玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 2689

PLEASE USE *MORE* RECYCLED PAPER

Annual Report 2012/2013

* For identification purposes only

Contents

Contents printed on Land Dragon 100% Recycled Fiber Offset Paper

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
Mr. Fok Kwong Man
Mr. Wang Hong Bo

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Ms. Cheung Yan *(Chairlady)*
Mr. Zhang Cheng Fei
Ms. Tam Wai Chu, Maria *GBM, JP*
Mr. Fok Kwong Man
Dr. Cheng Chi Pang

CORPORATE GOVERNANCE COMMITTEE

Mr. Fok Kwong Man *(Chairman)*
Ms. Cheung Yan
Mr. Zhang Cheng Fei
Ms. Tam Wai Chu, Maria *GBM, JP*
Dr. Cheng Chi Pang

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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Hamilton HM 11, Bermuda

HONG KONG OFFICE

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AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

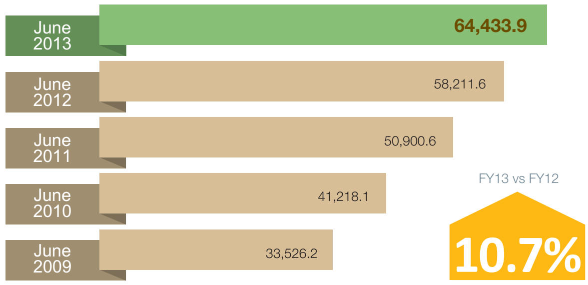
Conyers Dill & Pearman (Bermuda)
Zhong Lun Law Offices (PRC)
Sidley Austin (Hong Kong)

PRINCIPAL BANKERS

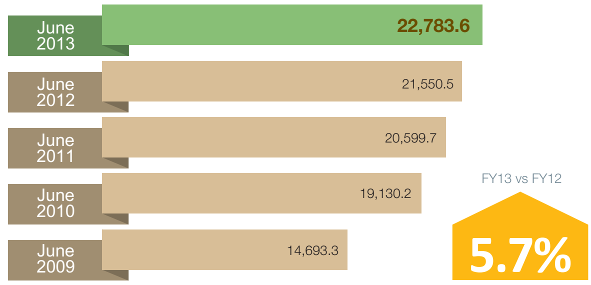
Bank of China
Bank of China (Hong Kong)
Bank of Communications
China Development Bank
Agricultural Bank of China
China Merchants Bank

Financial Highlights

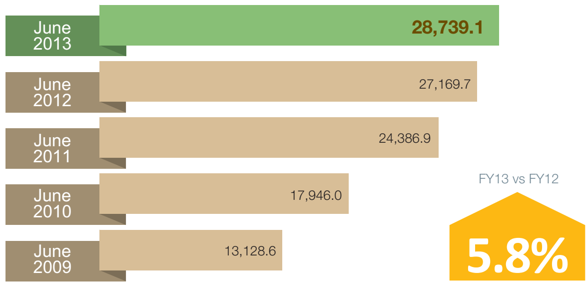
Total assets RMB million



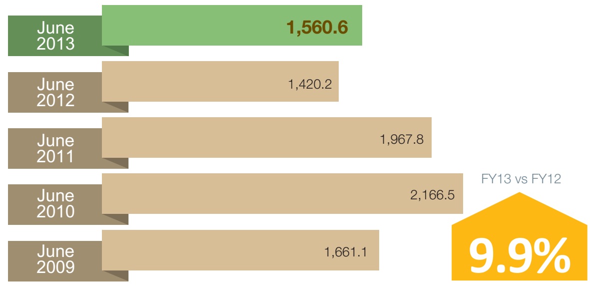
Shareholder's fund RMB million



Sales RMB million



Profit attributable to Company's equity holders RMB million



For the year ended 30 June	2013	2012	Change
Operating results (RMB million)			
Sales	28,739.1	27,169.7	5.8%
Gross profit	4,606.3	4,337.4	6.2%
Operating profit	3,342.2	3,070.0	8.9%
Profit before income tax	2,016.5	1,908.1	5.7%
Profit attributable to Company's equity holders	1,560.6	1,420.2	9.9%
Financial position (RMB million)			
Net cash (used in)/generated from operating activities	(1,703.1)	4,020.7	(142.4%)
Net debt	28,235.6	21,926.5	28.8%
Shareholders' funds	22,783.6	21,550.5	5.7%
Per share data (RMB cents)			
Earnings per share — basic	33.47	30.46	9.9%
Earnings per share — diluted	33.46	30.44	9.9%
Dividend per share			
— Interim	2.00	2.00	—
— Final	8.00	5.00	60.0%
Other data (RMB million)			
Capital expenditures	4,432.7	4,287.1	3.4%
Key ratios (%)			
Gross profit margin	16.0	16.0	—
Operating profit margin	11.6	11.3	0.3 pts
Net profit margin	5.4	5.2	0.2 pts
EBITDA/ratio	17.9	17.3	0.6 pts
Return on capital employed	4.6	4.9	(0.3 pts)

- Group revenue increased by 5.8% to RMB28,739.1 million
- Profit attributable to equity holders of the Company increased by 9.9% to RMB1,560.6 million
- Net profit margin expanded 0.2 percentage points to 5.4%

Main Products

1. LINERBOARD CATEGORY

1) Kraftlinerboard

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

2) Testlinerboard

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

3) White Top Linerboard

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

4) Coated Linerboard

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

2. 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 70g/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.

3. 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.

4. WHITE BOARD

White board is a type of boxboard with a glossy coated surface layer and a bottom layer in bleached kraft pulp. This product is widely used in cigarettes and food products packaging, medicines, cosmetics and carrying bags.

5. PRINTING AND WRITING PAPER CATEGORY

1) Uncoated Woodfree Paper

Uncoated woodfree paper is suitable for printing books, teaching materials, magazines, notebooks and colour pictures. The Group offers high quality uncoated woodfree paper of 55–140g/m^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

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

Chairlady's report

Dear Shareholders,

On behalf of the Group, I hereby present the annual results 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 communities for their care extended to the development of the Group.

The focus of the Group's future strategic development has been shifted from rapid development to efforts on reducing debts and finance costs, concentrate on the strengthening of internal cost control and optimization of existing production capacity.

Chairlady's report

During the Year, affected by various risk factors from different regions, there was no sign of significant economic recovery despite the global economic conditions have improved as compared to the past. Volatile external environment and the transformation of domestic economic structure have slowed down China's economic growth, yet the overall economy remained stable, with the packaging paper industry, which already hit its bottom, gradually approaching a rebounding trend. Meanwhile, the "12th 5-Year" Plan drove stricter implementation of environmental protection standards in the paper manufacturing industry, leading the small and medium sized paper-making businesses to face higher pressure in environmental protection. It is expected that the industry will further consolidate in the future and the advantages of ND Paper's economies of scale will become more prominent.

Looking back, during the Year changing market sentiment resulted in customers' adoption of conservative operating strategies. In addition, owing to the industry's cyclical nature, a significant amount of new capacities commenced production in the market over the past two years, exerting some pressure on the selling prices of the Group's products. Under such an environment, the Group centered its focus of operation on cost reduction and efficiency enhancement, implementing stringent control on costs and capital expenditure, refinement of management, optimization of cost structure and the full utilization of its production advantages in "multiple machines, multiple regions". Paper machines were enhanced and upgraded to improve production efficiency as well as optimize product mix and product quality. The Group also strengthened its internal control while achieved a significant reduction in finance costs, hence further expanded room for profitability. With a cautious operating philosophy, the Group continued to maintain balance between production and sales and a relatively low inventory level during the Year. All paper machines operated at nearly full capacity. Meanwhile, the Group carried out its capacity expansion plans in an orderly manner, continuously enhanced product diversity and production capabilities as well as strictly complied with various environmental protection standards, aiming to get well prepared to capture the opportunity ahead of an economic recovery.

During the Year, the Group's sales volume once again achieved a record high, reaching approximately 10.50 million tonnes. Sales of the Group amounted to approximately RMB28.7 billion, representing an increase of approximately 5.8% as compared with the last financial year. Gross profit amounted to approximately RMB4.6 billion, representing an increase of approximately 6.2% as compared with the last financial year. Profit attributable to equity holders of the Company amounted to approximately RMB1.56 billion, representing an increase of approximately 9.9% as compared with the last financial year. Basic earnings per share was approximately RMB0.335. The Board has recommended the distribution of a final dividend of RMB8.0 cents per share.

As two new paper machines located at Tianjin and Chongqing bases respectively completed construction and commenced production smoothly in the Year, as at 30 June 2013 the total design production capacity of the Group has reached 12.55 million tpa. With PM35 in Quanzhou base commencing production in August 2013, PM36 in the same base and PM38 in Leshan base commencing production by October 2013 and the end of the Year respectively, the Group's total design production capacity will reach 13.50 million tpa by the end of December 2013, further exhibiting the advantages of economies of scale.

As the Group's stage-by-stage strategic production roadmap has been mostly completed, while progressively completing the new capacity construction as planned the Group implemented stringent capital expenditure budget and strove to optimize its debt structure. Although the net debt to total equity ratio has reached a peak level of approximately 121.3% as at 30 June 2013, finance costs have already decreased significantly from its peak period. The Group has always maintained excellent relationship with its banks and demonstrated prudent business strategy and sound operational conditions, so it was able to obtain sufficient credit facilities for its daily operation and development needs. Meanwhile, the Group has been adjusting its currency mix, maturity profile and banking terms for its loans as well as exploring more financing channels proactively. All these efforts have contributed to significantly lower borrowing costs.

"No environmental protection, no paper-making" as it goes, the Group has adhered to corporate social responsibility in terms of environmental protection, and made full efforts to satisfy various requirements on corporate environmental protection, energy conservation and emission reduction advocated under the "12th 5-Year" Plan. The Group has persistently strengthened its internal efforts in environmental protection and energy conservation, with various key environmental indicators outperforming national standards, and was awarded "Outstanding Enterprise in 2012 National Paper Manufacturing Industry Energy Conservation and Emission Reduction Competition" during the period.

The Group proactively developed in the area of procurement of recovered paper in China. The purchase amount of domestic recovered paper accounted for approximately 24% of the Group's total recovered paper purchase amount for the Year. ND Paper is a large scale paper-making group which offers truly diversified products and possesses technology leading other players in the industry. Using recovered paper in manufacturing paper in a recycling chain will be a key direction for the Group's future production planning. Recycled copy paper products branded "Nine Dragons" are qualified for the Hong Kong government's office use, strongly evidencing the recognition of the Group's achievement in the aspect of environmental recycled paper.

Outlook and Acknowledgement

Looking into the future, it is expected that the global economic recovery trend will become relatively more stable and hopefully may gradually gain pace, while China's economy will achieve growth amidst general stability, driving positive development in the paper manufacturing industry. It is my belief that the Group's continual investment over the years on expanding its capacity scale and market coverage will demonstrate increasing competitive advantages, generating better return to the investment made at earlier stages. In addition, under the guidance of the "12th 5-Year" Plan, phasing out of outdated production facilities will speed up in the industry and environmental standards will become increasingly stringent. It is expected that elimination of small and medium sized production capacities will be faster than ever, providing ample market space for the Group. Benefiting from such industry consolidation, the Group's leading position will be further strengthened.

Apart from the paper machines under construction at our Quanzhou and Leshan bases as mentioned above, under the Group's current expansion plan, there will be three new paper machines located in China and overseas which will be constructed and successively commence production in future. They are expected to be all completed by the end of 2016. The Group has earlier on issued announcements regarding such production commencement plans and there are no plans for additional production capacities. These paper machines include the kraftlinerboard production line with a production capacity of 350,000 tpa expected to commence production by the end of June 2014 and the testlinerboard production line with a production capacity of 350,000 tpa expected to commence production by the end of 2016, both located at Shenyang base, and the kraftlinerboard production line with a production capacity of 350,000 tpa expected to commence production by the end of 2015 located at our Vietnam base. The Group's aggregate design production capacity will then exceed 14 million tpa. During such period, substantial drop in capital expenditure and more obvious effectiveness of cost reduction are expected to further enhance the Group's profitability. It is expected the Group's net debt to total equity ratio may lower to the range of 70% to 80% by the end of June 2016.

The Group's strategic roadmap for the establishment of its production bases in China and overseas for the current stage has basically completed. Centred at Dongguan, the Group has established four major national strategic production bases (Dongguan, Taicang, Tianjin and Chongqing bases), four supplemental regional production bases (Shenyang, Quanzhou, Leshan and Hebei Yongxin) and an overseas base in Vietnam, further reinforcing its leading position in the industry and attaining an irreplaceable role. The focus of the Group's future strategic development has been shifted from rapid development to efforts on reducing debts and finance costs. It will concentrate on the strengthening of internal cost control, optimization of existing production capacity, enhancement of economies of scale and production efficiencies, reduction of costs, continuous improvement of quality control, rational planning of product mix as well as fully leveraging on the advantages of manufacturing various types of paper by using recovered paper. With stable and large-scale production capabilities, a sales team trusted by customers and a soundly-balanced network of production bases with nationwide coverage, the Group will be in a position to strengthen its "one-stop" customer services and better cater to the diverse demand from different customers, thereby enhancing its bargaining power and reducing costs to realize the goal of profit maximization.

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

Cheung Yan
Chairlady

Hong Kong, 26 September 2013

Chairlady's report

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

Chief Executive Officer's Operation Review and Outlook

Dear Shareholders,

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

The Group has successfully entered into a stage of steady and sustainable development. It is expected the Group will gradually enjoy the advantages arising from its production capacity expansion and a reasonable roadmap implemented in recent years, while capital expenditure will be substantially reduced.

Chief Executive Officer's Operation Review and Outlook

OPERATION REVIEW

During the Year, albeit the lack of considerable improvement in the general global economic trend, it remained at a stage of steady and slow improvement. The manufacturing industry in China continued to maintain prudent and conservative business strategies, resulting in an unfavorable operating environment for packaging paper industry despite its gradual approach to a rebound from the bottom during the period. Meanwhile, the Ministry of Industry and Information Technology has successively announced two lists of outdated capacities to be phased out in 2013, amongst which most of them belonged to the low-end sector of the paper manufacturing industry, indicating the process of eliminating outdated capacities in the industry was accelerating. Under this operating environment, the Group, leveraging upon its sizable scale and extensive experiences and commitment of its operation team, adopted proactive operation, refined management, stringent control of costs and capital expenditure, and was still able to achieve considerable sales growth and stable results, as well as continuously reducing production costs and finance costs. Sales of the Group amounted to RMB28.7 billion for the Year, representing an increase of approximately 5.8% over the last financial year. Total sales volume of packaging paper and printing and writing paper amounted to approximately 10.4 million tonnes for the Year, representing an increase of approximately 17.4% from the last financial year. The total sales volume included approximately 5.2 million tonnes of linerboard, approximately 2.8 million tonnes of high performance corrugating medium, approximately 1.9 million tonnes of coated duplex board and approximately 0.5 million tonnes of printing and writing paper, generating a revenue contribution of approximately RMB28.4 billion to the Group.

The Group's design production capacity has increased by 1.1 million tpa over the Year, including PM34 in Tianjin base (coated duplex board, food grade and pharmaceutical grade white board) which completed construction and commenced production in July 2012, and PM33 in Chongqing base (coated duplex board, food grade and pharmaceutical grade white board) which completed construction and commenced production in November 2012. Each of these paper machines has a design production capacity of 550,000 tpa. The various products manufactured by these paper machines have gained local market penetration smoothly, thereby not only enhancing the overall economies of scale of Tianjin and Chongqing bases in the future, but also securing further expansion of market shares for the Group and assurance of the realization of reasonable long-term returns from the newly added production capacities.

During the period under review, the Group managed its inventories, accounts receivable and payable at healthy levels, and exercised stringent control on its costs and capital expenditure. Maintaining a cooperative relationship of mutual trust with its banks and sound operating conditions enabled the Group to have adequate cash and credit facilities for its operations and project development. Following completion of the current stage of strategic planning of construction of production bases domestic and overseas, the Group has successfully migrated from its fast development stage in the past to the current stage of steady and sustainable development. It is anticipated the Group will see gradual decrease in its finance costs in the coming years and significant improvement in financial and debt condition. The Group proactively drove diversification of its debt portfolio and stepped up its efforts in exploring financing channels. In addition to transferring part of the borrowings to overseas or foreign currency denominated borrowings in line with actual operating conditions, the Group also proactively engaged in the issue of medium-term note and short-term commercial paper in the bond market of Mainland China. The aggregate amount of medium-term note and short-term commercial paper issued in the Year was RMB4.9 billion. By the above efforts, the Group's finance costs in the 1st half of the Year has lowered by approximately RMB140 million as compared to the peak period in the 2nd half of the last financial year, and the finance costs of the 2nd half of the Year has further lowered by approximately RMB240 million as compared to the 1st half year of the Year. As at 30 June 2013, the Group had bank and cash balances (including restricted cash) of approximately RMB6.1 billion and undrawn bank credit facilities exceeding RMB22.0 billion.

In the aspect of environmental management and emission reduction, with ongoing intensive implementation and execution of the relevant guiding policies under the "12th 5-Year" Plan of the government, the Group not only implemented real-time monitoring on the operation of the environmental management facilities at all production bases, but also continued to outperform the standards required by the government in every key indicator. In December 2012, the Group was awarded "Outstanding Enterprise in 2012 National Paper Manufacturing Industry Energy Conservation and Emission Reduction Competition" by China Paper Association. In addition, the Group continually drives innovation in the various aspects of management, technology and products, etc. To date, a total of 78 patents have been obtained and another 35 patent applications or approval are being processed.

OUTLOOK

The Group has successfully entered into a stage of steady and sustainable development. It is expected the Group will gradually enjoy the advantages arising from its production capacity expansion and a reasonable roadmap implemented in recent years, while capital expenditure will be substantially reduced. PM35 in the new Quanzhou base, primarily for the production of kraftlinerboard with a design production capacity of 350,000 tpa, has commenced production at the end of August 2013, increasing the Group's current total design production capacity to 12.90 million tpa. PM36 in the Quanzhou base, primarily for the production of testlinerboard with a design production capacity of 300,000 tpa, will complete construction and commence production in October 2013. Meanwhile, PM38 is being constructed in Leshan base. With a design production capacity of 300,000 tpa, the machine is scheduled to commence production by the end of December 2013 and will produce high performance corrugating medium for supply to customers in the rapidly growing western market, using 100% local recovered paper as raw material. By then, the Group's total design production capacity will reach 13.50 million tpa, representing an addition of 950,000 tpa as compared to the total annual design production capacity at the end of June 2013. As for PM37 and PM39 in the Shenyang base, primarily for the production of kraftlinerboard and testlinerboard respectively, each with a production capacity of 350,000 tpa, they are scheduled to commence production by the end of June 2014 and December 2016 respectively. In addition, the newly added kraftlinerboard production line in Vietnam base, with a production capacity of 350,000 tpa, is scheduled to commence production by the end of 2015. A kraftlinerboard production line in Vietnam base with a design production capacity of 100,000 tpa is now in very sound operation. With the successive commencement of production of each of these new paper machines, the Group's market coverage and advantages of economies of scale will be further enhanced.

The Group expects that the continuous steady growth of China's macro-economy in the coming year, and the stepping up of efforts in phasing out outdated capacities by the government which is positive for the development of paper manufacturing industry, will provide favorable conditions for the Group's future development. Furthermore, the enormous consumption power in China will continue to provide huge driving force for the packaging paper industry development. With progressive implementation of the production commencement plan for the remaining new paper machines, the Group's business will have full coverage over the 6 major manufacturing hubs in China, namely Pearl River Delta, Yangtze River Delta, the mid-western region, the northern market, the three provinces in northeastern China and the west coast of the Taiwan Strait. We shall be in a position to significantly outperform our industry peers in terms of product diversity, strategic network layout, economies of scale, market coverage, customer servicing and various kinds of resources. Moreover, we shall further refine management, enhance production efficiency and product quality as well as reduce production costs and finance costs, thereby widening room for profitability and continuing to solidify and expand our leading position in the industry. All these efforts will lay a solid foundation for the Group's stable and sustainable development in the future.

Liu Ming Chung
Deputy Chairman and Chief Executive Officer

Hong Kong, 26 September 2013

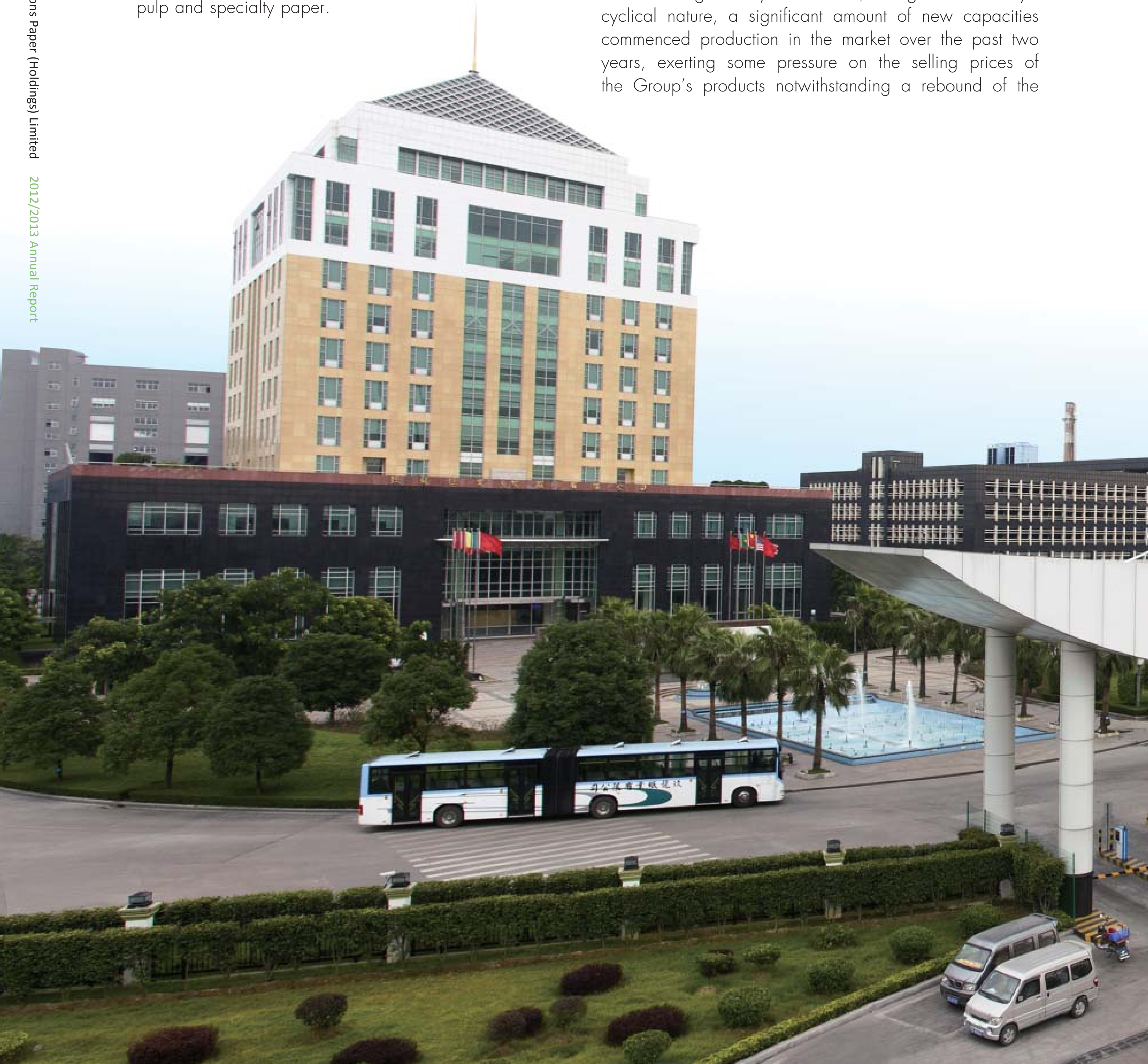
Management Discussion and Analysis

BUSINESS ANALYSIS

Review of Operations

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

During the Year, affected by different risk factors from various regions, there was no sign of significant economy recovery despite small improvements in global economic conditions. Volatile external environment and transformation of domestic economic structure slightly slowed down China's economic growth, yet the overall economy was maintained in stable conditions without significant downturn. Fluctuating market sentiment resulted in the continuous adoption of prudent and conservative business strategies by China's domestic manufacturing industry. In addition, owing to the industry's cyclical nature, a significant amount of new capacities commenced production in the market over the past two years, exerting some pressure on the selling prices of the Group's products notwithstanding a rebound of the



packaging paper industry from its trough during the period, leading to an unfavorable operating environment. Nevertheless, leveraging upon its sizable scale and its operation team's extensive experiences and diligent efforts, the Group proactively operated its business by stringent control of costs and capital expenditure, refined management, continuous enhancement of product quality and equipment utilization rate, thus achieving considerable sales growth and stable business results, as well as continuous maintenance of balance between production and sales and reasonable inventory at low levels. All paper machines operated at nearly full capacity, and production costs and finance costs were significantly reduced. The "12th 5-Year" Plan drove stricter implementation of environmental protection standards in the paper manufacturing industry. The process to phase out outdated capacities was expedited and the industry was further consolidated, thereby favoring the leading enterprises in exhibiting their advantages in economies of scale in future.

While the Group was operating in a cautious manner, it also carried out its existing development plans progressively. A total of two new paper machines completed construction in the Year, namely PM34 (coated duplex board, food grade and pharmaceutical grade white board) in Tianjin base and PM33 (coated duplex board, food grade and pharmaceutical grade

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

white board) in Chongqing base, which commenced production in July and November 2012 respectively each with a design production capacity of 0.55 million tpa. The new Quanzhou base has duly commenced production by the end of August 2013, making a further step forward towards the realization of the goal of product diversification and a national strategic roadmap, so as to be well prepared to capture the opportunity ahead of an economic recovery.

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

Newly constructed paper machines which commenced production in the Year

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

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

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

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

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

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

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

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

Self-owned pier at Taicang base on Yangtze River.

Business Strategy and Development Plans

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

Management Discussion and Analysis

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

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

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

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

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

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

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

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

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

(Breakdown by product category)

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

(Distribution by product category)

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

(Distribution by location)

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

Management Discussion and Analysis

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

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

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

FINANCIAL REVIEW

Sales

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

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

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

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

Management Discussion and Analysis

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

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

Gross profit

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

Selling and marketing costs

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

Administrative expenses

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

Operating profit

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

Finance costs

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

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

Income tax expense

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

Net profit

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

Dividend

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

Working capital

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

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

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

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

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

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

Liquidity and financial resources

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

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

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

Debts Management

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

The net debt to total equity ratio of the Group increased from 99.7% as at 30 June 2012 to approximately 121.3% as at 30 June 2013. The Board will closely monitor the Group's net debt to total equity ratio and reduce the borrowing gradually.

Management Discussion and Analysis

Treasury policies

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

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

The treasury policies followed by the Group aim to:

(a) Minimise interest risk

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

(b) Minimise currency risk

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

Cost of borrowing

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

Capital expenditures

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

Capital commitments

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

Contingencies

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

The new staff residential quarters in Quanzhou base.

The Group in the Last Five Years

In millions of RMB

Consolidated Income Statement	For the year ended 30 June 2013	2012	2011	2010	2009
Sales	**28,739.1**	27,169.7	24,386.9	17,946.0	13,128.6
Cost of goods sold	**(24,132.8)**	(22,832.3)	(20,160.1)	(14,033.4)	(10,687.1)
Gross profit	**4,606.3**	4,337.4	4,226.8	3,912.6	2,441.5
Other income/(expenses) and other gains/ (losses), net	**215.6**	62.7	84.7	33.6	(3.8)
Selling and marketing costs	**(677.7)**	(667.9)	(526.4)	(355.1)	(382.7)
Administrative expenses	**(802.0)**	(662.2)	(627.4)	(479.9)	(320.9)
Operating profit	**3,342.2**	3,070.0	3,157.7	3,111.2	1,734.1
Gain on repurchase of senior notes	**—**	—	—	—	594.0
Finance income	**46.0**	46.7	21.3	8.8	10.8
Finance costs	**(1,372.4)**	(1,208.6)	(775.2)	(541.1)	(502.1)
Share of profit of an associate	**0.7**	—	—	—	—
Profit before income tax	**2,016.5**	1,908.1	2,403.8	2,578.9	1,836.8
Income tax expense	**(425.8)**	(449.5)	(388.7)	(359.3)	(175.5)
Profit for the year	**1,590.7**	1,458.6	2,015.1	2,219.6	1,661.3
Profit attributable to:					
Equity holders of the Company	**1,560.6**	1,420.2	1,967.8	2,166.5	1,661.1
Non-controlling interests	**30.1**	38.4	47.3	53.1	0.2

Consolidated Statement of Cash Flows	For the year ended 30 June 2013	2012	2011	2010	2009
Net cash (used in)/generated from operating activities	**(1,703.1)**	4,020.7	2,902.2	(81.1)	3,929.3
Net cash used in investing activities	**(4,367.0)**	(4,228.0)	(8,835.8)	(4,320.2)	(3,739.3)
Net cash generated from/(used in) financing activities	**7,752.7**	2,089.3	6,128.7	5,253.1	(236.4)
Net increase/(decrease) in cash and cash equivalents	**1,682.6**	1,882.0	195.1	851.8	(46.4)

Management Discussion and Analysis

In millions of RMB

Consolidated Balance Sheet	As at 30 June 2013	2012	2011	2010	2009
Total assets	**64,433.9**	58,211.6	50,900.6	41,218.1	33,526.2
Inventories	**3,778.8**	4,195.9	2,557.6	3,765.0	1,500.9
Trade and bills receivables	**5,600.3**	2,920.8	3,502.5	2,549.1	1,378.0
Other receivables and prepayments	**2,493.5**	2,534.6	1,805.4	836.7	662.3
Tax recoverable	**1.3**	18.7	42.2	29.7	—
Derivative financial instruments	**—**	—	—	—	0.4
Cash and cash equivalents and restricted cash	**6,070.5**	4,368.2	2,597.7	2,341.0	1,552.7
Total current assets	**17,944.4**	14,038.2	10,505.4	9,521.5	5,094.3
Property, plant and equipment	**44,690.8**	42,360.5	38,628.2	30,157.5	27,011.4
Land use rights	**1,522.7**	1,557.6	1,515.5	1,299.6	1,185.8
Intangible assets	**225.7**	230.3	234.8	239.5	234.7
Investment in an associate	**10.1**	—	—	—	—
Deferred income tax assets	**40.2**	25.0	16.7	—	—
Total non-current assets	**46,489.5**	44,173.4	40,395.2	31,696.6	28,431.9
Total liabilities	**41,153.0**	36,229.9	29,880.0	21,841.4	18,633.9
Trade and bills payables	**3,403.5**	5,731.3	2,311.2	2,452.7	1,924.0
Other payables and deposits received	**1,673.2**	2,710.3	2,492.6	1,835.9	1,750.4
Current income tax liabilities	**354.1**	287.6	194.2	173.1	161.3
Derivative financial instruments	**—**	—	—	1.9	—
Short-term borrowings	**8,616.1**	5,102.3	3,003.2	2,055.6	1,103.2
Total current liabilities	**14,046.9**	13,831.5	8,001.2	6,519.2	4,938.9
Long-term borrowings	**25,690.0**	21,192.5	20,973.5	14,604.1	12,724.5
Deferred income tax liabilities	**1,372.5**	1,137.5	905.3	710.9	558.7
Other payables	**43.6**	55.4	—	—	397.9
Deferred government grants	**—**	13.0	—	7.2	13.9
Total non-current liabilities	**27,106.1**	22,398.4	21,878.8	15,322.2	13,695.0
Net current assets	**3,897.5**	206.7	2,504.2	3,002.3	155.4
Total assets less current liabilities	**50,387.0**	44,380.1	42,899.4	34,698.9	28,587.3
Capital and reserves attributable to equity holders of the Company	**22,783.6**	21,550.5	20,599.7	19,130.2	14,693.3
Non-controlling interests	**497.3**	431.2	420.9	246.5	199.0

"NO ENVIRONMENTAL MANAGEMENT, NO PAPER-MAKING"

ND Paper is an environmentally-friendly green enterprise. We highly value energy conservation and environmental protection, and advocate recycling economy with sustainable development. Adhering to the belief of "no environmental management, no paper-making", we have requested ourselves to attain high-standard environmentally-friendly paper manufacturing at the outset, and applied the concept of environmental protection and recycling at various aspects including production technology and ancillary facilities. In addition to the use of recovered paper as raw materials for recycling, we keep ourselves abreast of the latest development by continuously increasing the investment in environmental protection, introducing international advanced equipment and technology and improving persistently, with various environmental protection and energy consumption indicators outperforming national standards while embedding the concept of environmental protection in the minds of the Group's employees at all levels as well as its products.

WIN-WIN ENVIRONMENTALLY FRIENDLY POLICY

— Save precious resources
— Achieve higher operational efficiency
— Significantly reduce the operational risk of non-compliance with environmental laws and regulations

ENERGY CONSERVATION AND CONSUMPTION REDUCTION

— Effectively reduce water and electricity consumption during production process
— Exercise control over the sources of pollutants
— Comply with and implement the principle of energy consumption and consumption reduction in the design and procurement of paper machines and the choice of lighting facilities for the production plant
— The wastewater produced during the operation of paper machines is fully recycled after treatment

Corporate and Social Responsibility

ENVIRONMENTAL AWARDS AND CERTIFICATIONS

- Obtained the Pollutants Discharge Permit
- Successfully passed the energy saving assessment by the Economic and Trade Commission of Guangdong Province and attained a series of energy saving targets
- Taicang base successfully passed the annual inspection by the State Ministry of Environmental Protection and has been granted an award under the special fund for environmental protection of the Jiangsu Provincial Government
- Dongguan base and Taicang base have been granted the honours of Environmental Creditable Enterprise by the Guangdong Environmental Protection Bureau and the Taicang Environmental Protection Bureau respectively
- Each production base has obtained ISO14001 environmental management certification

ADVANCED WASTEWATER TREATMENT FACILITIES

ND paper gives full support to water saving from the source. We have introduced complementary advanced wastewater recycling system for each production line for recycling water used in production. For the treatment at the end, we are the first in the industry to introduce the anaerobic aerobic two-stage biological treatment and air flotation with Fenton two-stage advanced treatment technology, which is the world's most advanced wastewater treatment technology at present with a two-stage biological treatment efficiency of over 97%, resulting in our water discharge performance outperforming relevant national and local standards. Methane produced during the biochemical treatment of wastewater will be recycled as biological clean energy, providing fuel for the heat and electricity boiler system. We have also adopted the state-of-the-art automatic programmable logic controller (PLC) systems with an online monitoring system for our wastewater treatment to monitor our wastewater discharge, facilitating the operation of centralised management.

				Parameter before treatment				Average parameter after treatment			
	Unit	PRC Government Approved Level	ND Paper standard	2009	2010	2011	2012	2009	2010	2011	2012
COD_{CR}	mg/L	≤90(60)	80(60)	2500	3000	3100	3080	80	80	78	77(56)
BOD_5	mg/L	≤20	20	1000	1300	1360	1320	10	10	10	9.8
SS	mg/L	≤30	30	2000	2800	2950	3030	28	28	28	27
pH		6–9	6–9	6–9	6–9	6–9	6–9	6–9	6–9	6–9	6–9

Note: (60) in the table represents the control indicator of Taicang base, Tianjin base and Yongxin base of ND Group
(COD) Chemical Oxygen Demand — reflects the pollution level of reducing substance in water
(BOD) Biochemical oxygen demand — reflects the relative amount of organic substance in water
(SS) Suspended Solid — solid substance which remains in suspension in water, and is one of the indicators measuring the pollution level of water quality
pH value — a measure for acidity or basicity of liquids

Apart from having an advanced wastewater treatment system, we are committed to achieving the best performance in environmental protection and energy conservation in the following aspects:

Emission control

- The environmentally friendly circulation fluidised bed solid waste incinerator can effectively use a wide range of low grade fuels (waste paper pulp, light slag and sludge from the wastewater treatment station)
- The use of low-grade fuels not only greatly reduces waste discharge but also reduces coal consumption and the emission of carbon dioxide
- Heat energy and electricity generated by incinerating solid substance can be applied for paper manufacturing

Methane collection and treatment system

- Methane mainly consists of methane gas
- Has been conducting the technology upgrade since 2008 featuring the addition of a methane desulphurization unit
- Processed methane will be transmitted to the heat and electricity boiler system as fuel for power generation and an annual reduction of 60,000 tonnes in standard coal consumption can be achieved after commissioning
- The coal fired power plants in all of our production bases are equipped with efficient dust removal and desulphurization equipment, and their emission levels are better than the approved level under the PRC regulatory requirements

Topped-out the sewage treatment plant tanks

The impact of the odor of sewage treatment plant on the environment shall not be overlooked, thus we have established a series of tank topped-out and biological deodorization system for the sewage treatment plants within the plant area. The tank topped-out project will top out odoriferous sources, such as primary sedimentation tank, hydrolytic acidation cell and anaerobic treatment of distillery effluent with anti-ceiling UV coated hood supported by steel, and divert the odor to the biological deodorization system through the induced draft fan. The construction of the greenbelts and the operation of the biological deodorization system have substantially lowered the diffusion of odor generated by the odoriferous sources at the site and effectively removed the harmful substances in the odor, thereby substantially mitigating the impact of odor on the environment and our staff.

Topped-out tanks

Biological deodorization

Corporate and Social Responsibility

Environmentally friendly coal storage dome

Having considered environmental protection factors thoroughly, we, being the first among our peers, introduced a new model of fully-automatic and enclosed environmentally friendly coal storage dome in Dongguan, Taicang, Chongqing and Tianjin production bases. The less common facility among industry peers can effectively avoid the dust produced during loading, transportation and storage of coal, well protect the surrounding environment and further improve the working environment of our staff.

Advanced emission treatment facilities

We also use environmentally friendly circulation fluidised bed incinerator for power generation and heat supply. The efficiency of the two-level half-dry process (Limestone Injection Multistage Burner and magnesium oxide wet scrubber) at the end of the incinerator both exceeds 90%. As for de-dusting, advanced electrostatic bag filters are adopted, with de-dust efficiency reaching 99%, ensuring various indicators of gas outperforming the relevant national emission standards.

				Parameter before treatment				Average parameter after treatment			
	Unit	PRC Government Approved Level	ND Paper standard	2009	2010	2011	2012	2009	2010	2011	2012
SO_2	mg/cubic meters	≤400	100	2700	2100	2000	1960	88	88	88	85
Dust	mg/cubic meters	≤50	50	25400	25000	24860	24580	30	30	30	30
NO_X	mg/cubic meters	≤450	450	—	—	—	—	330	320	315	305

Note: (SO_2) Sulfur dioxide — one of the common major pollutants in air, a sub-indicator of air pollution
(Dust) Dust — a solid substance which remains in suspension in air, a measure of air pollution
(NO_X) A generic term for mono-nitrogen oxides NO and NO_2 (nitric oxide and nitrogen dioxide) Nitrogen oxides — produced during incineration,a sub-indicator of air pollution

Solid wastes disposal

We are the first in the industry to construct environmentally friendly incinerator to process all wastes produced in paper manufacturing to recycle fibre residue to the greatest extent. Advanced emission treatment facilities, filter bag de-dust unit and semi-dry desulfurization facility are utilized in incinerators, while emission monitoring unit is installed at the filter to ensure real-time online monitoring of gas emission.

In addition, to enhance overall utilisation of solid wastes, we also incinerate all solid wastes produced. Utilising the frame membrane filter drying treatment technique on the sludge produced in sewage treatment, which is an achievement after over a year's research and development which reduces water content in the sludge from 85% to below 40%, we incinerate the sludge after drying treatment for steam production, thereby reducing coal consumption.

Recycling resources

ND paper not only completes a large-scale recycle of recovered paper in paper manufacturing, but also recycles all wastes produced ultimately in paper manufacturing, realizing zero emission of solid wastes, avoiding secondary pollution, and transforming wastes to resources for resources conservation, so as to be in the leading position of environmental protection philosophy and technology and establish the model of resources conservation and environmentally friendly enterprise.

Noise control

- Paper machines comply with the strict international standards currently enforced in America and Europe for noise control
- We have installed noise-insulating enclosures and mufflers to equipment that produces heavy noises, such as double-disc refiners and air compressors
- Noise-insulated control rooms are set up in the paper-making plants to prevent staff from working long hours under high noise levels
- Personal noise protection devices are provided. Staff are required to wear personal noise protection devices like earplugs during inspection around the plant in order to secure the safety of our staff

Construction of fundamental environmental protection management system

- A range of fundamental management system including sound centralized control system, operational management ledger, facilities and equipment inspection and maintenance ledger are established at the site
- Foster environmental consciousness of all staff by continuously emphasizing that environmental protection is not a separate and professional task confined to a department, but a system-wide project which involves passionate commitment of staff at all levels and all aspects throughout the Company
- Only with the involvement of all staff can we minimize the pollution from sources, during process and by treatment at the end

Advocation of transparent management

- To ensure open and transparent environmental information, we set up a LED display screen at the main entrance of our plant area and publish to the public, through electronic display screen, the key environmental monitoring data of paper manufacturing industry, such as sulfur dioxide and COD, which is concurrently monitored in real time by us and the local environmental authority.

HUMAN RESOURCES MANAGEMENT

"Respect and care for our staff, refinement and innovation in management, perpetuating a brand that thrives for a century and propagating the spirit of diligence"

ND Paper adheres to a people-oriented philosophy and a liberal, intelligent and scientific management model:

- An objective vision for development
- Quality orientation
- Customer orientation
- Continuous improvement of management

Corporate and Social Responsibility

We always make our product quality, variety, cost competitiveness and enterprise development differentiate from the industry. Meanwhile, in line with the ND featured humanized management, we always bring our staff morale up to the highest. We provide suitable career development prospects according to the job duties and working experience of the staff, and provide them with a good working and living environment.

Training and development for staff

We also place great emphasis on staff training. In order to attract and develop potential postgraduates and undergraduates, we actively implement a "management trainee" programme, which aims at enhancing the professional and management skills of management trainees through job placements and hands-on professional trainings in various positions and production bases.

In addition, we have established an effective mentorship system for new staff which covers corporate culture, job specific skills and operational safety rules.

At the same time, ND Paper also formulates career development plans and provides ongoing training opportunities for staff with potentials:

Training courses for designated middle management are held regularly. Potential staff among the existing supervisors and team leaders are selected to join the courses. They will learn management knowledge in a systematic way, which lay a solid foundation for the promotion to the middle management in the future

In order to keep on enhancing the quality of the staff, MBA and EMBA courses for senior management have been launched in association with the renowned Zhongshan University. Outstanding technicians are chosen to receive advanced technical training abroad

Place both management and technical trainings for our staff. These programmes provide strong support and assistance for staff's continued career development

Fair assessment system

We have set up a comprehensive promotion and performance assessment system to provide opportunities and room for continued development for our staff. In order to provide a more equitable and open promotion platform to our staff, we have started an internal employment scheme broadly among the Group, for an open selection within the Group.

In addition, to ensure the health of our staff, we also provide regular occupational body checks to our staff.

Each base of ND Paper has also published a corporate newsletter "The Nine Dragons Paper People" (《紙業玖龍人》) which disseminates corporate information regularly and enhances staff's loyalty to ND Paper. Besides, staff communication sessions are conducted through the staff union on a regular basis to allow staff to voice their opinions and allow us to devise effective solutions and improvements, maintaining harmonious relations with our staff.

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. The Group conducts regular review and revision on staff remuneration in accordance with its remuneration policy to maintain ND Paper's competitiveness in the recruitment market.

BEAUTIFUL LIVING ENVIRONMENT

Apart from providing our staff with a good working environment, we also care about their welfare. We have built a variety of fully equipped venues and facilities, offering our staff a comfortable and diversified living environment.

Facilities available in the garden-style staff quarters include different multi-purpose event halls, such as:

- cultural center
- ballroom
- gym
- pool room
- table tennis room
- multi-function entertainment center such as projection room etc.

Corporate and Social Responsibility

Sports arenas include various venues and facilities:

- basketball court
- football court
- tennis court
- swimming pool

RICH AND COLOURFUL CULTURAL LIFE

In daily life, ND Paper People are good at both singing and dancing, and they are joyful and easy-going. We regularly organize different cultural and sport activities, which enable our staff to demonstrate their versatility and greatly enrich the cultural lives of the staff in their spare time. The Company's management and staff actively take part in the activities. This embodies the ambiance of "the management cares about the staff, and our staff loves ND Paper", which has created a ND Paper featured enterprise culture.

In order to uplift the satisfaction and sense of belonging of our staff towards ND Paper, we continue to optimise the working and living quality of our staff, and we also explore more interactive channels for communication. The Group has been constantly improving our staff's living quarters and introduce various benefits and facilities. It also held diversified cultural and recreational activities, so as to enrich staff's lives in their spare time. The Group focuses on the communications and interactions with employees. For example, it conducts regular discussions with new employees and has established a staff hotline, so as to provide an interactive communication channel for our staff.

CONTRIBUTIONS TO SOCIETY AND FULFILMENT OF SOCIAL RESPONSIBILITY

With our firm and persistent commitment to social responsibility, we have always been devoted to community services throughout the years. We have established the "Nine Dragons Class" throughout the years by providing education as well as job opportunities to underprivileged students from remote regions.

We promptly made donations for earthquake disaster relief in Ya'an, Yushu and Wenchuan in order to assist the people in those areas in rebuilding their homes. Furthermore, we have taken part in the "Fundraising Day for the Relief of the Poor" activity in Guangdong for four consecutive years. After Severe Typhoon "Fanapi" hit West Guangdong and caused heavy floods in the area, ND Paper made a timely donation to the victims for the construction of "Heart Resettling Houses". Donations have been made in support of the caring project by overseas Chinese "Light for Tibet". In addition, ND Paper also provided "Nine Dragons Caring Lunches" for 800 students from poor families staying in poverty-stricken mountain areas of Pengshui County, Chongqing City……

Corporate and Social Responsibility

In performing our social responsibility, we have won wide recognition from each and every community in society, and have been awarded a number of honors such as "China Charity Prize", "Guangdong Overseas Chinese Special Contribution Award in Commemoration of Three Decades of Economic Reform", "Chinese Merchants Contribution Award", "Poverty Alleviation Cotton Tree Golden Cup Award", etc.

INVESTOR RELATIONS

ND Paper has 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 investor community. Such protocol allows the company'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 FY2013, ND Paper has organized 7 non-deal roadshows covering Hong Kong, Singapore, USA, UK and Europe. It has participated in 14 investor conferences and events in Hong Kong, Singapore, China and Macau, and 8 group conference calls arranged by various financial institutions.

Major Investor Relations Activities in FY2013

Time	Event	Organiser/ Arranger	Location
September, 2012	Post-Results non-deal roadshow	CITI	Hong Kong
October, 2012	Post-Results non-deal roadshow	CITI	US
October, 2012	Post-Results non-deal roadshow	CICC	Europe/U.K.
October, 2012	Post-Results non-deal roadshow	DBS	Singapore
October, 2012	Investor Conference — HK/China Small & Mid-Caps Corporate Day III	UBS	Hong Kong
October, 2012	Investor Conference — Group Luncheon	BOCI	Hong Kong
October, 2012	Investor Conference — BNP Paribas 19th China Conference	BNP	Kunming
October, 2012	Group Conference Calls	First Shanghai Group	Hong Kong
October, 2012	Group Conference Calls (Taiwan investors)	Citic Securities	Hong Kong
November, 2012	Investor Conference — Morgan Stanley 11th Annual Asia Pacific Summit	Morgan Stanley	Singapore
November, 2012	Investor Conference — CITI China Investor Conference	CITI	Macau
November, 2012	Investor Conference — BAML China Conference	Bank of America Merrill Lynch	Beijing

Investor Relations

Time	Event	Organiser/ Arranger	Location
November, 2012	Group Conference Calls	Okasan Int'l	Hong Kong
December, 2012	Group Conference Calls — (UK & European investors)	CLSA	Hong Kong
December, 2012	Group Conference Calls	BOCI	Hong Kong
December, 2012	Investor Conference — Mirae Asset Securities Hong Kong/China Access Day	Mirae Asset Securities	Hong Kong
January, 2013	Investor Conference — CITI Hong Kong & China Corporate Days 2013	CITI	Hong Kong
January, 2013	Investor Conference — UBS Greater China Conference 2013	UBS	Shanghai
January, 2013	Investor Conference — Daiwa Discovery Lunch	Daiwa Capital Markets	Hong Kong
February, 2013	Post-Results non-deal roadshow	CITI	Hong Kong
March, 2013	Post-Results non-deal roadshow	CITI	Singapore
March, 2013	Group Conference Calls	First Shanghai	Hong Kong
March, 2013	Group Conference Calls	Macquarie	Hong Kong
April, 2013	Investor Conference — JPM Group Tour Meeting	J.P. Morgan	Hong Kong
April, 2013	Group Conference Calls	Guoyuan Securities	Hong Kong
April, 2013	Non-deal roadshow	DBS	Hong Kong
May, 2013	Investor Conference — Macquarie Greater China Conference	Macquarie	Hong Kong
May, 2013	Investor Conference — Morgan Stanley 4th Annual Hong Kong Investor Summit	Morgan Stanley	Hong Kong
June, 2013	Investor Conference — Nomura Conglomerates and SMID Corporate Day	Nomura International	Hong Kong

Effective communications are further enhanced by plant tours conducted for fund managers, research analysts and institutional investors. This allows for better understanding of ND Paper's business operations and production 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 20 plant tours conducted for delegates from various asset management companies and institutional brokers.

Investor Relations

ND Paper maintains a relatively popular profile among investor communities. Over 30 local and international research institutions have published reports on ND Paper. Enrolment for ND Paper's roadshows, investor meetings and conference calls are usually quickly filled up, and attendance is always high.

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 Island Shangri-la Hotel, Hong Kong on 6 December 2012. All ordinary 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
Room 3129, 31/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, 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 FY2013, the Company has complied with all code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

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

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

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

BOARD

As the date of this Annual Report, the Board comprised ten Directors, including five executive Directors and five 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.

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 Company's recognition of the importance and benefits of diversity in the boardroom was not only reflected in its adoption of a Board Diversity Policy in August 2013, but is also evidenced in the existing composition of the Board, on which both genders are represented, together with a broad range of ages, education and professional backgrounds.

The attendance record of each member of the Board is set out below:

Meetings held in FY2013

	Board	Private	Remuneration Committee	Audit Committee	Nomination and Corporate Governance Committee (Note)	2012 AGM
Number of Meetings	5	1	2	4	1	1
Executive Directors						
Ms. Cheung *(Chairlady)*	5/5	1/1	–	–	1/1	1
Mr. Liu *(Deputy Chairman and Chief Executive Officer)*	5/5	–	2/2	–	–	1
Mr. Zhang *(Deputy Chief Executive Officer)*	5/5	–	2/2	–	–	1
Mr. Lau Chun Shun	5/5	–	–	–	–	1
Mr. Zhang Yuanfu *(Chief Financial Officer)*	5/5	–	–	–	–	1
Ms. Gao Jing (resigned on 3 March 2013)	4/5	–	–	–	–	0
Independent Non-Executive Directors						
Ms. Tam Wai Chu, Maria	5/5	1/1	2/2	4/4	1/1	1
Dr. Cheng Chi Pang	5/5	1/1	2/2	4/4	1/1	1
Mr. Wang Hong Bo	5/5	1/1	2/2	4/4	1/1	0
Mr. Chung Shui Ming, Timpson (retired on 3 March 2013)	2/5	0/1	0/2	2/4	0/1	0
Mr. Ng Leung Sing (appointed on 3 March 2013)	1/5	–	0/2	0/4	–	–
Mr. Fok Kwong Man (appointed on 3 March 2013)	1/5	–	–	–	–	–

Note: The Board has resolved to reorganize the Nomination and Corporate Governance Committee of the Board into two separate board committees, the Nomination Committee and the Corporate Governance Committee, with effect from 3 March 2013.

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.

Corporate Governance

INDEPENDENT NON-EXECUTIVE DIRECTORS

The composition of the Board, with 5 INEDs out of the 10-member Board, well exceeds the requirements of the Listing Rules which provides that every board of directors of a listed issuer must include at least 3 INEDs.

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 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.

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 FY2013, 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 69 to 70.

EXECUTIVE COMMITTEE

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

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

Currently, the members of the Executive Committee include Ms. Cheung (Chairlady), Mr. Liu and Mr. Zhang.

REMUNERATION COMMITTEE

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

A separate report prepared by the Remuneration Committee which summarized its works performed during FY2013, and also set out details of the share options to the Directors and the employees on pages 48 to 52 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 four INEDs, namely, Dr. Cheng Chi Pang (Chairman), Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing and Mr. Wang Hong Bo. 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 has invaluable banking experience. Mr. Wang has rich experience and expertise in the paper industry in China.

A separate report prepared by the Audit Committee which summarized its works performed during FY2013 is set out on pages 53 to 54 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 AND CORPORATE GOVERANCE COMMITTEE

In order to promote better corporate governance practices and enhance the accountability and transparency of the management of the Company, the Board has resolved to reorganize the Nomination and Corporate Governance Committee of the Board into two separate board committees, the Nomination Committee and the Corporate Governance Committee, with effect from 3 March 2013. Currently, the members of the Nomination Committee of the Company are Ms. Cheung (Chairlady), Mr. Zhang, Ms. Tam Wai Chu, Maria, Dr. Cheng Chi Pang and Mr. Fok Kwong Man. The members of the Corporate Governance Committee are Mr. Fok Kwong Man (Chairman), Ms Cheung, Mr. Zhang, Ms. Tam Wai Chu, Maria and Dr. Cheng Chi Pang.

Work Performed by Nomination and Corporate Governance Committee:

(i) review the structure, size and composition of the Board and make recommendations to the Board regarding any proposed changes.

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

(iii) assess the independence of the independent non-executive Directors.

(iv) make recommendations to the Board on the re-appointment of directors and succession planning for directors and senior management.

(v) develop and review the Company's policy and practices on corporate governance and make recommendations to the Board.

(vi) review and monitor the training and continuous professional development of Directors and senior management.

(vii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

(viii) develop, review and monitor the code of conduct applicable to employees and Directors.

(ix) review the Company's compliance with the corporate governance code of the Listing Rules and other related rules.

Corporate Governance

(x) review the annual corporate governance report and recommend to the Board for consideration and approval for disclosure.

(xi) regularly review the time required from a director to perform his responsibilities.

(xii) review the Committee's terms of reference annually and recommend to the Board any changes.

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' 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	Site Visits
Executive Director			
Ms. Cheung	✓	✓	✓
Mr. Liu	✓	✓	✓
Mr. Zhang	✓	✓	✓
Mr. Zhang Yuanfu	✓	✓	✓
Mr. Lau Chun Shun	✓	✓	✓
Ms. Gao Jing (Note 1)	✓	✓	✓
Independent Non-Executive Directors			
Ms. Tam Wai Chu, Maria	✓	✓	✓
Dr. Cheng Chi Pang	✓	✓	✓
Mr. Wang Hong Bo	✓	✓	
Mr. Chung Shui Ming, Timpson (Note 2)	✓	✓	
Mr. Ng Leung Sing (Note 3)	✓	✓	✓
Mr. Fok Kwong Man (Note 3)	✓	✓	✓

Note: (1) resigned as executive director with effect from 3 March 2013
(2) retired as INED with effect from 3 March 2013
(3) appointed as INED with effect from 3 March 2013

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 to assist the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

During FY2013, the Company Secretary has undertaken over 15 hours of relevant professional training to update her skills and knowledge.

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 FY2013, 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 Website.

Annual General Meeting

The annual general meeting also provides an important opportunity for constructive communication between the Board and the Shareholders. The Chairlady and the chairmen of the audit committee and remuneration committee as well as the Company's auditor maintained an on-going dialogue with the Shareholders and answered all questions raised by the Shareholders throughout the last annual general meeting held on 6 December 2012.

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.

Corporate Governance

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 written to the Company Secretary at the office of the Company at Room 3129, 31/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, 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 Room 3129, 31/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, 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 Room 3129, 31/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, 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
- make recommendations to the Board on the remuneration of Non-Executive Directors

SUMMARY OF MAJOR WORK DONE IN FY2013

During FY2013, the Remuneration Committee held two meetings. The following is a summary of the major tasks completed by the Remuneration Committee during FY2013.

- determined the emoluments of Directors with reference to the skills, knowledge, involvement in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the Year;
- 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
- considered the proposed amendments to its terms of reference to take into account the new code provisions which took effect from 1 April 2012 and recommended their adoption by the board.

SHARE OPTION SCHEME

The Company maintains the 2006 Share Option Scheme for the purpose of recognizing 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 Company adopted the 2006 Share Option Scheme on 12 February 2006. 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 in 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.

Details of options granted and outstanding under the 2006 Share Option Scheme during the Year:

		Number of Share options					
Grantees		**Balance as at 1 July 2012**	**Granted during the Year**	**Exercised during the Year**	**Cancelled/ Lapsed during the Year**	**Balance as at 30 June 2013**	**Approximate percentage of shareholding***
i)	**Directors**						
	Mr. Lau Chun Shun (Notes 1 & 3)	450,000	–	–	–	450,000	0.01%
	Mr. Zhang Yuanfu (Notes 1 & 3)	2,400,000	–	(800,000)	–	1,600,000	0.03%
	Sub-total:	2,850,000	–	(800,000)	–	2,050,000	0.04%
ii)	**Employees and others** (Note 2)	3,500,000	–	(900,000)	–	2,600,000	0.06%
	Total:	6,350,000	–	(1,700,000)	–	4,650,000	0.10%

* The issued share capital of the Company was 4,664,620,811 as at 30 June 2013

Remuneration Committee

Notes:

(1) Details of the options granted to directors 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 2012	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Balance as at 30 June 2013	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
Total:				**450,000**	**–**	**–**	**–**	**450,000**	
Mr. Zhang Yuanfu	25 August 2008	4.310	25 August 2009 to 24 August 2013	600,000	–	(200,000)	–	400,000	4.20
	28 October 2008	0.894	28 October 2009 to 27 October 2013	1,200,000	–	(400,000)	–	800,000	0.72
	10 November 2008	1.590	11 November 2009 to 10 November 2013	600,000	–	(200,000)	–	400,000	1.44
Total:				**2,400,000**	**–**	**(800,000)**	**–**	**1,600,000**	

(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 2012	Granted during the Year	Exercised During the Year	Cancelled/ Lapsed during the Year	Balance as at 30 June 2013	Closing price Immediately before Grant Date HK$
28 October 2008 (Note 3)	0.894	29 October 2009 to 28 October 2013	1,000,000	–	(900,000)	–	100,000	0.72
19 November 2009 (Note 3)	13.520	19 November 2010 to 18 November 2014	500,000	–	–	–	500,000	13.66
26 November 2009 (Note 3)	13.980	26 November 2010 to 25 November 2014	300,000	–	–	–	300,000	14.00
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:			**3,500,000**		**(900,000)**	**–**	**2,600,000**	

(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.

(6) The weighted average closing price immediately before the dates on which the options were exercised was approximately HK$6.41.

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

The fair values of options under 2006 Share Option Scheme are determined used "Binominal Valuation model" (the "Model"). 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$
25 August 2008	2.897%	per annum 1.373%	61%	8,000,000
28 October 2008	2.154%	per annum 7.356%	62%	3,000,000
10 November 2008	1.798%	per annum 3.706%	62%	1,000,000
19 November 2009	1.542%	per annum 1.000%	71%	6,000,000
26 November 2009	1.525%	per annum 1.000%	70%	2,000,000
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.

Remuneration Committee

DIRECTORS' SERVICES CONTRACTS

None of the Directors who are proposed for re-election at the 2013 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 21 to the financial statements.

Audit Committee

MEMBERS

All the members of the Audit Committee are appointed from the INEDs, namely, Dr. Cheng Chi Pang (Chairman), Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing and Mr. Wang Hong Bo.

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 FY2013

The Audit Committee holds regular meetings and organizes additional meetings if and when necessary. During FY2013, the committee held four meetings. The following is a summary of the tasks completed by the Audit Committee during FY2013:

- reviewed the financial statements for FY2013 and for the six months ended 31 December 2012 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 FY2013 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 "Continuing Connected Transactions" of the Group;

- 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.

Audit Committee

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 2013 AGM, PricewaterhouseCoopers be re-appointed as the Company's external auditor for FY2014.

For FY2013, the remuneration paid and payable to the external auditor of the Company for audit services and for tax and other services are approximately RM7.5 million and RMB0.1 million, respectively.

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 insider 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.

Directors and Senior Management

PROFILE OF EXECUTIVE DIRECTORS

Ms. Cheung Yan, 56, 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 17 years of experience in paper manufacturing and over 27 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, vice president of China Paper Industry Chamber of Commerce, president of the Guangdong Overseas Chinese Enterprises Association, vice chairman of Guangdong Federation of Industry and Commerce, executive vice president of the Hong Kong China Chamber of Commerce and Honorary President of World Dongguan Entrepreneurs. 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 and "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 is the wife of Mr. Liu Ming Chung, the sister of Mr. Zhang Cheng Fei and the mother of Mr. Lau Chun Shun.

Mr. Liu Ming Chung, 51, 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 22 years of experience in international trade and over 14 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, 45, 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 19 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, 32, 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, 50, 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, he 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 27 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, 67, has been an INED of the Company since 2006. She serves as an independent non-executive director of Guangnan (Holdings) Limited, Minmetals Land Limited, Sa Sa International Holdings Limited, Sinopec Kantons Holdings Limited, Tong Ren Tang Technologies, Co., Ltd., Wing On Company International Limited 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 PRC from HKSAR 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, aged 64, has been appointed as an INED 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. Mr. Ng is a Hong Kong Deputy to the 10th, 11th and 12th National People's Congress, PRC, a member of the Legislative Council of Hong Kong. He is also an independent non-executive director of MTR Corporation Limited and SmarTone Telecommunications Holdings Limited, both 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, 56, has been an INED 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 32 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, 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.

Mr. FOK Kwong Man, aged 64, has been appointed as an INED of the Company since March 2013. Mr. Fok obtained a Bachelor of Science degree in Engineering from The University of Hong Kong, a Master of Business Administration degree from Columbia University, U.S.A. and a Master of Arts (Economics) degree and a Master of Science (Statistics) degree from Stanford University, U.S.A..

Directors and Senior Management

Mr. Fok has 26 years of experience with exchange operator and securities regulatory bodies in Hong Kong and over 10 years in other financial services and China trade work. He last served as the Chief Marketing Officer of Hong Kong Exchanges and Clearing Limited and retired in August 2012. Mr. Fok had held various other senior positions in Hong Kong Exchanges and Clearing Limited including Head of Issuer Marketing Division, Head of Business Development Division, Head of Business Development and Investor Services Division and Deputy Chief Operating Officer. He was the Chief Executive of the Stock Exchange from 2000 to 2004 and had held other positions including Senior Executive Director of Regulatory Affairs Group and Executive Director of Listing Division before then. Mr. Fok was Assistant Director of Corporate Finance of the Securities and Futures Commission from 1989 to 1992. Mr. Fok is also an independent non-executive director of Luk Fook Holdings (International) Limited and China Pacific Insurance (Group) Co., Ltd., which are listed companies in Hong Kong.

Mr. Wang Hong Bo, 59, has been an INED of the Company since 2006. Mr. Wang has extensive experience and expertise in the paper industry in China and was appointed as the Deputy Head of Yantai Packaging Decoration Factory in 1990.

PROFILE OF SENIOR MANAGEMENT

Mr. Lin Xin Yang, 43, 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 20 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, 41, 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 20-year 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, 52, 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 25 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. Li Jian Bo, 47, joined the Group in 2008 and has served as the General Manager of Nine Dragons Paper Industries (Chongqing) Co., Ltd. in charge of supervision and management since 2009. Prior to joining the Group, he worked as the General Manager of Sichuan Rui Song Paper Co. Ltd.. Mr. Li has over 26 years of experience in production, technology and management in the paper manufacturing industry. He graduated from the Southwestern University of Finance and Economics and holds a master degree of Business Administration of Fudan University.

Mr. Li Yong Xiang, 44, joined the Group in April 1998 and has served as the General Manager of Nine Dragons Pulp and Paper (Leshan) Co., Ltd. in charge of operations and management since July 2012. Prior to joining the Group, he worked for Jiangxi Fuzhou Paper Co., Ltd.. Mr. Li has over 21 years of experience in pulp and paper manufacturing, equipment and production management. Mr. Li graduated from Jiangxi Broadcasting Television University and is a senior engineer in the paper manufacturing industry.

Mr. Xin Gang, 39, 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 17 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. Zhang Yongchun, 46, joined the Group in June 1999. He has served as the General Manager of Nine Dragons Paper Industries (Shenyang) Co. Ltd. in charge of supervision and management since June 2011. Mr. Zhang has over 23 years of experience in equipment installment and maintenance, and production management in the paper manufacturing industry. Prior to joining the Group, he worked in Jilin Paper Co., Ltd.. He graduated from Jilin University with a bachelor degree in Science.

Mr. Zhang Du Ling, 43, 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 17 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. Huang Tie Min, 50, joined as the Group's General Manager of the Development Engineering Department in charge of the Group's new project expansion and engineering management. Mr. Huang joined the Group in 1996 and has approximately 28 years of construction and administrative management experience in the paper manufacturing industry in China. He graduated from School of Architecture and Engineering, Shenyang University with a bachelor degree in Engineering.

Mr. Ng Kwok Fan, Benjamin, 57, 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 Certified General Accountants Association of Canada and the CFA Institute.

Mr. Chu Yiu Kuen, Ricky, 42, has served as the Group's Deputy Chief Financial Officer in charge of financial operation since October 2008. Mr. Chu has more than 19 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, 45, 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 23 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. Zhang Chuang, 46, has served as Chief Information Officer of the Group in charge of the planning and construction of corporate information system since September 2008. Prior to joining the Group, he worked at Lenovo Group as an IT director responsible for global application system operation, and occupied as an IT manager at General Motor and Dupont respectively. Graduated from Tsinghua University, he has 20 years of IT management experience in the manufacturing industry. He holds a bachelor degree in Electronic Engineering and a master degree in Computer Science as well as a master degree in Business Administration in Queens' University, Canada.

Directors' Report

The Directors are pleased to present the audited consolidated financial statements of ND Holdings for FY2013.

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 FY2013 are set out in the accompanying financial statements on page 73.

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

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

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 25 to 26.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2013 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 are set out in note 15 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 13 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 14 to the financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2013, the Company's reserve available for cash distribution and/or distribution in specie, representing the retained earnings, amounted to RMB400,276,000 (30 June 2012: RMB782,982,000). In addition, the Company's share premium account and contributed surplus of RMB8,726,836,000 and RMB2,074,700,000, respectively, as at 30 June 2013 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, approximately 53.1% of the aggregate amount of purchases were attributable to the Group's five largest suppliers with the largest supplier accounting for 42.3% of the Group's total purchases. The aggregate amount of turnover attributable to the Group's five largest customers was approximately 5.0% of total turnover of the Group.

ACN, a company jointly owned by Ms. Cheung and Mr. Liu, is one of the Group's five largest suppliers. Both Ms. Cheung and Mr. Liu are the executive directors and controlling shareholders of the Company. 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

Independent non-executive Directors

Ms. Tam Wai Chu, Maria	
Mr. Ng Leung Sing	(appointed on 3 March 2013)
Dr. Cheng Chi Pang	
Mr. Fok Kwong Man	(appointed on 3 March 2013)
Mr. Wang Hong Bo	

Retired and Resigned Directors

Mr. Chung Shui Ming, Timpson	(retired on 3 March 2013)
Ms. Gao Jing	(resigned on 3 March 2013)

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.

Pursuant to bye-law 86(2) of the Company's bye-laws, Mr. Ng Leung Sing and Mr. Fok Kwong Man, who were appointed by the Board during the Year shall hold office until the 2013 AGM of the Company and shall then be eligible for re-election at the 2013 AGM.

Ms. Cheung, Mr. Liu and Mr. Zhang Yuanfu will retire at the 2013 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 2013, 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 2013.

		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 (Note1)	Personal Interests	Family Interests	Total	Approximate percentage of shareholdings
Ms. Cheung	Long Position	70,991,758	27,094,184	2,992,120,000	–	–	3,090,205,942	66.25%
Mr. Liu	Long Position	27,094,184	70,991,758	2,992,120,000	–	–	3,090,205,942	66.25%
Mr. Zhang	Long Position	25,883,821	–	–	–	–	25,883,821	0.55%
Mr. Lau Chun Shun	Long Position	–	–	2,992,120,000	450,000	–	2,992,570,000	64.15%
Mr. Zhang Yuanfu	Long Position	2,248,000	–	–	1,600,000	–	3,848,000	0.08%
Ms. Tam Wai Chu, Maria	Long Position	1,216,670	–	–	–	–	1,216,670	0.03%
Dr. Cheng Chi Pang	Long Position	700,002	–	–	–	–	700,002	0.02%

(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%
		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 The Liu Family Trust with BNP Paribas Jersey Trust Corporation Limited as the trustee, (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 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.

(5) Details of the share options granted under the 2006 Share Option Scheme are set out on pages 48 to 51 in the section of Remuneration Committee.

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 2013, 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.

Directors' Report

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 2013, 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 Shares held	Approximate percentage of total issued Shares
Best Result[Note]	Long Position	Beneficial Owner	2,992,120,000	64.15%
Ms. Cheung	Long Position	Beneficial Owner	2,992,120,000	64.15%
Goldnew Limited	Long Position	Interest of controlled corporation	2,992,120,000	64.15%
BNP Paribas Jersey Trust Corporation Limited	Long Position	Trustee of The Liu Family Trust	2,992,120,000	64.15%

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 The Liu Family Trust with BNP Paribas Jersey Trust Corporation Limited as the trustee, (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 2013, as far as the Company is aware of, there was no other person who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions and related party transactions are set out in the Continuing Connected Transactions and note 29 to the consolidated accounts of this Annual Report respectively.

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 21,548,000 (2012: approximately RMB11,944,000).

CHANGES OF DIRECTORS INFORMATION UNDER LISTING RULE 13.51(B)

Ms. Tam Wai Chu, Maria was awarded the GBM in July 2013 by the Government of the HKSAR. She has been appointed as an independent non-executive director of Macau Legend Development Limited in July 2013.

Mr. Fok Kwong Man has been appointed as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. in July 2013. On 27 September 2013, Mr. Fok was appointed as the chairman of the Corporate Governance Committee of the Company.

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 disclosures are included in respect of the Company's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company as at 30 June 2013.

On 30 June 2011, the Company entered into a facility agreement with China Development Bank Corporation, Hong Kong Branch ("CDB HK") in an aggregate amount of RMB1 billion of which RMB800 million was for a term of 1 year and RMB200 million was for a term of 3 years.

On 14 August 2012, the Company entered into a facility agreement with CDB HK as lender in an aggregate amount of USD350 million of which USD100 million was for a term of 1 year and USD250 million was for a term of 3 years.

The above loan facilities 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 FY 2013.

RELATED PARTY TRANSACTIONS

Details of related party transactions conducted during the ordinary course of business, which cover all transactions with related parties which constitute connected transactions as defined under the Listing Rules, are set out in note 29 to the financial statements. Such transactions all complied with the applicable provisions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During FY2013 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 2012 to 31 March 2013, the actual amount of transactions under the Come Sure Raw Paper Materials Supply Agreement were RMB163 million and was within the annual cap of RMB500 million. During FY2013, the actual amount of transactions was RMB164 million.

(b) Longteng Packaging Paperboard Purchase Agreement

Dongguan Longteng is a company which is held as to 70% by Zhang Cheng Ming, a brother of Mr. Zhang and Ms. Cheung. On 16 May 2011, Dongguan Longteng and the Company entered into a purchase agreement (the "Longteng Packaging Paperboard Purchase Agreement"), pursuant to which Dongguan Longteng agreed to purchase packaging paperboard products manufactured by the Group from 1 July 2011 to 30 June 2014.

During FY2013, the actual amount of transactions under the Longteng Packaging Paperboard Purchase Agreement were RMB421 million and was within the annual cap of RMB900 million for FY2013 for the Longteng Packaging Paperboard Purchase Agreement approved by the independent shareholders at the special general meeting held on 27 June 2011.

(c) Longteng Packaging Materials and Chemicals Supply Agreement

On 16 May 2011, Dongguan Longteng and the Company entered into a supply agreement (the "Longteng Packaging Materials and Chemicals Supply Agreement"), pursuant to which Dongguan Longteng agreed to supply packaging materials and chemicals for the production of paperboard products to members of the Group from 1 July 2011 to 30 June 2014.

During FY2013, the actual amount of transactions under the Longteng Packaging Materials and Chemicals Supply Agreement were RMB278 million and was within the annual cap of RMB1,500 million for FY 2013 for the Longteng Packaging Materials and Chemicals Supply Agreement approved by the independent shareholders at the special general meeting held on 27 June 2011.

(d) ACN Recovered Paper Supply Agreement

ACN is indirectly wholly owned by Ms. Cheung and Mr. Liu. On 16 May 2011, ACN and the Company entered into a supply agreement (the "ACN Recovered Paper Supply Agreement"), pursuant to which ACN agreed to supply recovered paper to members of the Group from 1 July 2011 to 30 June 2014.

During FY2013, the actual amount of transactions under the ACN Recovered Paper Supply Agreement were RMB10,305 million and was within the annual cap of RMB19,500 million for FY2013 for the ACN Recovered Paper Supply Agreement approved by the independent shareholders at the special general meeting held on 27 June 2011.

(e) Taicang Packaging Paperboard Purchase Agreements

On 16 May 2011 and 23 May 2011, Taicang Packaging and the Company entered into purchase agreements (the "Taicang Packaging Paperboard Purchase Agreements"), pursuant to which Taicang Packaging agreed to purchase packaging paperboard products manufactured by the Group from 1 July 2011 to 30 June 2014.

During FY2013, the actual amount of transactions under the Taicang Packaging Paperboard Purchase Agreements were RMB162 million and was within the annual cap of RMB600 million for FY2013 for the Taicang Packaging Paperboard Purchase Agreements approved by the independent shareholders at the special general meeting held on 27 June 2011.

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.38.

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 FY2013 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 2013 AGM.

On behalf of the Board
Cheung Yan
Chairlady
Hong Kong, 26 September 2013

pwc

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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 71 to 128, which comprise the consolidated and company balance sheets as at 30 June 2013, 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

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羅兵咸永道

Independent Auditor's Report
To the shareholders of Nine Dragons Paper (Holdings) Limited *(continued)*
(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 2013, 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 September 2013

Balance Sheets

	Note	Consolidated 30 June 2013 RMB'000	Consolidated 30 June 2012 RMB'000	Company 30 June 2013 RMB'000	Company 30 June 2012 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**44,690,831**	42,360,533	**918**	1,255
Land use rights	7	**1,522,704**	1,557,628	**–**	–
Intangible assets	8	**225,747**	230,264	**–**	–
Investments in subsidiaries	9a	**–**	–	**2,443,176**	2,441,193
Investment in an associate	9b	**10,107**	–	**–**	–
Deferred income tax assets	16	**40,155**	24,993	**–**	–
		46,489,544	44,173,418	**2,444,094**	2,442,448
Current assets					
Inventories	10	**3,778,760**	4,195,911	**–**	–
Trade and bills receivables	11	**5,600,318**	2,920,754	**–**	–
Other receivables and prepayments	11	**2,493,514**	2,534,669	**3,233**	3,376
Amounts due from subsidiaries	11	**–**	–	**12,726,452**	10,132,409
Tax recoverable		**1,291**	18,671	**–**	–
Restricted cash	12	**55,000**	3,678	**–**	–
Cash and cash equivalents	12	**6,015,451**	4,364,539	**11,916**	13,504
		17,944,334	14,038,222	**12,741,601**	10,149,289
Total assets		**64,433,878**	58,211,640	**15,185,695**	12,591,737
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	**9,204,981**	9,202,356	**9,204,981**	9,202,356
Other reserves	14	**1,177,866**	1,181,590	**2,093,651**	2,091,842
Retained earnings					
— Proposed final dividend	26	**373,170**	233,146	**373,170**	233,146
— Unappropriated retained earnings		**12,027,600**	10,933,429	**27,106**	549,836
		22,783,617	21,550,521	**11,698,908**	12,077,180
Non-controlling interests		**497,249**	431,268	**–**	–
Total equity		**23,280,866**	21,981,789	**11,698,908**	12,077,180

Balance Sheets

	Note	Consolidated 30 June 2013 RMB'000	Consolidated 30 June 2012 RMB'000	Company 30 June 2013 RMB'000	Company 30 June 2012 RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	15	**25,690,009**	21,192,466	**3,470,358**	511,318
Deferred income tax liabilities	16	**1,372,521**	1,137,487	**–**	–
Other payables	17	**43,557**	55,406	**–**	–
Deferred government grants		**–**	13,024	**–**	–
		27,106,087	22,398,383	**3,470,358**	511,318
Current liabilities					
Trade and bills payables	17	**3,403,535**	5,731,338	**–**	–
Other payables and deposits received	17	**1,673,180**	2,710,266	**16,429**	3,239
Current income tax liabilities		**354,137**	287,576	**–**	–
Borrowings	15	**8,616,073**	5,102,288	**–**	–
		14,046,925	13,831,468	**16,429**	3,239
Total liabilities		**41,153,012**	36,229,851	**3,486,787**	514,557
Total equity and liabilities		**64,433,878**	58,211,640	**15,185,695**	12,591,737
Net current assets		**3,897,409**	206,754	**12,725,172**	10,146,050
Total assets less current liabilities		**50,386,953**	44,380,172	**15,169,266**	12,588,498

Ms. Cheung Yan
Chairlady

Mr. Liu Ming Chung
Deputy Chairman and Chief Executive Officer

The notes on pages 78 to 128 are an integral part of these consolidated financial statements.

Consolidated Income Statement

	Note	For the year ended 30 June 2013 RMB'000	2012 RMB'000
Sales	18	**28,739,142**	27,169,737
Cost of goods sold	20	**(24,132,824)**	(22,832,313)
Gross profit		**4,606,318**	4,337,424
Other income/(expenses) and other gains/(losses), net	19	**215,550**	62,690
Selling and marketing costs	20	**(677,655)**	(667,903)
Administrative expenses	20	**(801,981)**	(662,194)
Operating profit		**3,342,232**	3,070,017
Finance income	22	**45,998**	46,696
Finance costs	22	**(1,372,411)**	(1,208,646)
Finance costs — net		**(1,326,413)**	(1,161,950)
Share of profit of an associate	9b	**687**	—
Profit before income tax		**2,016,506**	1,908,067
Income tax expense	23	**(425,795)**	(449,509)
Profit for the year		**1,590,711**	1,458,558
Profit attributable to:			
— Equity holders of the Company		**1,560,623**	1,420,152
— Non-controlling interests		**30,088**	38,406
		1,590,711	1,458,558
Earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*			
— basic	25	**0.3347**	0.3046
— diluted	25	**0.3346**	0.3044

Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in note 26.

The notes on pages 78 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

The notes on pages 78 to 128 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 13)	**Other reserves** RMB'000 (Note 14)	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance at 1 July 2011	9,187,231	1,200,373	10,212,107	20,599,711	420,949	21,020,660
Comprehensive income						
Profit for the year	—	—	1,420,152	1,420,152	38,406	1,458,558
Other comprehensive income:						
— Currency translation differences	—	(5,409)	—	(5,409)	(4,168)	(9,577)
— Cash flow hedges	—	(753)	—	(753)	—	(753)
Total other comprehensive income	—	(6,162)	—	(6,162)	(4,168)	(10,330)
Total comprehensive income	—	(6,162)	1,420,152	1,413,990	34,238	1,448,228
Transactions with owners						
2011 final and 2012 interim dividends paid to equity holders of the Company	—	—	(465,684)	(465,684)	—	(465,684)
Dividends paid to non-controlling interests	—	—	—	—	(23,919)	(23,919)
Share options granted to directors and employees	—	2,265	—	2,265	—	2,265
Exercise and lapse of share options	15,125	(14,886)	—	239	—	239
Total transactions with owners	15,125	(12,621)	(465,684)	(463,180)	(23,919)	(487,099)
Balance at 30 June 2012	9,202,356	1,181,590	11,166,575	21,550,521	431,268	21,981,789

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					
	Share capital RMB'000 (Note 13)	**Other reserves** RMB'000 (Note 14)	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance at 1 July 2012	9,202,356	1,181,590	11,166,575	21,550,521	431,268	21,981,789
Comprehensive income						
Profit for the year	–	–	1,560,623	1,560,623	30,088	1,590,711
Other comprehensive income:						
— Currency translation differences	–	(5,533)	–	(5,533)	(2,828)	(8,361)
Total other comprehensive income	–	(5,533)	–	(5,533)	(2,828)	(8,361)
Total comprehensive income	–	(5,533)	1,560,623	1,555,090	27,260	1,582,350
Transactions with owners						
2012 final and 2013 interim dividends paid to equity holders of the Company	–	–	(326,428)	(326,428)	–	(326,428)
Dividends paid to non-controlling interests	–	–	–	–	(13,023)	(13,023)
Capital contribution made by a non-controlling shareholder	–	–	–	–	53,419	53,419
Share options granted to directors and employees	–	2,561	–	2,561	–	2,561
Exercise of share options	2,625	(752)	–	1,873	–	1,873
Disposal of subsidiaries	–	–	–	–	(1,675)	(1,675)
Total transactions with owners	2,625	1,809	(326,428)	(321,994)	38,721	(283,273)
Balance at 30 June 2013	9,204,981	1,177,866	12,400,770	22,783,617	497,249	23,280,866

The notes on pages 78 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	For the year ended 30 June 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	27(a)	**36,043**	6,043,184
Income tax paid		**(109,451)**	(108,533)
Interest paid		**(1,629,702)**	(1,913,995)
Net cash (used in)/generated from operating activities		**(1,703,110)**	4,020,656
Cash flows from investing activities			
Capital contribution made to an associate	9b	**(9,420)**	—
Proceeds from disposal of subsidiaries		**4,212**	—
Payment for property, plant and equipment		**(4,409,223)**	(4,236,321)
Purchase of intangible assets		**(46)**	—
Proceeds from disposal of property, plant and equipment	27(b)	**24,967**	12,470
Payment for acquisition of land use rights		**(35,902)**	(340,949)
Proceeds from government grants for purchase of property, plant and equipment and land use rights		**12,394**	290,150
Interest received		**45,998**	46,696
Net cash used in investing activities		**(4,367,020)**	(4,227,954)
Cash flows from financing activities			
Exercise of share options		**1,873**	239
Proceeds from borrowings		**30,993,337**	19,852,239
Repayments of borrowings		**(22,902,474)**	(17,273,590)
Restricted cash pledged for bank borrowings		**(55,000)**	—
Dividends paid to non-controlling interests		**(13,023)**	(23,919)
Dividends paid to equity holders of the Company		**(325,414)**	(465,684)
Capital contribution made by a non-controlling shareholder		**53,419**	—
Net cash generated from financing activities		**7,752,718**	2,089,285
Net increase in cash and cash equivalents		**1,682,588**	1,881,987
Cash and cash equivalents at beginning of the year		**4,364,539**	2,500,254
Exchange losses on cash and cash equivalents		**(31,676)**	(17,702)
Cash and cash equivalents at end of the year	12	**6,015,451**	4,364,539

The notes on pages 78 to 128 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") mainly engage in the manufacture and sales of packaging paper, recycled printing and writing paper, pulp and high value specialty paper products in the People's Republic of China (the "PRC").

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

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

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

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

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for the Group's financial year beginning on 1 July 2012. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group and the Company.

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

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

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

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

1. Effective for the Group for annual period beginning on 1 July 2013.

2. Effective for the Group for annual period beginning on 1 July 2014.

3. Effective for the Group for annual period beginning on 1 July 2015.

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

2. 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 2013.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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) Investments in subsidiaries

In the Company's balance sheet the investments in subsidiaries are stated at cost (Note 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

(e) Associates

Associates are all entities 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 investment in associates includes goodwill identified on acquisition.

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.

2. Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(e) Associates *(continued)*

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 reporting 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.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2.3 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 BoD that makes strategic decisions.

2.4 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. 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 equity as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings, restricted cash 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)*

2.4 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 exchange differences are recognised as a separate component of equity.

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.

2.5 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 logistic	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. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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. Summary of significant accounting policies *(continued)*

2.6 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.

2.7 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.

2.8 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 2.9.

(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.

2. Summary of significant accounting policies *(continued)*

2.8 Intangible assets *(continued)*

(b) Other intangible assets *(continued)*

(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).

2.9 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 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 financial assets at fair value through profit or loss or 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, bills and other receivables, restricted cash and cash and cash equivalents in the consolidated balance sheet (Notes 2.14 and 2.15).

(b) Recognition and measurement

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

2. Summary of significant accounting policies *(continued)*

2.11 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.

2.12 Impairment of financial assets

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

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

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

2.13 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.

2.14 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.

2.15 Restricted cash, cash and cash equivalents

Amounts include cash in hand and deposits held at call with banks.

2.16 Share capital

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

2. Summary of significant accounting policies *(continued)*

2.17 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.

2.18 Borrowings

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.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

2.20 Current and deferred income tax

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

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.

2. Summary of significant accounting policies *(continued)*

2.20 Current and deferred income tax *(continued)*

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, the 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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.

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.

2.21 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

2. Summary of significant accounting policies *(continued)*

2.21 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).

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 reporting period, 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 issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.22 Provisions

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

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

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

2. Summary of significant accounting policies *(continued)*

2.23 Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, net of value-added tax, 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) Sales of goods

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) Sales of electricity

Sales of electricity are recognised when electricity is generated and transmitted to the power grids operated by the provincial electricity power company.

2.24 Leases (as the lessee for operating leases)

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

2.25 Government grants

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

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

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

2.26 Dividend distribution

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

Notes to the Consolidated Financial Statements

3. Financial risk management

3.1 Financial risk factors

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

(a) Foreign exchange risk

The 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, Great Britain Pound ("GBP") and Japanese Yen ("JPY"). 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 were used to hedge material exposure. At 30 June 2013, if RMB had weakened/strengthened by 2.0% against US$, with all other variables held constant, post-tax profit for the year ended 30 June 2013 would have been RMB197,486,000 lower/higher (at 30 June 2012, if RMB had weakened/strengthened by 2.0% against US$, with all other variables held constant, post-tax profit for the year ended 30 June 2012 would have been RMB70,353,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of US$-denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

At 30 June 2013, if RMB had weakened/strengthened by 2.0% against HK$, with all other variables held constant, post-tax profit for the year ended 30 June 2013 would have been RMB21,875,000 lower/higher (at 30 June 2012, if RMB had weakened/strengthened by 2.0% against HK$, with all other variables held constant, post-tax profit for the year ended 30 June 2012 would have been RMB25,422,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of HK$-denominated cash and cash equivalents, trade and other receivables and borrowings.

At 30 June 2013, if RMB had weakened/strengthened by 2.0% against EURO, with all other variables held constant, post-tax profit for the year ended 30 June 2013 would have been RMB11,730,000 lower/higher (at 30 June 2012, if RMB had weakened/strengthened by 16.0% against EURO, with all other variables held constant, post-tax profit for the year ended 30 June 2012 would have been RMB167,147,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of EURO-denominated cash and cash equivalents, trade and other payables and borrowings.

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Interest rate risk

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

The Group's interest-rate risk arises from long-term 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, appropriate financial instruments were used to hedge material exposure.

At 30 June 2013, 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 RMB33,775,000 lower/higher (at 30 June 2012, if interest rates on borrowings had been 25 basis points higher/lower, with all other variables held constant, post-tax profit for the year ended 30 June 2012 would have been RMB26,886,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

(c) Credit risk

Credit risk arises from restricted cash, cash at bank and bank deposits, 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 restricted cash, cash at bank and bank deposit balances of the major counterparties with external credit ratings as at 30 June 2013.

Counterparties with external credit rating (Note)

	30 June 2013 RMB'000	30 June 2012 RMB'000
Aa3	**375,107**	19,345
A1	**3,012,443**	2,084,321
A3	**1,231,908**	1,012,909
Baa2	**17,352**	1,474
Baa3	**501,747**	342,683
Ba1	**–**	3,513
others	**930,026**	901,065
	6,068,583	4,365,310

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

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

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 15) and cash and cash equivalents (Note 12) on the basis of expected cash flow.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (Note).

	Less than 1 year RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Over 5 years** RMB'000
Group				
At 30 June 2013				
Borrowings	**9,925,998**	**12,176,063**	**13,836,597**	**1,270,324**
Trade, bills and other payables	**4,553,052**	**43,557**	**—**	**—**
At 30 June 2012				
Borrowings	6,431,108	9,525,124	11,596,272	1,913,013
Trade, bills and other payables	7,504,993	55,406	—	—
Company				
At 30 June 2013				
Borrowings	**104,709**	**1,982,006**	**1,550,194**	**—**
Other payables	**16,429**	**—**	**—**	**—**
At 30 June 2012				
Borrowings	17,956	526,765	—	—
Other payables	3,239	—	—	—

Note: Interest on borrowings is calculated on borrowings held as at 30 June 2013 and 2012, respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2013 and 2012, 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 and restricted cash. Total capital is "Total equity" as shown in the consolidated balance sheet.

The gearing ratio is calculated as follows:

	30 June 2013 RMB'000	30 June 2012 RMB'000
Total borrowings (Note 15)	**34,306,082**	26,294,754
Less: cash and cash equivalents and restricted cash	**(6,070,451)**	(4,368,217)
Net debt	**28,235,631**	21,926,537
Total equity	**23,280,866**	21,981,789
Gearing ratio	**121.3%**	99.7%

The increase in gearing ratio during the year ended 30 June 2013 was mainly resulted from the increase in total borrowings during the year.

3.3 Fair value estimation

The carrying amounts of trade, bills and other receivables, cash at bank and bank deposits, trade, bills and other payables and short-term borrowings approximate their fair values due to their short term nature. The fair values of long-term borrowings are discussed in Note 15(j).

4. Critical accounting estimates and judgements

Estimates and judgements 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) Estimated recoverable amounts of intangible assets with indefinite useful lives

Determining whether intangible assets with indefinite useful lives are impaired requires an estimation of the value-in-use calculation. These calculations require the use of estimates (Note 8).

Notes to the Consolidated Financial Statements

4. Critical accounting estimates and judgements *(continued)*

(b) 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.

During the year ended 30 June 2013, the Group reviewed the estimated useful lives of its property, plant and equipment and concluded that due to the periodic maintenance carried out by the Group, most of the Group's paper machines are in good conditions, and are expected to be utilised beyond their original estimated useful lives. As a result, the Group has revised the estimated useful lives of its plant and machinery from 15 to 30 years to 15 to 35 years. The change in accounting estimates is accounted for prospectively from 1 January 2013. The effect of this change in estimated useful lives is estimated to have decreased depreciation expense by approximately RMB47.4 million for the year ended 30 June 2013 and will decrease annual depreciation expense of approximately RMB94.7 million for future few years.

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 2013 would be RMB475,351,000 (2012: RMB373,043,000) lower or RMB580,985,000 (2012: RMB455,941,000) higher.

(c) 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. The determination of intended use requires significant judgement.

Had these plant and machinery under construction, which had been transferred to property, plant and equipment during the year ended 30 June 2013, been capable to operate in the manner intended by management one month earlier or later, net profit for the year ended 30 June 2013 would have been RMB24,227,000 lower (2012: RMB77,995,000 lower) and RMB6,976,000 higher (2012: RMB32,896,000 higher), respectively.

(d) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group follow the guidance of HKAS 36 to determine whether an asset is impaired. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

4. Critical accounting estimates and judgements *(continued)*

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling goods of similar nature. It could change significantly as a result of change in market condition. Write-downs on inventories are recognised where events or changes in circumstances indicate that the value of the inventories may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories is recognised in the period in which such estimate has been changed.

(f) Provision for impairment of receivables

The Group makes provision for impairment in receivables based on an assessment of the recoverability of receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Provisions are made where events or changes in circumstances indicate that the receivables may not be collectible. The identification of impairment in receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the receivables and impairment is recognised in the period in which such estimate has been changed.

(g) 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.

(h) 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 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, pulp and high value specialty board products in the PRC. Management review the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the directors of the Company regard that there is only one segment which is used to make strategic decisions.

The Group is domiciled in the PRC. The revenue from external customers attributable to the PRC for the year ended 30 June 2013 is RMB26,130,720,000 (2012: RMB24,239,684,000), and the total of its revenue from external customers from other countries is RMB2,608,422,000 (2012: RMB2,930,053,000). The breakdown of the major products of the total sales is disclosed in Note 18.

As at 30 June 2013, the total of non-current assets other than deferred tax assets located in the PRC is RMB46,357,349,000 (2012: RMB44,045,506,000), and the total of these non-current assets located in other countries is RMB92,040,000 (2012: RMB102,919,000).

Notes to the Consolidated Financial Statements

6. Property, plant and equipment

Group

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Transportation, logistic and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 July 2011						
Cost	5,135,711	24,254,411	534,768	441,905	12,570,264	42,937,059
Accumulated depreciation	(894,384)	(3,084,635)	(167,910)	(161,967)	–	(4,308,896)
Net book amount	4,241,327	21,169,776	366,858	279,938	12,570,264	38,628,163
Year ended 30 June 2012						
Opening net book amount	4,241,327	21,169,776	366,858	279,938	12,570,264	38,628,163
Additions	33,566	71,603	2,178	61,466	4,966,983	5,135,796
Transfer	1,644,995	10,034,958	7,753	44,561	(11,732,267)	–
Tax benefit (Note (a))	–	(76,635)	–	–	–	(76,635)
Disposals (Note 27)	(5,855)	(10,303)	(1,321)	(4,180)	(333)	(21,992)
Depreciation (Note 20)	(260,594)	(924,399)	(53,041)	(62,498)	–	(1,300,532)
Exchange differences	(1,073)	(3,051)	(5)	(67)	(71)	(4,267)
Closing net book amount	5,652,366	30,261,949	322,422	319,220	5,804,576	42,360,533
At 30 June 2012						
Cost	6,872,259	34,365,421	541,724	565,008	5,804,576	48,148,988
Accumulated depreciation	(1,219,893)	(4,103,472)	(219,302)	(245,788)	–	(5,788,455)
Net book amount	5,652,366	30,261,949	322,422	319,220	5,804,576	42,360,533
Year ended 30 June 2013						
Opening net book amount	**5,652,366**	**30,261,949**	**322,422**	**319,220**	**5,804,576**	**42,360,533**
Additions	**3,185**	**22,976**	**51,379**	**48,118**	**3,905,202**	**4,030,860**
Transfer	**351,835**	**3,438,112**	**53,951**	**218,527**	**(4,062,425)**	**–**
Tax benefit (Note (a))	**–**	**(12,394)**	**–**	**–**	**–**	**(12,394)**
Disposals (Note 27)	**(7,092)**	**(64,659)**	**(1,353)**	**(668)**	**–**	**(73,772)**
Disposal of subsidiaries	**(2,121)**	**(910)**	**(35)**	**(426)**	**(5)**	**(3,497)**
Depreciation (Note 20)	**(304,214)**	**(1,175,672)**	**(72,160)**	**(56,060)**	**–**	**(1,608,106)**
Exchange differences	**(655)**	**(1,793)**	**(1)**	**(38)**	**(306)**	**(2,793)**
Closing net book amount	**5,693,304**	**32,467,609**	**354,203**	**528,673**	**5,647,042**	**44,690,831**
At 30 June 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**

6. Property, plant and equipment *(continued)*

Company

	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 July 2011			
Cost	63	2,750	2,813
Accumulated depreciation	(44)	(1,168)	(1,212)
Net book amount	19	1,582	1,601
Year ended 30 June 2012			
Opening net book amount	19	1,582	1,601
Depreciation	(12)	(334)	(346)
Closing net book amount	7	1,248	1,255
At 30 June 2012			
Cost	63	2,750	2,813
Accumulated depreciation	(56)	(1,502)	(1,558)
Net book amount	7	1,248	1,255
Year ended 30 June 2013			
Opening net book amount	**7**	**1,248**	**1,255**
Depreciation	**(5)**	**(332)**	**(337)**
Closing net book amount	**2**	**916**	**918**
At 30 June 2013			
Cost	**63**	**2,750**	**2,813**
Accumulated depreciation	**(61)**	**(1,834)**	**(1,895)**
Net book amount	**2**	**916**	**918**

(a) During the year, the Group has received tax benefit of RMB12,394,000 (2012: RMB76,635,000) relating to the purchase of qualified equipment manufactured in the PRC. The amount has been deducted from the cost of additions of the plant and machinery.

(b) Certain property, plant and equipment of the Group with carrying values of approximately RMB1,545,612,000 as at 30 June 2013 (2012: RMB1,457,287,000) had been pledged for the borrowings of the Group (Note 15).

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

	For the year ended 30 June	
	2013 RMB'000	2012 RMB'000
Cost of goods sold	**1,396,526**	1,098,513
Other expenses	**6,885**	2,249
Administrative expenses	**136,202**	128,253
Selling and marketing costs	**68,493**	71,517
Total depreciation expenses	**1,608,106**	1,300,532

(d) As at 30 June 2013, all buildings are located in the mainland China.

Notes to the Consolidated Financial Statements

7. Land use rights – Group

	Land use rights RMB'000
At 1 July 2011	
Cost	1,674,957
Accumulated amortisation	(159,437)
Net book amount	1,515,520
Year ended 30 June 2012	
Opening net book amount	1,515,520
Additions	76,988
Amortisation (Note 20)	(33,551)
Exchange differences	(1,329)
Closing net book amount	1,557,628
At 30 June 2012	
Cost	1,751,945
Accumulated amortisation	(194,317)
Net book amount	1,557,628
Year ended 30 June 2013	
Opening net book amount	**1,557,628**
Additions	**1,066**
Amortisation (Note 20)	**(33,997)**
Exchange differences	**(1,993)**
Closing net book amount	**1,522,704**
At 30 June 2013	
Cost	**1,753,011**
Accumulated amortisation	**(230,307)**
Net book amount	**1,522,704**

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

Amortisation of RMB33,997,000 (2012: RMB33,551,000) is included in the "cost of goods sold" of the consolidated income statement.

As at 30 June 2013, the Group is in the process of applying the title certificates for certain of its land use rights with an aggregate carrying value of RMB63,562,000 (2012: RMB228,749,000). 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.

Certain land use rights of the Group with carrying values of approximately RMB70,175,000 as at 30 June 2013 (2012: RMB71,870,000) had been pledged for the borrowings of the Group (Note 15).

8. Intangible assets — Group

	Goodwill RMB'000	Trademark RMB'000	Patent RMB'000	Customer relationship RMB'000	Computer software RMB'000	Total RMB'000
At 1 July 2011						
Cost	221,830	56,357	4,524	30,709	9,030	322,450
Accumulated amortisation and impairment charge	(75,136)	–	(1,698)	(9,213)	(1,576)	(87,623)
Net book amount	146,694	56,357	2,826	21,496	7,454	234,827
Year ended 30 June 2012						
Opening net book amount	146,694	56,357	2,826	21,496	7,454	234,827
Amortisation (Note 20)	–	–	(566)	(3,071)	(926)	(4,563)
Closing net book amount	146,694	56,357	2,260	18,425	6,528	230,264
At 30 June 2012						
Cost	221,830	56,357	4,524	30,709	9,030	322,450
Accumulated amortisation and impairment charge	(75,136)	–	(2,264)	(12,284)	(2,502)	(92,186)
Net book amount	146,694	56,357	2,260	18,425	6,528	230,264
Year ended 30 June 2013						
Opening net book amount	**146,694**	**56,357**	**2,260**	**18,425**	**6,528**	**230,264**
Additions	**–**	**–**	**–**	**–**	**46**	**46**
Amortisation (Note 20)	**–**	**–**	**(566)**	**(3,071)**	**(926)**	**(4,563)**
Closing net book amount	**146,694**	**56,357**	**1,694**	**15,354**	**5,648**	**225,747**
At 30 June 2013						
Cost	**221,830**	**56,357**	**4,524**	**30,709**	**9,076**	**322,496**
Accumulated amortisation and impairment charge	**(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**

Amortisation of RMB4,563,000 (2012: RMB4,563,000) is included in the "administrative expenses" of the consolidated income statement.

(a) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a ten-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 ten-year period are extrapolated using the estimated rates stated below.

8. Intangible assets – Group *(continued)*

(a) Impairment test for goodwill *(continued)*

Key assumptions used for value-in-use calculations:

	30 June 2013	30 June 2012
Gross margin (Note (i))	17%	17%
Long-term growth rate (Note (ii))	1%	1%
Discount rate (Note (iii))	15%	16%

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 relevant industry.

As at 30 June 2013, management of the Group was of the view there was no impairment of goodwill (2012: Nil).

As at 30 June 2013, 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.

(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 calculations are as follows:

	30 June 2013	30 June 2012
Royalty rate (Note (i))	2%	2%
Long-term growth rate (Note (ii))	4%	4%
Discount rate (Note (iii))	14%	14%

Note:

(i) Royalty rate determined is 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.

8. Intangible assets — Group *(continued)*

(b) Impairment test for trademark *(continued)*

As at 30 June 2013, management of the Group was of the view there was no impairment of trademark (2012: Nil).

As at 30 June 2013, 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 2013 RMB'000	30 June 2012 RMB'000
Investments in unlisted shares, at cost	**2,386,700**	2,386,700
Share options granted to employees of subsidiaries	**56,476**	54,493
	2,443,176	2,441,193

The following is a list of the principal subsidiaries as at 30 June 2013:

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%
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]	PRC, limited liability company	Manufacture of paper/PRC	US$450,720,000	99.5%
Nine Dragons Paper Industries (Chongqing) Co., Ltd.[1]	PRC, limited liability company	Manufacture of paper/PRC	US$230,760,000	99.9%
Nine Dragons Xing An Paper Industries (Inner Mongolia) Company Limited [2]	PRC, limited liability company	Manufacture of pulp and paper/PRC	RMB163,640,000	55%

Notes to the Consolidated Financial Statements

9a. Investments in subsidiaries – Company *(continued)*

Company	Place of incorporation	Principal activities/ place of operation	Issued and fully paid share capital/ paid-in capital	Attributable equity interest held
Indirectly held:				
Nine Dragons Paper Industries (Tianjin) Co., Ltd. [1] (Note (b))	PRC, limited liability company	Manufacture of paper/PRC	US$279,340,000	99.9%
Hebei Yongxin Paper Co., Ltd. [1]	PRC, limited liability company	Manufacture of paper/PRC	US$68,995,000	78.13%
Cheng Yang Paper Mill Co., Ltd.	Vietnam, limited liability company	Manufacture of paper/Vietnam	US$30,000,000	60%

(a) Dongguan Sea Dragon Paper Industries Company Limited, Dongguan Sky Dragon Paper Industries Co., Ltd. and Dongguan Land Dragon Paper Industries Co., Ltd. have been merged into Dongguan Nine Dragons Paper Industries Co., Ltd. as a single entity in June 2013.

(b) Shine Dragon Paper Industries (Tianjin) Co. Ltd, Jin Sheng Paper Industries (Tianjin) Co. Ltd and Tian Qiong Paper Industries (Tianjin) Co. Ltd. have been merged into Nine Dragons Paper Industries (Tianjin) Co., Ltd as a single entity in January 2013.

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 Domestic enterprise

9b. Investment in an associate — Group

	RMB'000
At 1 July 2012	**–**
Capital contribution made to an associate	**9,420**
Share of profit	**687**
At 30 June 2013	**10,107**

The group's share of the results of its principal associate, and its aggregated assets and liabilities, are as follows:

Name	Place of incorporation	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit RMB'000	% interest held
30 June 2013						
ACN (Tianjin) Resources Co., Ltd. ("ACN Tianjin")	PRC	26,320	16,213	1,864	687	30

10. Inventories — Group

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

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

11. Trade, bills and other receivables and prepayments

	Group		Company	
	30 June 2013 RMB'000	30 June 2012 RMB'000	30 June 2013 RMB'000	30 June 2012 RMB'000
Trade receivables (Note (d))				
— third parties	**2,007,247**	1,723,931	**—**	—
— related parties (Note 29(d))	**85,780**	—	**—**	—
Bills receivable				
— third parties (Note (e))	**3,507,291**	1,195,924	**—**	—
— related parties (Note 29(d))	**—**	899	**—**	—
	5,600,318	2,920,754	**—**	—
Value-added tax recoverable	**1,555,926**	1,739,450	**—**	—
Other receivables and deposits				
— third parties	**413,808**	484,465	**1,454**	—
— related parties (Note 29(d))	**9,268**	117	**—**	3,376
Prepayments				
— third parties	**514,512**	310,637	**1,779**	—
	2,493,514	2,534,669	**3,233**	3,376
Amounts due from subsidiaries (Note (b))	**—**	—	**12,726,452**	10,132,409
	8,093,832	5,455,423	**12,729,685**	10,135,785

(a) As at 30 June 2013, the fair value of trade, bills and other receivables approximate their carrying amounts.

Notes to the Consolidated Financial Statements

11. Trade, bills and other receivables and prepayments *(continued)*

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

	Company	
	30 June 2013 RMB'000	30 June 2012 RMB'000
RMB	**3,973,475**	3,794,056
HK$	**3,713,641**	3,921,573
US$	**5,019,384**	2,397,260
Others	**19,952**	19,520
	12,726,452	10,132,409

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

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

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

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

(d) Management make periodic collective assessment as well as individual assessment on the recoverability of trade and other 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 2013 RMB'000	30 June 2012 RMB'000
Fully performing under credit term (Note (i))	**1,963,079**	1,689,486
Past due but not impaired (Note (ii))	**129,948**	34,445
Total trade receivables	**2,093,027**	1,723,931

(i) Trade receivables that are not yet past due relate to customers who have long-term trading relationship or have good payment history.

11. Trade, bills and other receivables and prepayments *(continued)*

(d) *(continued)*

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

	Group	
	30 June 2013 RMB'000	30 June 2012 RMB'000
0–30 days	**96,265**	11,000
31–60 days	**16,000**	15,444
61–90 days	**17,683**	4,325
Over 90 days	**–**	3,676
	129,948	34,445

(e) Bills receivables from third parties are normally with maturity period of 90 to 180 days (30 June 2012: 90 to 180 days).

As at 30 June 2013, bills receivables of approximately RMB53,754,690 (30 June 2012: Nil) were pledged as securities for the Group's borrowings of RMB53,754,690 (30 June 2012: Nil). Such pledged assets will be released after the repayment of borrowings.

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

	Group		Company	
	30 June 2013 RMB'000	30 June 2012 RMB'000	**30 June 2013 RMB'000**	30 June 2012 RMB'000
RMB	**5,790,558**	3,198,250	**1,454**	–
HK$	**156,665**	117,786	**–**	3,376
Others	**76,171**	89,300	**–**	–
	6,023,394	3,405,336	**1,454**	3,376

(g) Movements on the provision for impairment of other receivables are as follows:

	Group	
	30 June 2013 RMB'000	30 June 2012 RMB'000
Balance at 1 January	**–**	19,000
Unused amounts reversed	**–**	(19,000)
Balance at 30 June	**–**	–

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

Notes to the Consolidated Financial Statements

12. Cash and cash equivalents and restricted cash

(a) Cash and cash equivalents

	Group		Company	
	30 June 2013 RMB'000	30 June 2012 RMB'000	**30 June 2013 RMB'000**	30 June 2012 RMB'000
Cash at bank and in hand	**5,953,429**	4,153,005	**11,916**	13,504
Short-term time deposits	**62,022**	211,534	**—**	—
	6,015,451	4,364,539	**11,916**	13,504
Denominated in:				
RMB	**3,290,153**	3,484,871	**665**	5,336
HK$	**174,814**	228,679	**4,937**	2,793
US$	**2,466,435**	583,677	**6,266**	5,328
Others	**84,049**	67,312	**48**	47
	6,015,451	4,364,539	**11,916**	13,504

	Group		Company	
	30 June 2013 RMB'000	30 June 2012 RMB'000	**30 June 2013 RMB'000**	30 June 2012 RMB'000
Maximum exposure to credit risk	**6,013,583**	4,361,632	**11,916**	13,504

The maximum exposure to credit risk is the carrying amount of bank balances and short-term time deposits.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated cash and cash equivalents out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are placed for periods of three months or less depending on the immediate cash requirement of the Group. As at 30 June 2013, the weighted average effective interest rate of these deposits was 2.4% (2012: 1.8%).

12. Cash and cash equivalents and restricted cash *(continued)*

(b) Restricted cash

	30 June 2013 RMB'000	30 June 2012 RMB'000
Bank deposits pledged as securities for borrowings	**55,000**	—
Others	**–**	3,678
	55,000	3,678

As at 30 June 2013, bank deposits of approximately RMB55,000,000 (30 June 2012: Nil) were pledged as securities for the Group's borrowings of RMB54,000,000 (30 June 2012: Nil). Such pledged assets will be released after the repayment of borrowings.

As at 30 June 2013, the weighted average effective interest rate of restricted cash was 1.8% (2012: 0.4%).

13. Share capital

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid						
At 1 July 2011		4,662,592,620	466,259	477,981	8,709,250	9,187,231
Exercise of share options	14(b)	328,191	33	27	15,098	15,125
At 30 June 2012		4,662,920,811	466,292	478,008	8,724,348	9,202,356
At 1 July 2012		**4,662,920,811**	**466,292**	**478,008**	**8,724,348**	**9,202,356**
Exercise of share options	14(b)	**1,700,000**	**170**	**137**	**2,488**	**2,625**
At 30 June 2013		**4,664,620,811**	**466,462**	**478,145**	**8,726,836**	**9,204,981**

The total authorised number of ordinary shares as at 30 June 2013 is 8,000,000,000 shares (2012: 8,000,000,000 shares) with a par value of HK$0.1 per share (2012: HK$0.1 per share).

Notes to the Consolidated Financial Statements

14. Other reserves

Group

	Contributed surplus RMB'000 (Note (a))	Capital reserve RMB'000	Share option reserve RMB'000 (Note (b))	Statutory reserve and enterprise expansion fund RMB'000 (Note (c))	Currency translation reserve RMB'000	Cash flow hedge reserve RMB'000	Total RMB'000
At 1 July 2011	660,542	98,980	29,763	458,083	(47,748)	753	1,200,373
Share options granted to directors and employees	–	–	2,265	–	–	–	2,265
Exercise and lapse of share options	–	–	(14,886)	–	–	–	(14,886)
Currency translation differences	–	–	–	–	(5,409)	–	(5,409)
Cash flow hedge reserve released to set off the impact of hedged items that affected the income statement (Note 22)	–	–	–	–	–	(753)	(753)
At 30 June 2012	660,542	98,980	17,142	458,083	(53,157)	–	1,181,590
At 1 July 2012	**660,542**	**98,980**	**17,142**	**458,083**	**(53,157)**	**–**	**1,181,590**
Share options granted to directors and employees	**–**	**–**	**2,561**	**–**	**–**	**–**	**2,561**
Exercise of share options	**–**	**–**	**(752)**	**–**	**–**	**–**	**(752)**
Currency translation differences	**–**	**–**	**–**	**–**	**(5,533)**	**–**	**(5,533)**
At 30 June 2013	**660,542**	**98,980**	**18,951**	**458,083**	**(58,690)**	**–**	**1,177,866**

14. Other reserves *(continued)*

Company

	Contributed surplus RMB'000 (Note (d))	Share option reserve RMB'000 (Note (b))	Cash flow hedge reserve RMB'000	Total RMB'000
At 1 July 2011	2,074,700	29,763	753	2,105,216
Share options granted to directors and employees	—	2,265	—	2,265
Exercise and lapse of share options	—	(14,886)	—	(14,886)
Cash flow hedge reserve released to set off the impact of hedged items that affected the income statement (Note 22)	—	—	(753)	(753)
At 30 June 2012	2,074,700	17,142	—	2,091,842
At 1 July 2012	**2,074,700**	**17,142**	**—**	**2,091,842**
Share options granted to directors and employees	**—**	**2,561**	**—**	**2,561**
Exercise of share options	**—**	**(752)**	**—**	**(752)**
At 30 June 2013	**2,074,700**	**18,951**	**—**	**2,093,651**

(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

A summary of the share option schemes, details of the movement in share options and valuation of the share options are set out on pages 48 to 51 of the Company's annual report for the year ended 30 June 2013.

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

15. Borrowings

	Group		Company	
	30 June 2013 RMB'000	30 June 2012 RMB'000	**30 June 2013 RMB'000**	30 June 2012 RMB'000
Non-current				
— Long-term bank and other borrowings	**21,806,327**	20,102,047	**3,470,358**	511,318
— Medium-term notes (note (a))	**3,883,682**	1,090,419	**–**	—
	25,690,009	21,192,466	**3,470,358**	511,318
Current				
— Short-term bank borrowings	**5,133,883**	514,836	**–**	—
— Current portion of long-term bank and other borrowings	**1,387,823**	1,134,781	**–**	—
— Current portion of club term loan	**–**	2,456,100	**–**	—
— Short-term commercial papers (note (b))	**2,094,367**	996,571	**–**	—
	8,616,073	5,102,288	**–**	—
	34,306,082	26,294,754	**3,470,358**	511,318

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

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

(c) As at 30 June 2013, borrowings of RMB878,136,000 (30 June 2012: RMB663,208,000) are secured by certain property, plant and equipment (Note 6) and land use rights (Note 7) of the Group; borrowings of RMB22,154,029,000 (30 June 2012: RMB21,372,597,000) are guaranteed by certain subsidiaries within the Group; borrowings of RMB54,000,000 (30 June 2012: nil) are guaranteed by restricted cash; and borrowings of RMB53,754,690 (30 June 2012: nil) are guaranteed by bill receivables.

15. Borrowings *(continued)*

(d) 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 2013 RMB'000	30 June 2012 RMB'000	**30 June 2013 RMB'000**	30 June 2012 RMB'000
6 months or less	**17,771,940**	16,837,463	**1,000,941**	313,620
6–12 months	**7,442,521**	5,220,569	**2,469,417**	–
1–5 years	**9,091,621**	4,236,722	**–**	197,698
	34,306,082	26,294,754	**3,470,358**	511,318

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

Group

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

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

15. Borrowings *(continued)*

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

Company

	30 June 2013 Bank borrowings RMB'000	30 June 2012 Bank borrowings RMB'000
Between 1 and 2 years	**1,926,327**	511,318
Between 2 and 5 years	**1,544,031**	—
	3,470,358	511,318

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

	Group		**Company**	
	30 June 2013 RMB'000	30 June 2012 RMB'000	**30 June 2013 RMB'000**	30 June 2012 RMB'000
Wholly repayable within 5 years	**29,918,913**	21,837,445	**3,470,358**	511,318
Not wholly repayable within 5 years	**4,387,169**	4,457,309	**–**	—
	34,306,082	26,294,754	**3,470,358**	511,318

(h) The effective interest rates as at 30 June 2013 are as follows:

	Group				**Company**	
	30 June 2013				**30 June 2013**	
	RMB	**HK$**	**US$**	**Euro**	**US$**	**RMB**
Long-term bank and other borrowings	**5.91%**	**2.32%**	**2.84%**	**3.54%**	**2.95%**	**4.00%**
Short-term bank borrowings	**5.57%**	**2.15%**	**1.98%**	**3.56%**	**–**	**–**
Medium-term notes	**5.84%**	**–**	**–**	**–**	**–**	**–**
Short-term commercial papers	**4.81%**	**–**	**–**	**–**	**–**	**–**

	Group				Company	
	30 June 2012				30 June 2012	
	RMB	HK$	US$	Euro	US$	RMB
Long-term bank and other borrowings	6.31%	2.53%	4.20%	4.58%	3.15%	4.00%
Short-term bank borrowings	6.95%	—	3.73%	—	—	—
Club term loan	5.99%	—	2.06%	—	—	—
Medium-term note	6.78%	—	—	—	—	—
Short-term commercial paper	6.78%	—	—	—	—	—

15. Borrowings *(continued)*

(i) The carrying amounts of short-term borrowings and current portion of long-term borrowings approximate their fair values.

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 2013, the carrying values of non-current borrowings approximate their fair values.

(j) The carrying amounts of all the Group's borrowings as at 30 June 2013 are denominated in the following currencies:

	Group		Company	
	30 June 2013 RMB'000	30 June 2012 RMB'000	**30 June 2013 RMB'000**	30 June 2012 RMB'000
RMB	**17,759,364**	19,121,071	**198,370**	197,698
US$	**14,088,280**	3,964,227	**3,271,988**	313,620
HK$	**1,714,015**	1,999,429	**—**	—
Euro	**744,423**	1,210,027	**—**	—
	34,306,082	26,294,754	**3,470,358**	511,318

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

	Group		Company	
	30 June 2013 RMB'000	30 June 2012 RMB'000	**30 June 2013 RMB'000**	30 June 2012 RMB'000
At floating rates:				
— expiring within one year	**18,519,905**	14,711,124	**—**	632,490
— expiring beyond one year	**3,830,559**	6,628,483	**—**	1,581,225
	22,350,464	21,339,607	**—**	2,213,715

16. 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 2013 RMB'000	30 June 2012 RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**(40,155)**	(24,993)
Deferred income tax liabilities to be payable within 12 months	**2,142**	2,142
Deferred income tax liabilities to be payable after more than 12 months	**1,370,379**	1,135,345
	1,372,521	1,137,487
Deferred tax liabilities (net)	**1,332,366**	1,112,494

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

	For the year ended 30 June	
	2013 RMB'000	2012 RMB'000
Beginning of the year	**1,112,494**	888,640
Recognised in the consolidated income statement (Note 23)	**220,009**	224,031
Exchange differences	**(137)**	(177)
End of the year	**1,332,366**	1,112,494

16. Deferred income tax — Group *(continued)*

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

Deferred income tax liabilities	**Accelerated tax depreciation** RMB'000
At 1 July 2011	909,028
Charged to the consolidated income statement	282,756
Exchange differences	(177)
At 30 June 2012	1,191,607
At 1 July 2012	**1,191,607**
Charged to the consolidated income statement	**290,867**
Exchange differences	**(137)**
At 30 June 2013	**1,482,337**

Deferred income tax assets	**Accelerated tax amortisation** RMB'000	**Tax losses** RMB'000	**Total** RMB'000
At 1 July 2011	—	(20,388)	(20,388)
Credited to the consolidated income statement	(30,483)	(28,242)	(58,725)
At 30 June 2012	(30,483)	(48,630)	(79,113)
At 1 July 2012	**(30,483)**	**(48,630)**	**(79,113)**
Charged/(credited) to the consolidated income statement	**712**	**(71,570)**	**(70,858)**
At 30 June 2013	**(29,771)**	**(120,200)**	**(149,971)**

16. Deferred income tax — Group *(continued)*

(a) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. The Group did not recognise deferred tax assets of RMB67,560,000 (2012: RMB55,336,000) in respect of tax losses amounting to RMB378,075,000 (2012: RMB306,226,000) as at 30 June 2013 as management believes it is more likely than not that such tax losses would not be utilised before they expire, or would not be utilised in the foreseeable future. As at 30 June 2013, the tax losses carried forward will be expired in the following years:

	30 June 2013 RMB'000	30 June 2012 RMB'000
2013	**1,345**	1,345
2014	**1,123**	1,123
2015	**569**	569
2016	**23,570**	23,570
2017	**21,085**	29,969
2018	**13,214**	—
Tax losses with no expiry date	**317,169**	249,650
	378,075	306,226

(b) Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries from 1 January 2008. Deferred income tax liabilities of approximately RMB817,528,000 (2012: approximately RMB646,256,000) 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 reverse in the foreseeable future.

17. Trade, bills and other payables and deposits received

	Group		Company	
	30 June 2013 RMB'000	30 June 2012 RMB'000	**30 June 2013 RMB'000**	30 June 2012 RMB'000
Trade payables (Note (c))				
— third parties	**1,207,525**	1,608,962	**—**	—
— related parties (Note 29(d))	**648,111**	939,772	**—**	—
	1,855,636	2,548,734	**—**	—
Bills payable				
— third parties (Note(a))	**1,547,899**	3,182,604	**—**	—
	3,403,535	5,731,338	**—**	—
Deposits from customers				
— third parties	**343,237**	669,931	**—**	—
Other payables				
— third parties (Note(b))	**1,301,029**	2,026,754	**16,429**	3,239
Staff welfare benefits payable	**72,471**	68,987	**—**	—
Less: other payables included in non-current liabilities	**(43,557)**	(55,406)	**—**	—
	1,673,180	2,710,266	**16,429**	3,239
	5,076,715	8,441,604	**16,429**	3,239

(a) Bills payables from third parties are normally with maturity period of 90 to 180 days (30 June 2012: 90 to 180 days).

(b) Other payables mainly represent payables for acquisition of property, plant and equipment.

(c) The ageing analysis of trade payables as at 30 June 2013 is as follows:

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

18. Sales

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

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

19. Other income/(expenses) and other gains/(losses), net

	For the year ended 30 June	
	2013	2012
	RMB'000	RMB'000
Other income		
— subsidy income	**99,005**	94,807
— sales of electricity	**84,751**	117,806
Other expenses		
— cost of sales of electricity	**(43,815)**	(100,196)
Other gains/(losses) — net		
— net foreign exchange gains/(losses) on operating activities	**43,611**	(54,496)
— loss on disposal of property, plant and equipment	**(45,667)**	(9,412)
— Insurance claim reimbursement	**38,215**	—
— Gain on disposal of subsidiaries	**4,517**	—
— others	**34,933**	14,181
	215,550	62,690

20. 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	
	2013	2012
	RMB'000	RMB'000
Depreciation (Note 6)	**1,608,106**	1,300,532
Less: amount charged to other expenses	**(6,885)**	(2,249)
	1,601,221	1,298,283
Amortisation of intangible assets (Note 8)	**4,563**	4,563
Employee benefit expenses (Note 21)	**1,199,506**	1,047,535
Changes in finished goods	**13,660**	115,315
Raw materials and consumables used (net of claims)	**21,949,223**	20,905,893
Repairs and maintenance expenses	**326,732**	282,859
Transportation	**233,256**	239,776
Operating leases		
— Land use rights (Note 7)	**33,997**	33,551
— Buildings	**2,622**	2,602
Auditor's remuneration	**7,500**	6,900
Non-deductible value-added tax for indirect export sales	**82,003**	70,673
Reversal of provision for impairment of receivables	**—**	(19,000)
Others	**158,177**	173,460
	25,612,460	24,162,410

21. Employee benefit expenses

	For the year ended 30 June	
	2013	2012
	RMB'000	RMB'000
Wages and salaries	**1,142,323**	999,796
Share options granted to directors and employees (Notes 14)	**2,561**	2,265
Pension costs — defined contribution plans (Note (a))	**26,739**	25,738
Medical benefits	**12,022**	6,503
Other allowances and benefits	**15,861**	13,233
	1,199,506	1,047,535

(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	
	2013	2012
	RMB'000	RMB'000
Gross scheme contributions	**26,739**	25,738

21. Employee benefit expenses *(continued)*

(b) Directors' and senior management's emoluments

The remuneration of each of the directors of the Company for the year ended 30 June 2013 is set out below:

Name of director	Fees RMB'000	Allowance RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Share options RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors							
Ms. Cheung Yan	4,598	1,839	–	–	–	–	6,437
Mr. Liu Ming Chung (Note (a))	4,368	1,610	–	–	–	–	5,978
Mr. Zhang Cheng Fei	4,214	855	–	–	–	–	5,069
Mr. Zhang Yuan Fu	809	146	2,802	–	187	12	3,956
Mr. Lau Chun Shun	793	–	1,003	–	391	12	2,199
Ms. Gao Jing (Note (b))	160	–	136	175	–	–	471
Independent non-executive directors							
Ms. Tam Wai Chu, Maria	427	–	–	107	–	–	534
Mr. Chung Shui Ming, Timpson (Note (c))	288	–	–	107	–	–	395
Dr. Cheng Chi Pang	427	–	–	107	–	–	534
Mr. Wang Hong Bo	240	–	–	–	–	–	240
Mr. Fok Kwong Man (Note (d))	141	–	–	–	–	–	141
Mr. Ng Leung Sing (Note (d))	141	–	–	–	–	–	141
	16,606	4,450	3,941	496	578	24	26,095

Notes:

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

(b) Resigned on 3 March 2013.

(c) Retired on 3 March 2013.

(d) Appointed on 3 March 2013.

21. Employee benefit expenses *(continued)*

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

The remuneration of each of the directors of the Company for the year ended 30 June 2012 is set out below:

Name of director	Fees RMB'000	Allowance RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Share options RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors							
Ms. Cheung Yan	4,181	1,673	–	–	–	–	5,854
Mr. Liu Ming Chung	3,972	1,464	–	–	–	–	5,436
Mr. Zhang Cheng Fei	3,821	782	–	1,059	–	–	5,662
Mr. Zhang Yuan Fu	815	–	2,815	–	300	10	3,940
Mr. Lau Chun Shun	333	–	265	–	642	3	1,243
Ms. Gao Jing	239	–	182	246	–	–	667
Independent non-executive directors							
Ms. Tam Wai Chu, Maria	430	–	–	108	–	–	538
Mr. Chung Shui Ming, Timpson	430	–	–	108	–	–	538
Dr. Cheng Chi Pang	430	–	–	108	–	–	538
Mr. Wang Hong Bo	240	–	–	–	–	–	240
	14,891	3,919	3,262	1,629	942	13	24,656

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 2013 include four (2012: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2012: one) individual during the year are as follows:

	For the year ended 30 June	
	2013 RMB'000	2012 RMB'000
Salaries, share options, other allowances and benefits in kind	**3,309**	3,132

The emoluments fell within the following bands:

	Number of individuals For the year ended 30 June	
	2013	2012
RMB2,000,001 to RMB4,000,000	**1**	1

Notes to the Consolidated Financial Statements

22. Finance income and finance costs

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

The capitalisation interest rate applied to funds borrowed generally and used for the development of construction in progress is 5.51% for the year ended 30 June 2013 (2012: 5.98%).

23. Income tax expense

	For the year ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax		
— Hong Kong profits tax (Note (a))	**—**	—
— PRC corporate income tax (Note (b))	**205,786**	225,478
	205,786	225,478
Deferred income tax (Note 16)	**220,009**	224,031
	425,795	449,509

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group did not have any assessable profits for the year ended 30 June 2013 (2012: Nil).

23. Income tax expense *(continued)*

(b) PRC corporate income tax

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

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	
	2013	2012
	RMB'000	RMB'000
Profit before taxation	**2,016,506**	1,908,067
Tax calculated at applicable tax rates of the respective companies	**538,629**	507,193
Effect of tax holidays and preferential tax rates	**(146,680)**	(115,668)
Add:		
Tax losses for which no deferred income tax asset was recognised	**14,445**	16,815
Expenses not deductible	**21,622**	42,859
Less:		
Utilisation of previously unrecognised tax losses	**(2,221)**	(1,690)
Income tax expense	**425,795**	449,509

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 2013, of which is 26.7% (2012: 26.6%).

24. Retained earnings of the Company

	For the year ended 30 June	
	2013	2012
	RMB'000	RMB'000
Beginning of the year	**782,982**	514,858
(Loss)/profit for the year	**(56,278)**	733,808
Dividends	**(326,428)**	(465,684)
End of the year	**400,276**	782,982
Representing		
— Proposed final dividend	**373,170**	233,146
— Unappropriated retained earnings	**27,106**	549,836

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of loss of RMB56,278,000 (2012: Profit of RMB733,808,000).

Notes to the Consolidated Financial Statements

25. Earnings per share

— Basic

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

— Diluted

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

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

26. Dividends

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

26. Dividends *(continued)*

(a) An interim dividend for the six months ended 31 December 2012 of RMB2.0 cents per ordinary share, totaling approximately RMB93,258,000 (six months ended 31 December 2011: RMB2.0 cents per ordinary share, totaling approximately RMB93,258,000) has been approved in a meeting held by the BoD on 23 February 2013.

(b) At a meeting held on 26 September 2013, the BoD proposed a final dividend of RMB8.0 cents per ordinary share, totaling approximately RMB373,170,000 for the year ended 30 June 2013. 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 2014.

A final dividend for the year ended 30 June 2012 of RMB5.0 cents per ordinary share, totaling approximately RMB233,146,000 has been declared in the Company's Annual General Meeting on 6 December 2012 and paid during the year.

27. Consolidated statement of cash flows

(a) Cash generated from operations

	For the year ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit for the year	**1,590,711**	1,458,558
Adjustments for		
Income tax expense (Note 23)	**425,795**	449,509
Depreciation (Note 6)	**1,608,106**	1,300,532
Amortisation (Notes 7 and 8)	**38,560**	38,114
Reversal of provision for impairment of receivables	**—**	(19,000)
Share options granted to directors and employees (Note 21)	**2,561**	2,265
Loss on disposal of property, plant and equipment (note b)	**45,667**	9,412
Insurance claim reimbursement	**(38,215)**	—
Share of profit of an associate (Note 9b)	**(687)**	—
Finance income (Note 22)	**(45,998)**	(46,696)
Finance costs (Note 22)	**1,372,411**	1,208,646
Gain on disposal of subsidiaries	**(4,517)**	—
Exchange gains on operating activities	**(3,712)**	(4,158)
	4,990,682	4,397,182
Changes in working capital		
Inventories	**416,692**	(1,638,328)
Changes in restricted cash on operating activities	**3,678**	93,772
Trade, bills and other receivables, and prepayments	**(2,603,549)**	(121,239)
Trade, bills and other payables, and deposits received	**(2,771,460)**	3,311,797
Cash generated from operations	**36,043**	6,043,184

Notes to the Consolidated Financial Statements

27. Consolidated statement of cash flows *(continued)*

(b) Disposal of property, plant and equipment:

	For the year ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net book amount of property, plant and equipment (Note 6)	**73,772**	21,992
Loss on disposal of property, plant and equipment (Note 19)	**(45,667)**	(9,412)
Insurance claim reimbursement	**38,215**	—
Other receivables	**(41,353)**	(110)
Proceeds from disposal of property, plant and equipment	**24,967**	12,470

28. Commitments

(a) Capital commitments

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

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

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

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

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

29. Related party transactions

(a) Name and relationship with related parties

Name	Relationship
America Chung Nam Inc. ("ACN")	A company beneficially owned by Ms. Cheung and Mr. Liu, executive directors of the Company
Nine Dragons Packaging (Taicang) Company Limited ("Taicang Packaging")	A company beneficially owned by Ms. Cheung, Mr. Liu and Mr. Zhang, executive directors of the Company
ACN Tianjin	An associate of the Group

(b) Transactions with related parties

For the year ended 30 June 2013, 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	
	2013	2012
	RMB'000	RMB'000
Sales of goods:		
Taicang Packaging	**162,171**	130,644
Purchase of recovered paper (net of claims):		
ACN	**10,305,276**	10,815,576
Taicang Packaging	**7,756**	12,104
	10,313,032	10,827,680
Investment in an associate:		
ACN Tianjin	**9,420**	—
Loan advanced to an associate:		
ACN Tianjin (Note (i))	**9,268**	—

(i) The loan to an associate is due on 1 April 2014 and interest free.

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

Notes to the Consolidated Financial Statements

29. Related party transactions *(continued)*

(c) Key management compensation

Compensation for key management other than those compensation for directors as disclosed in Note 21 is as follows:

	For the year ended 30 June	
	2013	2012
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**28,468**	22,775
Share options	**1,572**	2,855
	30,040	25,630

(d) Balances with related parties

	30 June 2013	30 June 2012
	RMB'000	RMB'000
Balances due from:		
— Taicang Packaging (Note (i))	**85,780**	1,016
— ACN Tianjin (Note 29(b))	**9,268**	—
	95,048	1,016

(i) The amounts are unsecured, interest free and have a credit period of 60 days.

	30 June 2013	30 June 2012
	RMB'000	RMB'000
Balances due to:		
— ACN	**647,621**	939,772
— Taicang Packaging	**490**	—
	648,111	939,772

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

30. Ultimate holding company

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

SHAREHOLDERS

As at 30 June 2013, the Group had over 4,000 non-institutional shareholders.

FINANCIAL CALENDAR

FY2013 interim results Announcement	published on 24 February 2013
FY2013 annual results Announcement	published on 26 September 2013
Closure of register of members for determining the entitlement of the attendance of the 2013 AGM	5 December 2013 to 9 December 2013 (both dates inclusive)
2013 AGM	9 December 2013
Ex-dividend date for final dividend	12 December 2013
Latest time to lodge transfer with the Share Registrar for entitlement of the final dividend	4:30 p.m. on 13 December 2013
Closure of register of members for determining the entitlement of the final dividend	16 December 2013 to 18 December 2013 (both dates inclusive)
Distribution of FY2013 final dividend#	17 January 2014

subject to Shareholders' approval of the final dividend at the 2013 AGM

ANNUAL GENERAL MEETING

The 2013 AGM will be held on Monday, 9 December 2013. The notice of the 2013 AGM which constitutes part of the circular to Shareholders will be sent together with this Annual Report. The notice of 2013 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.

Other Information

SHARE INFORMATION

Share information as at 30 June 2013

Market capitalization:	HK$23.5 billion
Number of issued shares:	4,664,620,811 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 2013

— Interim Dividend:	RMB2 cents per Share
— Final Dividend:	RMB8 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
26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Investor relations contact

Nine Dragons Paper (Holdings) Limited
Corporate Communications Department
Room 3129, 31/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong
Tel: (852) 3929 3800
Fax: (852) 3929 3890
Email: info_hk@ndpaper.com

Stock Code

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

Website

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

Definition

2006 Share Option Scheme	the share option scheme adopted by the Company on 12 February 2006
2013 AGM	Annual General Meeting to be held on 9 December 2013
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
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 HKSAR	Hong Kong Special Administrative Region of 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

Definition

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
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$0.10 each in the issued share capital of the Company
Shareholder(s)	holder(s) of Shares of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
sq.ft	square feet
sq.m	square metre
Taicang Packaging	Nine Dragons Packaging (Taicang) Company Limited (玖龍包裝(太倉)有限公司), a wholly foreign owned enterprise established in the PRC on 9 April 2002
The Liu Family Trust	a trust set up Mr. Liu as the settlor and BNP Paribas Jersey Trust Corporation Limited as the trustee
tpa	tonnes per annum
US$/USD	United States dollars
Year	the twelve months ended 30 June 2013
%	per cent

This 2012/13 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, 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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