

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit before taxation	**1,955,473**	2,157,253
Tax calculated at applicable tax rates of the respective companies	**481,987**	495,633
Effect of tax holidays and preferential tax rates	**(66,302)**	(176,171)
Tax losses for which no deferred income tax asset was recognised	**27,801**	21,433
Expenses not deductible	**58,869**	35,439
Utilisation of previously unrecognised tax losses	**(3,171)**	(6,031)
Income tax expense	**499,184**	370,303

The weighted average applicable tax rate is based on tax calculated at applicable tax rate of the respective companies over the profit before taxation for the year ended 30 June 2015, of which is 24.6% (2014: 23.0%).

25. RETAINED EARNINGS OF THE COMPANY

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Beginning of the year	**673,356**	400,276
Profit of the year	**3,514**	739,702
Dividends	**(373,297)**	(466,622)
End of the year	**303,573**	673,356
Representing		
— Proposed final dividend	**233,311**	279,973
— Unappropriated retained earnings	**70,262**	393,383

26. EARNINGS PER SHARE

— Basic

	For the year ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**1,411,520**	1,755,172
Weighted average number of ordinary shares in issue (shares in thousands)	**4,666,221**	4,665,866
Basic earnings per share (RMB per share)	**0.3025**	0.3762

— 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. As the exercise price of the share options is higher than the average market price of the Company's shares during the year ended 30 June 2015 and 2014, respectively, there is no potential dilutive impact of the share options for the year ended 30 June 2015 and 2014.

27. DIVIDENDS

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interim dividend, approved, of RMB2.0 cents (2014: RMB2.0 cents) per ordinary share (Note (a))	**93,324**	93,324
Final dividend, proposed, of RMB5.0 cents (2014: RMB6.0 cents) per ordinary share (Note (b))	**233,311**	279,973
	326,635	373,297

(a) An interim dividend for the six months ended 31 December 2014 of RMB2.0 cents per ordinary share, totaling approximately RMB93,324,000 (six months ended 31 December 2013: RMB2.0 cents per ordinary share, totaling approximately RMB93,324,000) has been approved in a meeting held by the BoD on 25 February 2015.

(b) At a meeting held on 23 September 2015, the BoD proposed a final dividend of RMB5.0 cents per ordinary share, totaling approximately RMB233,311,000 for the year ended 30 June 2015. 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 2016.

A final dividend for the year ended 30 June 2014 of RMB6.0 cents per ordinary share, totaling approximately RMB279,973,000 has been declared in the Company's Annual General Meeting on 15 December 2014 and paid during the year.

28. CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit for the year	1,456,289	1,786,950
Adjustments for		
Income tax expense (Note 24)	499,184	370,303
Depreciation (Note 6)	1,799,316	1,735,002
Amortisation (Notes 7 and 8)	38,849	35,900
Share options granted to directors and employees (Note 22)	239	939
Losses/(gains) on disposal of property, plant and equipment (Note (b))	29,621	(2,637)
Gain on disposal of land use rights	—	(6,280)
Share of profit of an associate and a joint venture (Note 9b)	(39,487)	(37,509)
Finance income (Note 23)	(130,164)	(70,355)
Finance costs (Note 23)	1,454,567	1,573,484
Loss on disposal of a subsidiary (Note 9a(c))	26,640	—
Exchange losses/(gains) on operating activities	7,130	(24,711)
	5,142,184	5,361,086
Changes in working capital		
Inventories	970,094	(744,579)
Changes in restricted cash on operating activities	1,000	(1,000)
Trade, bills and other receivables, and prepayments	249,260	830,319
Trade, bills and other payables, and deposits received	839,118	(74,713)
Cash generated from operations	7,201,656	5,371,113

(b) Disposal of property, plant and equipment

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net book amount of property, plant and equipment (Note 6)	63,252	11,324
(Losses)/gains on disposal of property, plant and equipment	(29,621)	2,637
Other receivables	(11,579)	(800)
Proceeds from disposal of property, plant and equipment	22,052	13,161

29. COMMITMENTS

(a) Capital commitments

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

	30 June 2015 RMB'000	30 June 2014 RMB'000
Contracted but not provided for		
Not later than one year	799,529	380,097
Later than one year and not later than five years	81,162	496,359
	880,691	876,456
Authorised but not contracted for		
Not later than one year	300,000	500,000
Later than one year and not later than five years	1,450,000	1,100,000
	1,750,000	1,600,000
	2,630,691	2,476,456

(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 2015 RMB'000	30 June 2014 RMB'000
Not later than one year	473	1,198
Later than one year and not later than five years	1,894	1,906
Later than five years	15,194	15,767
	17,561	18,871

30. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

30. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

During the year ended 30 June 2015, the Group had the following significant transactions with related parties. These transactions are conducted in the normal course of the Group's business:

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Sales of goods:		
Taicang Packaging	**185,153**	181,045
Dongguan Honglong	**80,392**	—
	265,545	181,045
Purchase of recovered paper (net of claims):		
ACN	**6,955,367**	9,119,590
ACN Tianjin	**5,784,475**	4,148,112
Taicang Packaging	**14,293**	11,657
	12,754,135	13,279,359
Investment in the joint venture:		
Global Fame	**20,940**	18,623

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

(c) Key management compensation

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

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**29,732**	26,830
Share options	**60**	571
	29,792	27,401

(d) Balances with related parties

	30 June 2015	30 June 2014
	RMB'000	RMB'000
Balances due from:		
— Taicang Packaging (Note)	**19,269**	141,883
— Dongguan Honglong (Note)	**22,567**	51,445
— Global Fame (Note (e))	**34,580**	—
	76,416	193,328

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

30. RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties *(continued)*

	30 June 2015 RMB'000	30 June 2014 RMB'000
Balances due to:		
— ACN	395,211	587,033
— ACN Tianjin	139,114	107,041
	534,325	694,074

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

(e) Cash advance made to the joint venture

	For the year ended 30 June	
	2015 RMB'000	2014 RMB'000
At 1 July 2014	—	—
Cash advance made to the joint venture during the year	34,580	—
At 30 June 2015	34,580	—

As at 30 June 2015, the amount due from joint venture is unsecured, interest free and repayable on demand.

(f) Provision of guarantee to the joint venture

As at 30 June 2015, the Group has provided guarantee of RMB40,004,000 to Global Fame related to its borrowings.

31. ULTIMATE HOLDING COMPANY

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

OTHER INFORMATION

SHAREHOLDERS

As at 30 June 2015, the Group had over 3,500 non-institutional shareholders.

FINANCIAL CALENDAR

FY2015 interim results Announcement	published on 25 February 2015
FY2015 annual results Announcement	published on 23 September 2015
Closure of register of members for determining the entitlement of the attendance of the 2015 AGM	8 December 2015 to 11 December 2015 (both dates inclusive)
2015 AGM	11 December 2015
Ex-dividend date for final dividend	18 December 2015
Latest time to lodge transfer with the Share Registrar for entitlement of the final dividend	4:30 p.m. on 21 December 2015
Closure of register of members for determining the entitlement of the final dividend	22 December 2015 to 28 December 2015 (both dates inclusive)
Distribution of FY2015 final dividend#	15 January 2016

subject to Shareholders' approval of the final dividend at the 2015 AGM

ANNUAL GENERAL MEETING

The 2015 AGM will be held on Friday, 11 December 2015. The notice of the 2015 AGM which constitutes part of the circular to Shareholders will be sent together with this Annual Report. The notice of 2015 AGM and the proxy form will also be available on the website of HKExnews at www.hkexnews.hk under Listing Company Information and the website of the Company at www.ndpaper.com.

SHARE INFORMATION

Share Information as at 30 June 2015

Market capitalization:	HK$31.6 billion
Number of issued shares:	4,666,220,811 Shares
Nominal Value:	HK$0.1 per Share
Board Lot:	1,000 Shares

Shares listing

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

Dividend

Dividend per Share for the year ended 30 June 2015

— Interim Dividend:	RMB2 cents per Share
— Final Dividend:	RMB5 cents per Share

Share registrar and transfer office

Principal:

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

Hong Kong branch:

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

Investor relations contact

Nine Dragons Paper (Holdings) Limited
Corporate Communications Department
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Tel: (852) 3929 3800
Fax: (852) 3929 3890
Email: info_hk@ndpaper.com

Stock Code

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

Website

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

DEFINITION

2006 Share Option Scheme	the share option scheme adopted by the Company on 12 February 2006
2015 AGM	Annual General Meeting to be held on 11 December 2015
ACN	America Chung Nam, Inc., a corporation established with limited liability under the laws of the State of California in the United States, is indirectly wholly owned by Ms. Cheung and Mr. Liu
Associate(s)	has the meaning ascribed to it under the Listing Rules
Best Result	Best Result Holdings Limited, a company incorporated under the laws of BVI, is a substantial shareholder of the Company
Board	the board of directors of the Company
BVI	the British Virgin Islands
Bye-laws	the bye-laws of ND Holdings
CG Code	the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules
Company or ND Holdings or ND Paper	Nine Dragons Paper (Holdings) Limited, a company which was incorporated in Bermuda on 17 August 2005 under the Companies Act 1981 as an exempt Company with limited liability
Director(s)	the director(s) of the Company or any one of them
Dongguan Longteng	Dongguan Longteng Industrial Co., Ltd. (東莞市龍騰實業有限公司), a limited liability company established in the PRC in May 2003
FY	Financial year ended/ending 30 June
Group	the Company and its subsidiaries
HKD/HK$	Hong Kong dollars
Hong Kong or Hong Kong SAR or HKSAR	Hong Kong Special Administrative Region of the PRC
Honglong Packaging	Dongguan Honglong Packaging Co., Ltd. (東莞弘龍包裝有限公司), a company established in the PRC
INED(s)	Independent Non-executive Director(s) of ND Holdings
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers

Mr. Liu	Mr. Liu Ming Chung, an executive Director, the Deputy Chairman and the Chief Executive Officer of the Company
Mr. Zhang	Mr. Zhang Cheng Fei, an executive Director and the Deputy Chief Executive Officer of the Company
Ms. Cheung	Ms. Cheung Yan, an executive Director and the Chairlady of the Company
Nantong Tenglong	Nantong Tenglong Chemical Technology Co., Ltd. (南通騰龍化工科技有限公司), a company established in the PRC
PRC	People's Republic of China
PM	a prefix referring to the Group's paper machines. For example, PM1 refers to the Group's first paper machine
RMB	Renminbi, the lawful currency of the PRC
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
Share(s)	ordinary share(s) of HK$0.10 each in the issued share capital of the Company
Shareholder(s)	holder(s) of Shares of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
sq.ft	square feet
sq.m	square metre
Taicang Packaging	Nine Dragons Packaging (Taicang) Company Limited (玖龍包裝(太倉)有限公司), a wholly foreign owned enterprise established in the PRC on 9 April 2002
The Liu Family Trust	a trust set up Mr. Liu as the settlor and BNP Paribas Jersey Trust Corporation Limited as the trustee
Tianjin ACN	ACN (Tianjin) Resources Co., Ltd. (中南(天津)再生資源有限公司), a company established in the PRC
tpa	tonnes per annum
US$/USD	United States dollars
Year	the twelve months ended 30 June 2015
%	per cent

This 2014/15 Annual Report ("Annual Report") (in both English and Chinese versions) has been posted on the Company's website at www.ndpaper.com and on the website of HKExnews at www.hkexnews.hk.

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

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

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

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

玖龍紙業(控股)有限公司*
NINE DRAGONS PAPER (HOLDINGS) LIMITED

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