



玖龍紙業(控股)有限公司\*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 2689



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Annual Report 2015/2016



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## 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.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-Executive Directors

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

## EXECUTIVE COMMITTEE

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

## AUDIT COMMITTEE

Mr. Lam Yiu Kin (Chairman)  
Ms. Tam Wai Chu, Maria *GBM, JP*  
Mr. Ng Leung Sing *SBS, JP*

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Ms. Cheung Yan *JP* (Chairlady)  
Ms. Tam Wai Chu, Maria *GBM, JP*  
Mr. Ng Leung Sing *SBS, JP*  
Mr. Lam Yiu Kin  
Mr. Zhang Cheng Fei

## CORPORATE GOVERNANCE COMMITTEE

Mr. Ng Leung Sing *SBS, JP* (Chairman)  
Ms. Tam Wai Chu, Maria *GBM, JP*  
Mr. Lam Yiu Kin  
Ms. Cheung Yan *JP*  
Mr. Zhang Cheng Fei

## AUTHORISED REPRESENTATIVES

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

## COMPANY SECRETARY

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

## REGISTERED OFFICE

Clarendon House, 2 Church Street,  
Hamilton HM 11, Bermuda

## HONG KONG OFFICE

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181 Hoi Bun Road, Kwun Tong,  
Kowloon, Hong Kong  
Tel: (852) 3929 3800  
Fax: (852) 3929 3890

## AUDITOR

PricewaterhouseCoopers

## LEGAL ADVISERS

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

## PRINCIPAL BANKERS

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

## FINANCIAL HIGHLIGHTS

For the year ended 30 June	2016	2015	Change
<b>Operating results (RMB million)</b>			
Sales	32,092.8	30,092.5	6.6%
Gross profit	5,861.3	4,716.4	24.3%
Operating profit	4,331.1	3,240.4	33.7%
Profit before income tax	1,667.4	1,955.5	(14.7%)
Profit attributable to Company's equity holders	1,121.7	1,411.5	(20.5%)
Adjusted profit attributable to Company's equity holders <sup>(1)</sup>	2,834.1	1,371.6	106.6%
<b>Financial position (RMB million)</b>			
Net cash generated from operating activities	6,460.5	5,606.4	15.2%
Net debt	21,515.2	24,093.0	(10.7%)
Shareholders' funds	26,074.2	25,226.7	3.4%
<b>Per share data (RMB cents)</b>			
Earning per share — basic	24.0	30.3	(20.8%)
Earning per share — diluted	24.0	30.3	(20.8%)
Dividend per share			
— Interim	2.0	2.0	—
— Final	8.0	5.0	60%
— Special	3.0	—	Not applicable
<b>Other data (RMB million)</b>			
Capital expenditures	1,838.1	1,762.8	4.3%
<b>Key ratio (%)</b>			
Gross profit margin	18.3	15.7	2.6 pts
Operating profit margin	13.5	10.8	2.7 pts
Net profit margin	3.5	4.7	(1.2) pts
EBITDA/ratio	19.8	17.0	2.8 pts
Return on capital employed	5.1	4.2	0.9 pts

- Group revenue increased by 6.6% to approximately RMB32,092.8 million
- Profit attributable to equity holders of the Company decreased by 20.5% to approximately RMB1,121.7 million
- Adjusted profit attributable to equity holders of the Company increased by 106.6% to approximately RMB2,834.1 million
- Net profit margin decreased 1.2 percentage points to 3.5%

Note:

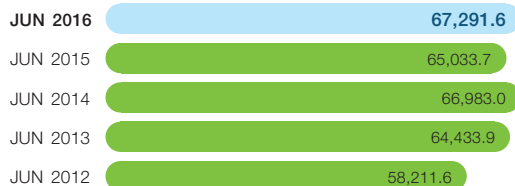
- (1) Adjusted profit attributable to Company's equity holders excluded the exchange losses/gains on operating and financing activities (net of tax) and the loss from derivative financial instruments (net of tax).

### TOTAL ASSETS

RMB million

**3.5%**

FY16 vs FY15

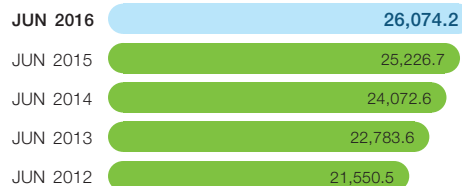


### SHAREHOLDERS' FUND

RMB million

**3.4%**

FY16 vs FY15

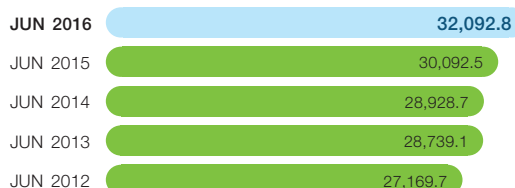


### SALES

RMB million

**6.6%**

FY16 vs FY15

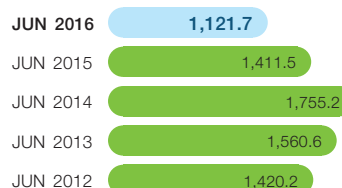


### PROFIT ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS

RMB million

**20.5%**

FY16 vs FY15



# MAIN PRODUCTS

## 01 LINERBOARD CATEGORY

### 1) Kraftlinerboard (Kraftliner)

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

### 2) Testlinerboard (Testliner)

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

### 3) White Top Linerboard (White Top Liner)

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

### 4) Coated Linerboard (Coated Kraftliner)

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



## 02 HIGH PERFORMANCE CORRUGATING MEDIUM

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

### 03 COATED DUPLEX BOARD

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



### 04 PRINTING AND WRITING PAPER CATEGORY

#### 1) Uncoated Woodfree Paper (Offset Paper)

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

#### 2) Office Paper (Copy Paper)

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

## CHAIRLADY'S REPORT



Dear Shareholders,

During the Year, the Group celebrated its 20-year anniversary since its establishment and 10-year anniversary since listing. With continuously improved internal and external operation environment, the Group achieved better results in many aspects. As a leader in the packaging paper industry, the Group has taken a leading position in China's "new normal" reform, and gradually stepped into a new stage of practical development and improved returns in the future.

During the Year, the government continued to exercise stringent control over environmental protection measures and eliminate surplus production capacities, resulting in healthy and steady development of the industry as a whole. Our industry is closely related to consumption. The rapid development of online shopping has brought greater potential for our industry. On the other hand, the Group's effective product sales strategy, high quality of customer service and flexible approach in the purchase of recovered paper enabled the Group to increase its sales volume, while maintaining production costs at an optimal level, which further enhanced its profitability. As a result, although there was no new paper machine commencing production during the Year, both sales volume and sales achieved historical high during the Year due to high quality and high output arising from the optimization and upgrading of the Group's internal paper machines as well as the diligent efforts of the sales team. Total sales volume amounted to 13.1 million tonnes, representing an increase of 7.0% as compared with the corresponding period last year; sales amounted to approximately RMB32,092.8 million, representing an increase of 6.6% as compared with the corresponding period last year. For profitability, the gross profit margin increased from approximately 15.7% in the corresponding period last year to approximately 18.3%. The profit attributable to equity holders was approximately RMB1,121.7 million, representing a decrease of approximately 20.5% over the corresponding period last year. If the effect of exchange rate changes was excluded, the profit attributable to equity holders for the Year was approximately RMB2,834.1 million, representing a substantial increase of approximately 106.6% as compared with the corresponding period last year, breaking the Group's past annual profit records. During the Year, basic earnings per share of the Group was approximately RMB0.2404. The Board has proposed a final dividend of RMB8 cents per share, and special dividend of RMB3 cents per share to celebrate its 10-year anniversary since listing.

On capital management, the Group continued to actively reduce debt and optimize debt structure during the Year. During the Year, net borrowings further decreased by approximately RMB2,578 million to approximately RMB21,515 million, and net debt to total equity ratio continuously declined to approximately 81.4%, or approximately 76.5% if the effect of exchange rate changes was excluded. Meanwhile, with the interest rate cut and depreciation trend of RMB, the Group adopted a more flexible financial policy during the Year. After converting most of the borrowings denominated in US dollar into borrowings denominated in RMB or Euro in the first half of the Year, the Group continued to carry out its debt restructuring arrangement to accelerate the conversion of borrowings denominated in Euro into borrowings denominated in RMB in the second half of the Year, so as to minimize exposure to foreign exchange. It is expected that RMB debts will account for at least 80% of the Group's total borrowings by the end of 2016, when the impact of foreign exchange market changes on the Group's results will be basically eliminated and profitability will be considerably improved.

In light of the current market demand situation, production of the new paper machine at the Vietnam base is planned to be commenced by the end of June 2017, bringing the Group's total design production capacity to 14.08 million tpa. The second paper machine at the Shenyang base is expected to commence production by the end of June 2018. The successive commencement of operation of the two new paper machines enables ND Paper to reinforce its leading position in each region, while optimizing costs and enhancing efficiency.

With the improvement of production roadmap, the Group will continue to develop the express services business system with ND Paper characteristics to reduce operating costs and improve inventory management efficiency of its customers with advanced service consciousness. The system has received positive feedback from customers after operating for two years, effectively maintaining the customer loyalty to ND Paper. The Group plans to achieve full express services coverage in the next five years.

Looking ahead, with more favorable support from deepened reform and further improvement of the market supply and demand balance, ND Paper will continue to capture the demand growth potential in each region by virtue of our advanced environmental governance and existing infrastructure conditions. Looking forward, ND Paper will enter a new stage of development. We expect to realize informatization and intelligentization within five years and basically achieve the development goal of Industry 4.0, and will continue to actively fulfill our social responsibilities and provide a better working environment for our employees, thus enhancing our efficiency.

The Year marks the 20-year anniversary of the Group since its establishment. On behalf of all members of the Board, I would like to take this opportunity to express my gratitude to the leaders, investors and media friends for their great support to ND Paper in the past 20 years, as well as to the management and staff for their selfless dedication to ND Paper. With your support, ND Paper will enter a new stage of development, intelligence and efficiency in the next 20 years, continue to be an industry leader with century-long history and bring better returns to the shareholders.

**Cheung Yan**  
*Chairlady*

Hong Kong, 21 September 2016



# MANAGEMENT DISCUSSION AND ANALYSIS



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

## **BUSINESS ANALYSIS**

### **Review of Operations**

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

The containerboard industry in China continued to show improvements, with product prices maintaining a strengthening trend during the Year and keeping firm even at the relatively low season. This mainly attributed to continuous improvements in supply side discipline due to serious government environmental efforts to close down the less efficient and outdated capacities across all key manufacturing regions, and the escalating approval barriers on new capacities. Meanwhile, the Group also continued its diligent efforts in enhancing its internal management in all aspects — equipment upgrade, product quality, sales and product strategy, customer service, procurement efficiency, production skills, cost control, debt restructuring, etc. As a result, remarkable business performance improvements were achieved in the Year, with sales volume and sales both achieving historical high and earning trend reflecting record breaking high levels.



Although there was no new paper machine commencing production during the Year, the Group achieved 13.1 million tonnes in total sales volume, up by 7.0% from the previous financial year. This is the result of the Group's continuous equipment upgrade and improvement on production skills, as well as customer-oriented product offers and one-stop services driven by the Group's highly effective sales team. For example, the "Express Services" system seamlessly integrates the Group's interactions with customers, from order placing to receipt of products delivery, with a real-time enquiry platform for customer convenience. Backed by initial success before the Year showing remarkable results, this is made available to more and more customers, enabling ND Paper to become the preferred containerboard supplier to these customers.

The Group adopts a procurement strategy that is based on the selection and purchase of raw materials offering the best cost-value relationship by closely monitoring the market price trends of different sources. As a large buyer of recovered paper in the market, the Group is able to leverage effectively on various overseas and domestic channels of recovered paper supply, thus allowing optimization of its raw material costs at all times, including periods of price fluctuations. During the Year, the purchase value of domestic recovered paper accounted for approximately 32.2% of the total value of the Group's purchase of recovered paper.



The Group’s total design production capacity remained the same at 13.73 million tpa during the Year. However, with continuous efforts in equipment upgrade as well as production skills and quality control enhancements, the Group’s production output and efficiency further improved during the Year. Profit attributable to equity holders of the Company (excluding the exchange losses on operating and financing activities and the loss from derivative financial instruments (net of tax)) reached a record high level of approximately RMB2,834.1 million, reflecting that the significant investments made the Group in the past years on both new equipment and upgrades were beginning to show their contribution to return growth in an unambiguous manner.

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

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



#### (Distribution by location)

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

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

#### (Distribution by location)

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



The Group continued its exemplary position in the industry in environmental governance and compliance. As all levels of government are becoming more stringent in environmental enforcement and recognize the long term importance of environmental efforts in ensuring economic sustainability, the discipline demonstrated by ND Paper in its environmental management provides confidence to the government, customers, suppliers, investors, banks and other stakeholders, making it a favored business partner even at times of economic and credit adversities. The Group's production bases have been named "Environmental Credible Enterprise" by local environmental authorities for consecutive years. The Group's bases also continued to obtain ISO14001 certification for environmental management systems and certification for clean production.

The Group puts great emphasis on technological innovation in all aspects of its operations. To date, 240 patents have been obtained and another 49 patent applications or approvals are being processed.

As at June 30, 2016, the Group employed a total of approximately 16,300 full-time staff and continued to obtain OHSAS 18001 certification for its occupational health and safety management system.

### **Business Strategy and Development Plan**

The Group has basically accomplished its network of production bases covering the major manufacturing hubs in China. This enormous production and sales platform provides various competitive advantages to the Group — unparalleled economies of scale, comprehensive product range, adequate ancillary production facilities and reliable logistics support, as well as efficient sharing of resources and experiences. Based on the specific characteristics of the regional market, each of the production bases develops knockout products that can become the prime choices for its local customers, while all these production bases share the same umbrella corporate brand "Nine Dragons" that is highly endorsed by customers for its quality and dependability.

In light of the current market demand situation, production of PM2(VN) at the Vietnam base is planned to be commenced by the end of June, 2017. With a design production capacity of 350,000 tpa (linerboard), the commencement of this new paper machine will bring the Group's total design production capacity to over 14 million tpa. PM39 at the Shenyang base is scheduled to commence production by the end of June 2018, with a design production capacity of 350,000 tpa (linerboard). The successive commencement of operation of the two new paper machines enables the Group to reinforce its leading position in each region, while optimizing costs and enhancing efficiency.

Debt financing has been used as the major funding source for building the abovementioned platform. During this building period the Group has used offshore foreign currency debts extensively in order to benefit from the substantial financing cost savings arising from the interest rate gaps between RMB and foreign currency borrowings. With the

current stage of development plan basically completed and the interest gap significantly narrowed, the Group has already started its debt reduction process and lowered its debt gearing to a substantial extent, while proactively switching from offshore foreign currency debts to onshore RMB debts. Considerable results have already been accomplished in the Year, and this process will continue, targeting at further lower debt gearing in future, with most of the foreign currency exchange rate risk exposure expected to be effectively removed before the end of December 2016.

As the Group's debt level becomes lower progressively, it may consider further development potential available in the market as well as enhancing its dividend payout. A balance between these two objectives and continuous debt reduction will be made with sound management judgment and governance. When market conditions improve to justify further growth, the Group will be in an advantageous position against its competitors, as it has already mastered an efficient infrastructure and the necessary resources, including adequate land reserves to accommodate future business expansion. As at 30 June 2016, the Group had secured land use rights for sites with an aggregate area of 12.79 million sq.m.

The Group's new headquarters complex is being built in Songshan Lake area, Dongguan. In addition to being the global headquarters of the Group, the complex will also house research centers, staff activity venues, a conference center and a museum of paper industry. It is planned to be completed before the end of 2017.

To pave the way for further development amidst industrial transformation in China, the Group has implemented its "Six Transformations" of "systems standardization, process streamlining, datamation, informatization, automation and intelligentization", with Industry 4.0 as the goal. It will not just improve overall management effectiveness, but also enhance customer satisfaction and staff working environment, thus strengthening the long term sustainability of the Group.

## FINANCIAL REVIEW

### Sales

The Group achieved a revenue of approximately RMB32,092.8 million for FY2016, representing an increase of approximately 6.6% as compared with FY2015. The major contributor of the Group's revenue was still its packaging paper business, including linerboard, high performance corrugating medium and coated duplex board, which accounted for approximately 93.5% of the revenue, with the remaining revenue of approximately 6.5% generated from its recycled printing and writing paper and high value specialty paper products business.

The Group's revenue for FY2016 increased by approximately 6.6% as compared with FY2015, mainly driven by the increase in sales volume of approximately 7.0%. Revenue of linerboard, high performance corrugating medium, coated duplex board and recycled printing and writing paper for FY2016 accounted for 47.2%, 22.6%, 23.7% and 5.8% respectively of the total revenue, compared to 45.7%, 23.2%, 23.8% and 6.5% respectively in FY2015.

The Group's annual design production capacity in packaging paperboard and recycled printing and writing paper as at 30 June 2016 was 13.7 million tpa, comprising 7.2 million tpa of linerboard, 3.4 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 FY2016, the Group's total sales volume of packaging paperboard products and recycled printing and writing paper reached approximately 13.0 million tonnes, representing an increase of approximately 7.1% as compared with FY2015. The increase of sales volume of packaging paperboard and recycled printing and writing paper was supported by the contribution from the full year operation of PM38 at Leshan and PM37 at Shenyang.

The sales volume of linerboard, high performance corrugating medium and coated duplex board for FY2016 increased by approximately 10.4%, 3.0% and 6.7% respectively, while the recycled printing and writing paper for FY2016 decreased by approximately 1.8%, as compared with FY2015.

The majority of the Group's sales continued to be realised from the domestic market, in particular from the linerboard and high performance corrugating medium sectors. For FY2016, revenue related to domestic consumption represented 93.0% of the Group's total revenue, while the remaining revenue of 7.0% were sales denominated in foreign currencies which primarily represented sales made to foreign invested processing enterprises.

For FY2016, sales to the Group's top five customers in aggregate accounted for approximately 5.3% (FY2015: 5.1%) of the Group's revenue, with that to the single largest customer accounted for approximately 1.3% (FY2015: 1.5%).

### Gross profit

The gross profit for FY2016 was approximately RMB5,861.3 million, an increase of approximately RMB1,144.9 million or 24.3% as compared with RMB4,716.4 million in FY2015. The gross profit margin increased from 15.7% in FY2015 to approximately 18.3% in FY2016, mainly contributed by the drop in the cost of the major raw materials, including chemicals and coal.

### Other income/expenses and other losses — net

Other income/expenses and other losses increased by approximately 282.1%, from RMB154.6 million in FY2015 to approximately RMB591.0 million in FY2016. The increase was due primarily to other income derived from the value added tax refund of approximately RMB424.0 million pursuant to the preferential value added tax ("VAT") policies collectively issued by the Ministry of Finance and the PRC State Administration of Taxation. The Group's VAT paid in relation to the production and sales of paper products using the recovered paper as raw materials were eligible for fifty percent of refund.

### Selling and marketing costs

Selling and marketing costs were approximately RMB736.0 million in FY2016, increased by approximately 8.4% as compared with RMB679.1 million in FY2015. The increase in the selling and marketing costs was in line with the increase in sales. The total amount of selling and distribution costs as a percentage of the Group's revenue remained very stable at 2.3%.

### Administrative expenses

Administrative expenses increased by approximately 14.2% from RMB917.7 million in FY2015 to approximately RMB1,047.6 million in FY2016.

The increase in administrative expenses was mainly as a result of additional management and administrative costs incurred to support the full year operation of paper machine in Shenyang. The amount of administrative expenses as a percentage of group revenue increased from 3.0% in FY2015 to 3.3% in FY2016.





### Operating profit

The operating profit for FY2016 was approximately RMB4,331.1 million, representing an increase of approximately RMB1,090.7 million or 33.7% over FY2015. The operating profit margin increased from 10.8% in FY2015 to approximately 13.5% in FY2016.

### Finance costs

Finance costs decreased by approximately 7.3% to approximately RMB1,410.3 million in FY2016 from RMB1,521.8 million in FY2015. The decrease in finance cost was mainly due to the decrease in average interest rate from 4.4% in FY2015 to approximately 3.7% in FY2016. The finance costs for FY2016 if excluding the loss from derivative financial instruments, of which mainly related to the reform of the central parity rate for RMB to USD and EURO dollars initiated by the Peoples' Bank of China ("PBOC") was approximately RMB1,307.5 million, representing a decrease of approximately 13.4% or RMB202.3 million over FY2015.

### Exchange losses/gains on operating and financing activities

During FY2016, the central parity rate for RMB to US dollars and other currencies experienced significant changes as a result of the reform initiated by PBOC, which adversely affected the profit of the Group for the Year. The foreign exchange losses on operating and financing activities before tax were approximately RMB337.6 million and RMB1,434.5 million respectively, in aggregate amounted to approximately RMB1,772.1 million for the Year.

### Income tax expense

Income tax charged for the FY2016 amounted to approximately RMB518.1 million and increased by approximately 3.8% or RMB18.9 million as compared with FY2015.

The Group's effective tax rate (income tax expense divided by profit before income tax for the Year) increased to approximately 31.1% in FY2016 from 25.5% in FY2015 due to certain portion of exchange losses (mainly offshore portion of exchange losses recorded) not deductible for the tax purpose recorded in FY2016.

### Net profit

The profit attributable to equity holders of the Company in FY2016 was approximately RMB1,121.7 million, representing a decrease of approximately RMB289.8 million, or 20.5% over FY2015. Whilst the profit margin attributable to equity holders of the Company decreased from 4.7% in FY2015 to approximately 3.5% in FY2016. The decrease was mainly contributed by the significant exchange losses on operating and financing activities resulting from the reform of the central parity rate for RMB initiated by PBOC. If the exchange losses on operating and financing activities and the one off loss from derivative financial instruments (including loss on currency and interest rate swap



contracts and foreign currency option contracts and cash flow hedge reserve released) (net of tax) were excluded, the profit attributable to equity holders of the Company was approximately RMB2,834.1 million in FY2016, representing an increase of approximately RMB1,462.5 million or 106.6% over FY2015 and the net profit margin attributable to equity holders of the Company was increased from 4.6% in FY2015 to approximately 8.8% in FY2016.

### Dividend

In FY2016, 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, the total dividend for the FY2016 amounted to RMB10.0 cents per share, representing an increase of RMB3.0 cents per share as compared with FY2015. The pay out ratio was increased from 23.1% in FY2015 to 41.6% in FY2016.

The directors have also proposed a special dividend of RMB3.0 cents per share for celebrating its 10-year anniversary since its listing in 2006.

### Working capital

The inventories increased by approximately 1.5% to approximately RMB3,605.5 million in FY2016 from RMB3,553.2 million in FY2015. Inventories mainly comprise raw materials (mainly recovered paper, coal and spare parts) of approximately RMB2,592.5 million and finished goods of approximately RMB1,013.0 million.

The raw materials increased by approximately 1.3% to approximately RMB2,592.5 million in FY2016 from RMB2,559.3 million in FY2015. The increase in raw materials balance was mainly due to the full year operation of PM in Shenyang during FY2016.

The finished goods increased by approximately 1.9% to approximately RMB1,013.0 million in FY2016 from RMB993.9 million in FY2015.

The raw material (excluding spare parts) and finished goods turnover days remained stable at approximately 24 days and 14 days respectively in FY2016.

Trade and bills receivables were approximately RMB4,597.7 million in FY2016, decreased by approximately 14.1% from RMB5,351.5 million in FY2015. During FY2016, the turnover days of trade receivables were approximately 23 days which was within the credit terms granted by the Group to its customers.

Trade and bills payables were approximately RMB4,098.0 million in FY2016, increased by approximately 3.4% from RMB3,963.6 million in FY2015. The turnover days of trade and bills payable were approximately 57 days for FY2016 which was within the credit period granted by most suppliers.

### Liquidity and financial resources

The working capital and long-term funding required by the Group in FY2016 primarily comes from its operating cash flows and borrowings, while the Group's financial resources are used in its capital expenditures, operating activities and repayment of borrowings.

The Group's cash generated from operations increased from RMB7,201.7 million in FY2015 to approximately RMB8,070.2 million in FY2016, representing an increase of approximately 12.1%. The increase was primarily attributable to the improvement of the operating result in FY2016. In terms of available financial resources as at 30 June 2016, the Group had total undrawn banking facilities of approximately RMB31,468.4 million and cash and cash equivalents, short-term bank deposits and restricted cash of approximately RMB11,330.1 million.

As at 30 June 2016, the shareholders' funds were approximately RMB26,074.2 million, an increase of approximately RMB847.5 million from that of FY2015. The shareholders' fund per share increased from RMB5.4 in FY2015 to approximately RMB5.6 in FY2016.

## Debts Management

The Group's outstanding borrowings increased by approximately RMB854.8 million from RMB31,990.5 million as at 30 June 2015 to approximately RMB32,845.3 million as at 30 June 2016. The short-term and long-term borrowings amounted to approximately RMB11,992.9 million and RMB20,852.4 million respectively, accounting for 36.5% and 63.5% of the total borrowings respectively. As at 30 June 2016, about 97.6% of the Group's debts were on unsecured basis.

The net debt to total equity ratio of the Group decreased from 94.4% as at 30 June 2015 to approximately 81.4% as at 30 June 2016. If the exchange losses and the loss from derivative financial instruments (net of tax) in aggregation amounted to approximately RMB1,712.4 million, of which mainly arising from the reform of the central parity rate for RMB initiated by PBOC were excluded, the net debt to total equity ratio was further dropped to 76.5% as at 30 June 2016. The Board will closely monitor the Group's net debt to total equity ratio and reduce the borrowing gradually.

## Treasury policies

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

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

The treasury policies followed by the Group aim to:

(a) *Minimise interest risk*

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

(b) *Minimise currency risk*

In view of the potential Renminbi exchange rate fluctuation, the Board closely monitors the Group's foreign currency borrowings and will consider arranging for monetary and interest rate hedge at appropriate time to mitigate the corresponding risk. As at 30 June 2016, total foreign currency borrowings amounted to the equivalent of approximately RMB13,544.4 million and loans denominated in RMB amounted to approximately RMB19,300.9 million, representing approximately 41.2% and 58.8% of the Group's borrowings respectively.

## Cost of borrowing

The effective interest rates of long-term borrowings and short-term borrowings were 3.4% and 2.8% per annum as at 30 June 2016 and 3.3% and 2.9% per annum as at 30 June 2015. The gross interest and finance charges (including interest capitalised but before interest income, exchange losses on financing activities and impact from all the derivative financial instruments) decreased to approximately RMB1,326.2 million in FY2016 from RMB1,558.4 million in FY2015.

## Capital expenditures

The Group's payments for the construction of factory buildings, purchase of plants, machineries and equipments and land use rights during FY2016 were approximately RMB1,838.1 million. These capital expenditures were fully financed by internal resources and borrowings.

## Capital commitments

The Group made capital expenditure commitments mainly for machineries and equipments of approximately RMB1,956.1 million which were contracted but not provided for in the financial statement. These commitments were mainly related to the expansion of the Group's production capacity and improvement of certain existing production lines for a better cost control and enhancement of their profitability.

## Contingencies

As at FY2016, the Group had no material contingent liabilities.

## THE GROUP IN THE LAST FIVE YEARS

In millions of RMB

Consolidated Income Statements	For the year ended 30 June				
	2016	2015	2014	2013	2012
Sales	32,092.8	30,092.5	28,928.7	28,739.1	27,169.7
Cost of goods sold	(26,231.5)	(25,376.1)	(24,177.6)	(24,132.8)	(22,832.3)
Gross profit	5,861.3	4,716.4	4,751.1	4,606.3	4,337.4
Other income/(expenses) and other (losses)/gains, net	591.0	154.5	193.4	172.0	117.2
Exchange (losses)/gains on operating activities, net	(337.6)	(7.1)	24.7	43.6	(54.5)
Loss arising from disposal of a subsidiary	—	(26.6)	—	—	—
Selling and marketing costs	(736.0)	(679.1)	(525.6)	(677.7)	(667.9)
Administrative expenses	(1,047.6)	(917.7)	(820.7)	(802.0)	(662.2)
Operating profit	4,331.1	3,240.4	3,622.9	3,342.2	3,070.0
Finance income	138.7	130.2	70.4	46.0	46.7
Finance costs	(1,410.3)	(1,521.8)	(1,589.3)	(1,534.3)	(1,496.5)
Exchange (losses)/gains on financing activities, net	(1,434.5)	67.2	15.8	161.9	287.9
Share of profit of an associate and a joint venture, net	42.4	39.5	37.5	0.7	—
Profit before income tax	1,667.4	1,955.5	2,157.3	2,016.5	1,908.1
Income tax expense	(518.0)	(499.2)	(370.3)	(425.8)	(449.5)
Profit for the year	1,149.4	1,456.3	1,787.0	1,590.7	1,458.6
Profit attributable to:					
— Equity holders of the Company	1,121.7	1,411.5	1,755.2	1,560.6	1,420.2
— Non-controlling interests	27.7	44.8	31.8	30.1	38.4

Consolidated Statements of Cash Flows	For the year ended 30 June				
	2016	2015	2014	2013	2012
Net cash generated from/(used in) operating activities	6,460.5	5,606.4	3,482.4	(1,703.1)	4,020.7
Net cash used in investing activities	(1,360.6)	(2,187.9)	(2,480.1)	(4,367.0)	(4,228.0)
Net cash (used in)/generated from financing activities	(1,497.5)	(4,007.4)	890.7	7,752.7	2,089.3
Net increase/(decrease) in cash and cash equivalents	3,602.4	(588.9)	1,893.0	1,682.6	1,882.0

In millions of RMB

Consolidated Balance Sheets	As at 30 June				
	2016	2015	2014	2013	2012
<b>Total assets</b>	67,291.6	65,033.7	66,983.0	64,433.9	58,211.6
Inventories	3,605.5	3,553.2	4,523.3	3,778.8	4,195.9
Trade and bills receivables	4,597.7	5,351.5	4,894.6	5,600.3	2,920.8
Other receivables and prepayments	954.6	1,397.6	2,231.0	2,493.5	2,534.6
Tax recoverable	46.7	28.0	13.0	1.3	18.7
Derivative financial instruments	—	—	3.5	—	—
Short-term bank deposits	274.0	563.6	—	—	—
Cash and cash equivalents and restricted cash	11,056.1	7,334.0	7,938.4	6,070.5	4,368.2
<b>Total current assets</b>	20,534.6	18,227.9	19,603.8	17,944.4	14,038.2
Property, plant and equipment	44,860.8	45,010.9	45,599.2	44,690.8	42,360.5
Land use rights	1,521.8	1,472.4	1,479.8	1,522.7	1,557.6
Intangible assets	245.3	251.5	223.2	225.7	230.3
Investments in an associate and a joint venture	65.8	64.2	52.7	10.1	—
Deferred income tax assets	15.9	6.8	24.3	40.2	25.0
Other receivables	47.4	—	—	—	—
<b>Total non-current assets</b>	46,757.0	46,805.8	47,379.2	46,489.5	44,173.4
<b>Total liabilities</b>	40,870.8	39,508.2	42,383.5	41,153.0	36,229.9
Trade and bills payables	4,098.0	3,963.6	3,243.2	3,403.5	5,731.3
Other payables and deposits received	1,315.2	1,181.5	1,649.5	1,673.2	2,710.3
Current income tax liabilities	434.9	423.2	354.3	354.1	287.6
Short-term borrowings	11,992.9	12,188.1	12,349.7	8,616.1	5,102.3
Derivative financial instruments	1.1	2.5	2.7	—	—
<b>Total current liabilities</b>	17,842.1	17,758.9	17,599.4	14,046.9	13,831.5
Long-term borrowings	20,852.4	19,802.4	23,124.4	25,690.0	21,192.5
Deferred income tax liabilities	2,176.3	1,912.3	1,628.3	1,372.5	1,137.5
Other payables	—	34.6	31.4	43.6	55.4
Deferred government grants	—	—	—	—	13.0
<b>Total non-current liabilities</b>	23,028.7	21,749.3	24,784.1	27,106.1	22,398.4
<b>Capital and reserves attributable to equity holders of the Company</b>	26,074.2	25,226.7	24,072.6	22,783.6	21,550.5
<b>Non-controlling interests</b>	346.6	298.8	526.9	497.3	431.2



## ENVIRONMENT

### Develop Recycling Economic Development Model in Full Force

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

While obtaining the certification of “China Environmental Labelling Product”, the Group has also proactively implemented the international standardised management system and passed ISO9001 certification for quality management systems, ISO14001 certification for environmental management systems, OHSAS18001 certification for occupational health and safety management systems and FSC certification for forest environmental systems.





### Forest in the City

"There is no waste on this planet, only misplaced resources". ND Paper has established its general approach to upholding scientific development, green development and using recovered paper for paper making since its establishment. Among the raw material structure of our products, recovered paper accounted for over 95% of the total fibre raw materials, and over 13 million tonnes of recovered paper have been recycled and reused through our production every year. With the completion of the large-scale recovered paper recycling in paper manufacturing, we also achieved integrated recycling and reuse of various wastes generated during our production processes through research and development, technology upgrades as well as equipment enhancement.

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

#### 100% recycling

of white water generated during the operation of paper machines after processing

#### Control

of pollutant generation at source

#### Design model

of paper machines and lightings at workshops compliant with the principles of energy conservation and consumption reduction

#### Effective reduction

of water and electricity consumption during the production process

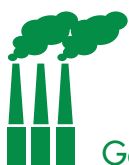
### Advanced Wastewater Treatment Facilities and Deodorization System

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

At the end of the wastewater treatment process, we adopted a state-of-the-art five-stage water treatment process (physical + IC anaerobic + aerobic + air flotation + Fenton advanced treatment), such that our processed wastewater outperformed the national discharge standards. A large amount of methane produced during the anaerobic biological treatment of wastewater will be transmitted to the boiler for heat and electricity generation as a clean energy after biological desulfurization.

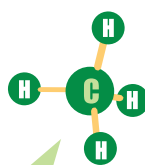
In addition, in order to thoroughly resolve the odour problem arising from treatment of wastewater generated from paper-making operations, we implemented tank topped-out, ventilation and deodorization processes at the odoriferous sources in a pioneering move for wastewater treatment in the paper-making industry.

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



#### Gas emission control

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



#### Methane collection and treatment system

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

ND Paper is in compliance with the national standards in terms of environmental benchmarks relating to COD, BOD<sub>5</sub>, SS and pH.



### **Internationally-leading Gas Treatment Facilities and Enclosed Coal Storage Domes**

ND Paper adopted the state-of-the-art and highly efficient desulfurization process (limestone injection and oxidized magnesium wet scrubber at the end), two-tier dust removal process (electrostatic bag filter), low-nitrogen combustion and SCR/SNCR denitrification processes (a treatment for exhaust gas from the boiler). Through these processes, we have achieved a desulfurization efficiency ratio of over 95%, a denitrification efficiency ratio of over 85% and a dust removal efficiency ratio as high as 99.9%. This further reduced the generation and emission of NO<sub>x</sub> in the flue gas, ensuring various indicators of flue gas outperforming the relevant national emission standards.

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

ND Paper is in compliance with the national standards in terms of environmental benchmarks relating to SO<sub>2</sub>, Dust and NO<sub>x</sub>.





### Solid Waste Disposal

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

Moreover, in order to enhance our overall utilisation rate of solid wastes, we incinerate all solid wastes produced. The water content in the sludge is less than 40%, which is an achievement from our research and development as well as continuous promotion and application of the overall utilisation techniques of paper making, sludge drying and incineration. We have successfully incinerated sludge generated from wastewater treatment through the frame membrane filter drying process, which did not only reduce secondary pollution, but also turned all dried sludge into renewable fuel, thus saving a large amount of coal and realising recycling and zero discharge of sludge.

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

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

#### Noise Pollution Control



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

#### Advocacy of Transparent Management



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

#### Construction of Environmental Protection Management System



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

#### Energy Saving And Environmental Protection Measures At Office Areas



### Green Products

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



## SOCIETY



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



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

### 1. Employment and Labor Practices

**Remuneration:** remuneration paid to the employees by the Company shall not lower than the minimum salary prescribed by the local government, and the Company has been committed to providing competitive remuneration level among its peers for the employees.

**Termination of employment:** the Company terminates the labor relationship with its employees in strict accordance with the relevant provisions of the “Labor Contract Law”. In case of resignation of the employees: prior resignation applications (30 days for regular employees and 3 days for probation employees) must be made before the Company’s approval for separation procedures.

**Working hours:** “three shifts by four teams(四班三倒)” working mode is adopted for the front-line employees, and regular day shift mode is adopted for other employees with 8 hours per shift. Reasonable working arrangement is made by the Company to ensure that every employee can at least have one day off after 6 days’ work and the working time for each week is less than 60 hours.

**Holidays:** the Company gives employees relevant holidays in strict accordance with international and local government regulations, and pays compensation for the holiday according to government regulations.

**Equal opportunity, anti-discrimination and etc.:** the Company’s employees come from different places, and employees from any regions who meet the job requirements are able to obtain equal working opportunities, without any discrimination.

## 2. Health and Safety: Compliance and Implementation of the Company's Relevant Regulations

### — Occupational health and safety measures adopted

The Company purchases social insurance (including injury insurance) for all existing employees, and sets up a fire safety management department responsible for the employee health and safety management. The Company also provides safety protection supplies for all employees, and organizes physical examination in respect of occupational health for staff every year.



Develop "Rules for Management of Safety Education and Training" and refine internal training system to increase training efficiency

Carry out special inspections on the use of labor protection devices regularly, so as to ensure that employees wear corresponding labor protection devices before work in accordance with ND Paper's requirements

Organize physical examination in respect of occupational health for staff every year and continue to increase their awareness of self-protection

Invite external instructors to conduct special safety education and training sessions, so as to provide point-to-point safety trainings for different targeted positions

Invite internationally-authoritative management system experts each year on a regular basis to carry out system audits, while the Company has passed the OHSAS18001 certification for occupational health and safety management systems

Establish a fire safety culture: set up a dedicated fire services team of ND Paper and create a sound fire safety environment for corporate development. Meanwhile, we will continue to enhance the service quality of the firemen and enhance their comprehensive strengths

**3. Development and Training: Provide More Internal and External Courses on the Company's Paper Training and Any Courses Paid by the Company**

- The percentage of employees trained by gender and employee category (e.g. senior management, middle management etc.)
- The average training hours completed per employee by gender and employee category

During the period from 1 July 2015 to 30 June 2016, 1,091 people of the Group participated in the external trainings, principally including special operations training, professional skills training, middle-level reserve cadres cultivation, Nine Dragons Class student cultivation, etc.

During the current financial year, the Company organized 6,884 internal trainings and 175,297 people participated in such trainings, among which 197 were senior management, accounting for 0.11% of the total headcount; 5,170 were middle management, accounting for 2.95% of the total headcount.

During the current financial year, the Company carried out 195,008.8 hours of training with average training hours completed per employee of 9.96, among which 344.6 hours were attended by the senior management, accounting for 0.18% of the total hours; 6,986.9 hours were attended by the middle management, accounting for 3.58% of the total hours.

According to the type of training, 42,323 people participated in the professional ethics training, accounting for 24.1% of the total headcount; 48,292 people participated in the professional skills training, accounting for 27.55% of the total headcount; 53,846 people participated in the safety training, accounting for 30.72% of the total headcount; 12,345 people participated in the clean and civilized production training, accounting for 7.04% of the total headcount; 17,142 people participated in other types of training, accounting for 9.78% of the total headcount.



"The Nine Dragons Paper People" (《纸业玖龙人》), our corporate newsletter, is being published at each ND Paper production base at regular intervals to update employees on the latest developments of the Group, disclose outstanding achievement of our employees and provide them the opportunity to voice their opinions, thereby enhancing their loyalty to ND Paper. Moreover, staff communication sessions are being conducted through the staff union on a regular basis, where we can obtain feedbacks from our employees and understand their needs and thus allow us to devise effective solutions and make improvements, with a view to maintaining a harmonious relationship with our staff.

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

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



#### Colourful cultural life at leisure

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



#### 4. Labor Standards: Policies Relating to Preventing Child or Forced Labor and Compliance and Implementation Thereof

- **Description of measures to review employment practices to avoid child or forced labor**
- **Description of steps taken to eliminate such practices when discovered**

The Company prohibits from recruiting children under age of 16 in strict accordance with national regulations, and the youngest among the existing employees is 18.

The Company has a staff union in place with members from different departments, which can represent the interests of grass-roots employees. "Respect and care for our staff" is one of ND Paper's core values. No employees are forced to provide services to the Company.

ND Paper has been at the forefront of the industry in fulfilling its social responsibilities. Dongguan Nine Dragons Paper Industries Co., Ltd. has taken the lead in introducing SA8000 Social Responsibility Management System in the industry since 2013, and was awarded the certificate in February 2015.

#### 5. Supply Chain Management

The number of suppliers by locations

Dongguan base: 3,016	Taicang base: 2,564	Chongqing base: 2,274
Tianjin base: 2,377	Quanzhou base: 1,452	Shenyang base: 1,200
Leshan base: 1,412	Yongxin base: 1,263	Vietnam base: 748

1. Practices relating to engaging suppliers: A comprehensive evaluation is conducted to the suppliers on company qualification (including time of inception, registered capital, scope of operation, scale of entity, etc.), manufacturing capability (including main products and production capacity, production equipment, inventory, etc.), technical competence (including patent situation, number of technicians, etc.), after-sale service ability, the certification of ISO, the capability of quality management and control, honour(s) awarded, business credibility, geographical advantages and other aspects, with the suppliers evaluated as qualified being recorded into supplier system as qualified suppliers and the failure listed as unqualified suppliers.
2. The number of suppliers to which the relevant practices are implemented: There are currently 5,677 suppliers in total within system with evaluation record.
3. How the relevant practices are implemented and monitored: The suppliers are required to provide the Company with all information for filing and evaluation, with the suppliers evaluated as qualified being recorded into supplier system for further utilization, and the unqualified not being recorded into supplier system. Our Company identifies the status of suppliers by tracking system data, and evaluates the suppliers with no evaluation record. Meanwhile, the suppliers will be tracked regularly to determine the existence of dishonesty, and the dishonest suppliers will be frozen on a timely basis.

## 6. Product Responsibility

Whether there are any policies on advertising, labelling and privacy matters as well as methods of redress relating to the health and safety of products and services provided by our Company:

### — Percentage of total products sold or shipped subject to recalls for safety and health reasons

The Nine Dragons Group always adheres firmly to the operation philosophy of “No environmental management, no paper-making” by adding no environmentally and physically harmful substances during the process of production and regularly checking the substances of papers, which represents the customers’ concerns, through authoritative testing organizations such as SGS. By now, there has been no such circumstance where products sold or shipped are subject to recalls for safety and health reasons. At the same time, the ISO9000, 14000 and OHS18000 system certification in each bases of the Group is proactively promoted, in order to pave the way for green, environmental and ecological paper manufacturing.

### — Number of products and service related complaints received and how they are dealt with

Benefited from its professional customer service team and well-established workflow of customer service, ND Paper is able to carry out all-direction works, including pre-sale, sale and after-sale works. We actively visit our customers on a regular basis and actively answer the questions raised by them. Also, we convene analysis meeting periodically and carry out customer satisfaction investigation works quarterly on the multiple questions raised by customers, so as to continue to improve the quality of products and level of service, thus satisfying the customers in a real sense.

### — Description of quality assurance process and recall procedures

ND Paper carries out its production in strict compliance with ISO quality management systems related documents and its quality assurance methods and standards are mainly based on related national standards and industrial standards. In the mean time, accurate management and control is achieved through domestically and internationally advanced on-line monitoring and production, quality management system, i.e. DCS, QCS and other systems. Also, we have comprehensive product traceability management system and stringent recall management practices in place.

### — Description of consumer data protection and privacy policies, and how they are implemented and monitored

The Nine Dragons Group develops the information confidential system (e.g. “The Group’s Internal Information Confidential Management Practices” (集團內部信息保密管理規範)) specifically for this provision.

For the purpose that customer data and privacy is given adequate protection, and as required by the Information Confidential Management Practices, the related responsible must keep complete secrecy of all the confidential materials and confidential information, but shall never spread them without authorization; meanwhile, the responsible is required to keep safely confidential of the data and information, and confidential materials and confidential information leak resulting from mismanagement is not allowed. The responsible shall not browse and photograph, copy and make private copies of any documents and data without authorization; and shall not discuss the secret matters in public place and refer to any secret matters in private communication. The copies of confidential materials shall be regarded and managed as if they are the original, and the waste leaf generated during the process of copying shall be destroyed in a timely manner. The passing of confidential data, for which personal service is required, shall be performed in compliance with secrecy measures. We shall implement classified management to related documents and shall control the limits of authority of the responsible to browse and download in accordance with secrecy requirements.



## 7. Anti-corruption

Policies on prevention of bribery, extortion, fraud and money laundering and relevant compliance regulations

### – Preventive measures and whistle-blowing procedures, and how they are implemented and monitored:

1. To apply the SAP and OA, an office automation system. Through which, routinization and standardization of all the businesses is achieved, and their related loopholes will be reduced by continuous revision and improvement based on feedbacks during operation until they disappear;
2. To establish specialized audit regulatory departments. At Group level, a regular operating management audit and special audit is conducted by the “Group Audit Department (集團審計部)” quarterly to each of the production bases under the Group on a periodic basis, while the “Regulatory Commission (監管會)” is set up in each of the production bases under the Group, respectively, to conduct supervision over and management to daily works;
3. To sign the “Letter of Undertaking of Integrity (廉潔承諾書)” by all the purchasing, sales and supervision personnel, and the personnel holding positions related to economic activities in all the other departments of the Group and each of its production bases;
4. To enter into the “Non-improper Commercial Practices Agreement (禁止不正當商業行為協議)” concurrently while entering into the commercial contracts between the Group and each of its production bases and foreign parties;
5. To strictly prohibit all the in-service staff of the Group from taking part-time job or participating in the operation of affairs connected with the Group’s activities without permission. Any in-service personnel, whose relatives and friends (including his/her immediate family, spouse and children) create a company by themselves, is required to file registration to regulatory department of the Company. In the event that the organizations in which the relatives and friends of the in-service personnel (including his/her immediate family, spouse, children, classmates, comrades-in-arms, etc.) work, are doing business with the Group, such personnel shall submit a list of those relatives and friends to the Group, avoid contact with them during the course of business and is strictly prohibited from divulging any information of the Group to the ex-service personnel;
6. To undertake incorruptible education and training to staff holding key positions on a regular basis;
7. To conduct a service satisfaction survey to customers and suppliers on a regular basis by the Group by issuing questionnaires and collecting advices, complaints and suggestions;
8. To open a specialized email box for complaint, i.e. the “集團投訴claim\_group/NDDG/ndpaper” in the Group and establish several “President Mailbox (董事長信箱)” in each of the production bases, in order to collect the employees’ complaints and suggestions. The commercial contract entered into with foreign parties shall be attached with the “Complaint Handling Guidelines (投訴處理指引)” and there shall be a notice board about the method of complaints being placed at the loading and unloading site in respective production bases;
9. Among all the matters complained about, those related to each production base will be investigated and handled by the Regulatory Commission thereof, and those with significant influence and cover a wide range will be conducted a special investigation and handled by the Group Audit Department.

## COMMUNITY

Nine Dragons has been fulfilling its social responsibilities proactively with a grateful heart. It has provided more than RMB100 million to various community projects in recent years. Nine Dragons is actively involved in earthquake relief and persists in poverty relief for a long period of time. It supports education causes in various ways, e.g. establishment of "Nine Dragons Class", launch of "Nine Dragons Caring Lunches", setting up "Nine Dragons Scholarships", etc., and lights up hope for underprivileged students. Various forms of mutual assistance programs were created for staff internally. Specified funds for public welfare were set up for the continuous promotion of community projects at various production bases of the Group. All these enable us to pass on our love to society with the cultural ideology of "everyone should participate in public welfare and return to the community" and "philanthropy is everywhere and philanthropy starts from me" deeply rooted among our staff.

"The values of both individuals and corporates are measured by their contribution to society. Nine Dragons is an enterprise filled with love. We use our love to operate a happy and harmonious Nine Dragons family. With our diligent efforts, we propagate the spirit of love and happiness across our communities."

— Cheung Yan

### I. The Group's management team taking part in various community projects

On behalf of the Company, the Chairlady donated RMB10 million to Sun Yat-sen University to carry out the "International Exchange Program on Long Schooling Clinical Medicine between the Sun Yat-sen University and Nine Dragons Paper (中山大學玖龍紙業長學制臨床醫學國際交流計劃)", so as to cultivate medical talents with high quality for the country.





Chairlady offering encouragement to the students from "Nine Dragons Class"



"Nine Dragons Outstanding Youngsters" awarded by Chairlady



Chairlady took participation in the activity of "Appreciation from Qiao'ai — The Post-earthquake Reconstruction of Ya'an and Lushan, Sichuan at a Glance (感恩侨爱 — 四川雅安芦山地震灾后重建巡礼)"



Mr. Liu (Deputy Chairman), took participation in the Donation Ceremony of Audio-visual Classroom by the Youth Committee (青年委员会) of China Federation of Overseas Chinese Entrepreneurs to the School of Jishishan Village, Linxia, Gansu



## II. Major Community Welfare Projects Conducted by Nine Dragons

### 1. Nine Dragons Class, Where Wings Take Dream

"Nine Dragons Class" is a loving care project initiated by over the years by providing education as well as job and development opportunities to students from underprivileged regions. The Company has cooperated with reputable professional institutions in China to hold comprehensive pulping, paper-making & equipment training classes equivalent to high school education qualification (including vocational high school, specialized secondary school, technical school) as a starting point. The Company covers student expenses including tuition fees, books, food and accommodation during their training period of 1 year term, as well as providing monthly living allowances. Students mainly learn about pulping and paper-making technology or professional theoretical knowledge and practical skills of equipment, with onsite internships arranged in the Company. Students would receive formal college graduate certificates from institutions after passing the examination and would be assigned to related professional and technical positions in the Company. They can enjoy the same salaries and benefits as the corresponding positions for college graduates.

"Nine Dragons Class" project has been successfully established for 11 terms since 2004, with an aggregate amount of over RMB10 million donated and more than 600 professional talents trained. Today, most of them have become professional and technical experts of the Company. Some of them hold management positions such as plant managers, supervisors, etc.



**2. Proactively Participate in the "Guangdong Poverty Alleviation Day"**

The "Guangdong Poverty Alleviation Day" initiated by the government of Guangdong province in 2010 falls on 30 June each year. In response, ND Paper proactively participated in events organized on 30 June each year, and has made an aggregate donation of RMB80.2 million by now, in addition to various effective poverty alleviation measures, such as offering support to underprivileged people to solve practical problems and improve production and living conditions, as well as subsidising educational projects in multiple locations.



Help Wanshancun Primary School in Luhe County improve school conditions



Provide financial support to an impounding reservoir project in Hangmei, Zhoutian, Huilai, Jieyang city



Completion of impounding after construction



### 3. Donations to Disaster Areas

On 12 May 2008, a 8.0 Ms earthquake hit WenChuan, Sichuan Province. Immediately after hearing the news, Ms. Cheung Yan (Chairlady of the Company) donated RMB10 million to the earthquake-hit areas in Wenchuan. Later, she went to Wenchuan in person for investigation and after joining in the activity named "Join Hands for Post-disaster Reconstruction — A Journey of Well-known Overseas Chinese Entrepreneurs to Sichuan" (「攜手共建 — 知名僑資企業家四川行」), which was organised by the Overseas Chinese Affairs Office of the State Council, she decided to make a joint contribution of RMB5 million with Mr. Liu Ming Chung (Chief Executive Officer of the Company) and establish the Nine Dragons Glorious Education Special Fund (玖龍光彩教育專項基金). In addition to assistance for post-disaster reconstruction, employees from different bases of Nine Dragons made a total voluntary donation of more than RMB0.6 million.

On behalf of ND Paper, Ms. Cheung Yan (Chairlady of the Company) promptly donated another RMB10 million to the earthquake-hit areas in Yushu for rescue, relief and reconstruction works.

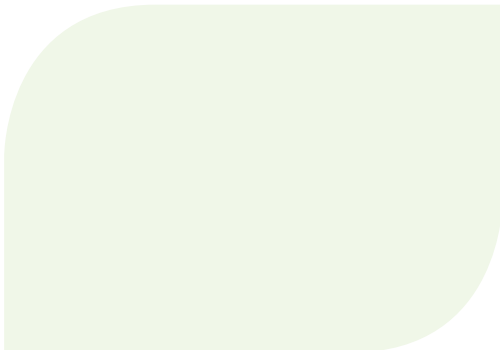




On 20 April 2014, a 7.0 Ms earthquake hit Ya'an, Sichuan Province. In support of the rescue, relief and reconstruction works by people in the affected area, Nine Dragons donated RMB10 million, together with more than RMB1 million from employees of the Company voluntarily. Later, RMB2 million was further donated for reconstruction.

In August 2014, the Nine Dragons Group donated RMB2 million to support the construction of Lushan Tunnel, one of the post-disaster reconstruction projects in Ya'an.

(After the earthquake in Ya'an in 2013, ND Paper donated RMB5 million through the Overseas Chinese Affairs Office of Guangdong province to assist the construction of Nine Dragons Qiao'ai village (玖龍僑愛新村))



Inauguration of Nine Dragons Qiao'ai village

#### 4. Support “A Piece of Paper, Donate Your Love” Project

“A Piece of Paper, Donate Your Love” is a large charity project initiated by China Charity Federation in March 2008. It is to call people to donate old and waste paper. The proceeds from such donation will be applied to provide medical treatment to children with congenital heart diseases from underprivileged families in ethnic minority areas.

In 2016, ND Paper donated more than RMB1.7 million to “A Piece of Paper, Donate Your Love” project.



5. Nine Dragons donated RMB1 million during the “Overseas Chinese Caring Project — Lighting up new life in Tibetan Herdsmen Project” (僑愛工程—點亮藏區牧民新生活計劃) organized by the Overseas Chinese Affairs Office of the State Council in 2011.



6. Nine Dragons donated RMB0.6 million to the victims of flood and geologic hazards in Gaozhou, Guangdong province for the construction of “Heart Resettling Houses” (僑心居) in 2010.



Gaozhou victims moved into new houses



- 7. A total donation of more than HK\$24 million was made by Nine Dragons to various community activities in Hong Kong, including HK\$11 million to Hong Kong New Home Association and HK\$10 million to Our Hong Kong Foundation.



Senior management of the Group in ACCA Community Day 2016

**Nine Dragons shows its care for education by the initiation of “Caring Lunches” and “Charity and Education Base”**

Nine Dragons pays high attention to education at all times and is committed to make more children’s dreams come true.

From 2010, Nine Dragons commenced a charity project named “Caring Lunches”, providing “Nine Dragons Caring lunches” to 400 (and later in 2012 increased to 800) unattended and underprivileged students in poverty-stricken mountain areas of Pengshui, Chongqing. An aggregate donation of more than RMB2 million was made by Nine Dragons.



In September 2013, Changjiang Primary School in Gaogang, Qingyuan was set as a long-term “Charity and Education Base” by, and has received constant financial assistance ever since from, Nine Dragons, who helped solve various problems such as student meals, water supply in winter, security monitoring and teaching facilities.



Since the commencement of operation of its first production line in July 1998, ND paper has made outstanding contributions to the construction of both national and local economy, including but not limited to the increase of tax income, upgrade of upstream and downstream industrial chains, development of local economy, introduction of new jobs and construction of a harmonious society, and has been awarded a number of honours such as “China Charity Prize”, “Guangdong Overseas Chinese Special Contribution Award in Commemoration of Three Decades of Economic Reform”, “Chinese Merchants Contribution Award”, “Poverty Alleviation Cotton Tree Golden Cup Award”, etc.



# INVESTOR RELATIONS

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

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

Participation by management in one-on-one and group investor meetings, conference calls and regional and global investor forums also allows business visions and financials to be well interpreted and analyzed. In FY2016, ND Paper has organized 9 non-deal roadshows covering Hong Kong, Mainland China, Singapore, USA, UK and Europe. It has participated in 13 investor conferences and events in Hong Kong, Mainland China, Singapore and Macau, and 5 group conference calls arranged by various financial institutions.

## Major Investor Relations Activities in FY2016

Time	Event	Organiser/Arranger	Location
July, 2015	Investor conference — Citigroup China Mid-Cap/A-share Conference 2015	Citi	Hong Kong
August, 2015	Group meeting	CIMB	Hong Kong
September, 2015	Post-results non-deal roadshow	Citi	Hong Kong
October, 2015	Post-results non-deal roadshow	Citi	US
October, 2015	Post-results non-deal roadshow	UBS	Singapore
October, 2015	Post-results non-deal roadshow	CICC	Shenzhen/Beijing/ Shanghai, China
October, 2015	Post-results non-deal roadshow	CICC	Europe/UK
October, 2015	Group conference call	Sinopac Securities	Hong Kong
November, 2015	Investor conference — Bank of America Merrill Lynch China Conference 2015	Bank of America Merrill Lynch	Beijing, China
November, 2015	Investor conference — Citi Tenth China Investor Conference 2015	Citi	Macau
November, 2015	Investor conference — Morgan Stanley Fourteenth Annual Asia Pacific Summit	Morgan Stanley	Singapore
January, 2016	Group conference call	Bank of America Merrill Lynch	Hong Kong

Time	Event	Organiser/Arranger	Location
January, 2016	Investor conference — UBS Greater China Conference 2016	UBS	Shanghai, China
January, 2016	Investor conference — dbAccess China Conference 2016	Deutsche Bank	Beijing, China
January, 2016	Group luncheon	Daiwa Capital Markets	Hong Kong
February, 2016	Post-results non-deal roadshow	Citi	Hong Kong
March, 2016	Post-results non-deal roadshow	J.P. Morgan	Singapore
March, 2016	Post-results non-deal roadshow	Deutsche Bank	Hong Kong
March, 2016	Group conference call	China Galaxy Securities	Hong Kong
March, 2016	Group conference call	Bank of America Merrill Lynch	Hong Kong
March, 2016	Group luncheon	Daiwa Capital Markets	Hong Kong
March, 2016	Investor conference — 2016 Hong Kong Investor Summit: With a Focus on The New Economy	Morgan Stanley	Hong Kong
April, 2016	Investor conference — Credit Suisse Nineteenth Annual Asian Investment Conference	Credit Suisse	Hong Kong
May, 2016	Investor conference — Macquarie Greater China Conference: Borderless China	Macquarie	Hong Kong
May, 2016	Group luncheon	BNP Paribas	Hong Kong
May, 2016	Group meeting	Mizuho Securities	Hong Kong
June, 2016	Post-results non-deal roadshow	Bank of America Merrill Lynch	Hong Kong
June, 2016	Group conference call	Jefferies	Hong Kong

Effective communications are further enhanced by plant tours conducted for fund managers, research analysts, institutional investors and media. This allows for better understanding of ND Paper's business model and operation processes on-site. It also provides an informative orientation to investors on the relevance of ND Paper's manufacturing and management capabilities to the Group's long term strategic strength. During the Year, there were a total of 7 plant tours conducted for delegates from various asset management companies, institutional brokers and media.

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



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

The last Annual General Meeting and Special General Meeting were held at the Auditorium, Sun Hung Kai Centre in Hong Kong on 11 December 2015. All resolutions proposed in the meeting were duly passed by the shareholders by way of poll.



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 Nine Dragons Paper (Holdings) Limited  
 Corporate Communications Department  
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 Fax: (852) 3929-3890  
 Email: [info\\_hk@ndpaper.com](mailto: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 FY2016, the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules.

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

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

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

## INSIDE INFORMATION DISCLOSURE POLICY

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

## BOARD

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

During FY2016, the Company has experienced the following change of composition of the Board:

- (1) Mr. Lam Yiu Kin has been appointed as an independent non-executive director of the Company, chairman of the Audit Committee and a member of each of the Nomination Committee, Remuneration Committee and Corporate Governance Committee of the Board with effect from 3 March 2016.
- (2) Dr. Cheng Chi Pang resigned as an independent non-executive director of the Company, the chairman of the Audit Committee and a member of each of the Nomination Committee, Remuneration Committee and Corporate Governance Committee of the Board with effect from the expiry of his service contract on 3 March 2016.

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

- formulating the long-term strategies of the Group and supervising their implementation;
- reviewing and approving, if thought fit, the business plans and financial budgets of the Group;
- approving, if thought fit, the annual and interim results of the Group;
- reviewing and supervising the risk management and internal control of the Group;

- ensuring a high standard of corporate governance and compliance; and
- overseeing the performance of the management.

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

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

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

	Board	Private	Remuneration Committee	Audit Committee	Nomination Committee	Corporate Governance Committee	2015 AGM
Number of Meetings	7	1	3	5	2	1	1
<b>Executive Directors</b>							
Ms. Cheung (Chairlady) (Note 1)	4/7	1/1			2/2	1/1	1/1
Mr. Liu (Deputy Chairman and Chief Executive Officer) (Note 1)	4/7		2/3				1/1
Mr. Zhang (Deputy Chief Executive Officer) (Note 1)	4/7		2/3		2/2	1/1	1/1
Mr. Lau Chun Shun (Note 1)	4/7						1/1
Mr. Zhang Yuanfu (Chief Financial Officer) (Note 1)	4/7						1/1
<b>Independent Non-Executive Directors</b>							
Ms. Tam Wai Chu, Maria	7/7	1/1	3/3	5/5	2/2	1/1	1/1
Mr. Ng Leung Sing	7/7	1/1	3/3	5/5	2/2	1/1	1/1
Mr. Lam Yiu Kin (Note 2)							
Dr. Cheng Chi Pang (Note 3)	7/7	1/1	3/3	5/5	2/2	1/1	1/1

Note:

- (1) They excused 2 board meetings as the agenda was to consider matter relating the grant of share options to the executive directors.
- (2) Mr. Lam Yiu Kin has been appointed as an independent non-executive director of the Company, chairman of the Audit Committee and a member of each of the Nomination Committee, Remuneration Committee and Corporate Governance Committee of the Board with effect from 3 March 2016.
- (3) Dr. Cheng Chi Pang resigned as an independent non-executive director of the Company, the chairman of the Audit Committee and a member of each of the Nomination Committee, Remuneration Committee and Corporate Governance Committee of the Board with effect from the expiry of his service contract on 3 March 2016.

### **CHAIRLADY AND CHIEF EXECUTIVE OFFICER**

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

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

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

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

### **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

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

### **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 FY2016, 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 78 and 79.

### **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, Mr. Zhang and Mr. Lau Chun Shun.

### **REMUNERATION COMMITTEE**

The Board has set up a Remuneration Committee with a majority of the members being INEDs. Mr. Lam Yiu Kin has been appointed as a member of the Remuneration Committee and Dr. Cheng Chi Pang has resigned as a member of the Remuneration Committee with effect from 3 March 2016. Currently, it comprises three INEDs and two executive Directors, namely, Ms. Tam Wai Chu, Maria (Chairlady), Mr. Ng Leung Sing, Mr. Lam Yiu Kin, Mr. Liu and Mr. Zhang.

A separate report prepared by the Remuneration Committee which summarized its works performed during FY2016, and also set out details of the share options to the Directors and the employees on pages 55 to 60 of this Annual Report. No Director or any of his/her associates is involved in deciding his/her own remuneration.

### **AUDIT COMMITTEE**

Currently, the Audit Committee of the Company consists of three INEDs, namely, Mr. Lam Yiu Kin (Chairman), Ms. Tam Wai Chu, Maria and Mr. Ng Leung Sing. Mr. Lam Yiu Kin has been appointed as a member of the Audit Committee and Dr. Cheng Chi Pang has resigned as a member of the Audit Committee with effect from 3 March 2016. Mr. Lam is a qualified accountant with extensive experience in financial reporting and controls. Ms. Tam is a barrister and practicing in Hong Kong. Mr. Ng possess extensive banking, finance and management experience in Hong Kong.

A separate report prepared by the Audit Committee which summarized its works performed during FY2016 is set out on pages 61 to 62 of this Annual Report.

### **RISK CONTROL COMMITTEE**

The Risk Control Committee is formed by the Supervision Department and Finance Department. The primary duties of the Risk Control Committee are strengthening the control environment; assessing relevant risks and carrying out necessary control activities; ensuring seamless information exchange; exercising appropriate supervision to ensure the effectiveness and efficiency of control over activities within and between different departments; identifying risks and analyzing such risks which may impede the achievement of corporate objectives (including such risks associated with constant changes

in the regulatory and operating environments); establishing internal control measures for minimizing and eliminating risks; reviewing and reporting to the Board in respect of the effectiveness of internal control; and maintaining contact with external auditor for maintaining the quality of the Group's internal control system.

## NOMINATION COMMITTEE

Currently, the Nomination Committee comprises three INEDs and two executive Directors, namely, Ms. Cheung (Chairlady), Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing, Mr. Lam Yiu Kin and Mr. Zhang. Mr. Lam Yiu Kin has been appointed as a member of the Nomination Committee and Dr. Cheng Chi Pang has resigned as a member of the Nomination Committee with effect from 3 March 2016.

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

During FY2016, the Nomination Committee reports directly to the Board and the work performed by the Nomination Committee are:

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

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

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

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

## CORPORATE GOVERNANCE COMMITTEE

Currently, the Corporate Governance Committee comprises three INEDs and two executive Directors, namely Mr. Ng Leung Sing (Chairman), Ms. Tam Wai Chu, Maria, Mr. Lam Yiu Kin, Ms. Cheung and Mr. Zhang. Mr. Lam Yiu Kin has been appointed as a member of the Corporate Governance Committee and Dr. Cheng Chi Pang has resigned as a member of the Corporate Governance Committee with effect from 3 March 2016.

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

During FY2016, the Corporate Governance Committee reports directly to the Board and the work performed by the Corporate Governance Committee are:

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

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

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

## INDUCTION AND PROFESSIONAL DEVELOPMENT

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

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

	Attending briefings/ seminars	Reading materials/ regulatory updates/ management monthly updates
<b>Executive Directors</b>		
Ms. Cheung	√	√
Mr. Liu	√	√
Mr. Zhang	√	√
Mr. Zhang Yuanfu	√	√
Mr. Lau Chun Shun	√	√
<b>Independent Non-Executive Directors</b>		
Ms. Tam Wai Chu, Maria	√	√
Mr. Ng Leung Sing	√	√
Mr. Lam Yiu Kin (Note 1)	√	√
Dr. Cheng Chi Pang (Note 2)	√	√
<b>Company Secretary</b>		
Cheng Wai Chu, Judy	√	√

Note:

(1) Mr. Lam Yiu Kin has been appointed as an INED with effect from 3 March 2016.

(2) Dr. Cheng Chi Pang has resigned as an INED with effect from 3 March 2016.

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

## COMPANY SECRETARY

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

During FY2016, the Company Secretary confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

## **DIRECTORS' AND OFFICERS' INSURANCE**

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

## **CONSTITUTIONAL DOCUMENTS**

During FY2016, there has not been any change in the Company's constitutional documents.

## **COMMUNICATION WITH SHAREHOLDERS**

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

### **Disclosure of information on Company's Website**

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

### **Annual General Meeting**

The annual general meeting provides an important opportunity for constructive communication between the Board and the Shareholders. The Chairlady and the chairmen of the Board Committees maintained an on-going dialogue with the Shareholders and answered all questions raised by the Shareholders throughout the last annual general meeting held on 11 December 2015.

### **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](mailto:info_hk@ndpaper.com).

### Shareholders' enquiries

- 1 Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch Registrar, Tricor Investor Services Limited.
- 2 Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.
- 3 Shareholders may make enquiries to the Board in writing to the Company Secretary at the office of the Company at Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, by email to info\_hk@ndpaper.com or by fax to (852) 3929 3894.

### Procedure for Shareholders

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

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

- 1.1 Shareholders or a group of Shareholders holding not less than one-tenth of the paid-up capital of the Company as at the date of the deposit of the requisition carrying the right of voting at general meetings of the Company may by written requisition deposit at the Company's principal place of business at Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong for the attention of the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.
- 1.2 The requisition must specify the purposes of the meeting, signed by the requisitionists and may consist of several documents in like form each signed by one or more of those requisitionists.
- 1.3 The signatures and the requisition will be verified by the Company's share registrars. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within 21 days from the date of deposit of such requisition if it has been validly raised.
- 1.4 If the Board does not within 21 days from the date of the deposit of a valid requisition, proceed duly to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. In addition, such meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

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

- 2.1 The Company holds an annual general meeting ("AGM") every year, and may hold a general meeting known as a special general meeting whenever necessary.
- 2.2 Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting; or (ii) not less than 100 Shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.
- 2.3 The written request/statements must be signed by the Shareholder(s) concerned and deposited at the Company's principal place of business at Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, for the attention of the Board of Directors or the Company Secretary, not less than six (6) weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one (1) week before the general meeting in the case of any other requisition.
- 2.4 If the written request is in order, the Company Secretary will ask the Board of Directors of the Company (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Shareholder(s) concerned have deposited a sum of money reasonably determined by the Board of Directors sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Shareholder(s) concerned in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition is invalid or the Shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

# REMUNERATION COMMITTEE

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

In addition, the Remuneration Committee supervises and enforces the 2006 Share Option Scheme and 2016 Share Option Scheme of the Company in an effective manner. Currently, the Remuneration Committee consists of Ms. Tam Wai Chu, Maria (Chairlady), Mr. Ng Leung Sing, Mr. Lam Yiu Kin, Mr. Liu and Mr. Zhang.

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

Major responsibilities and functions of the Remuneration Committee are:

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

## **SUMMARY OF MAJOR WORK DONE IN FY2016**

During FY2016, the Remuneration Committee held two meetings. The following is a summary of the major tasks completed by the Remuneration Committee during the Year:

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



## SHARE OPTION SCHEMES

### 2006 Share Option Scheme

The Company adopted the 2006 Share Option Scheme on 12 February 2006, which has a term of 10 years and expired on 3 March 2016. All outstanding options granted under the 2006 Share Option Scheme will continue to be valid and exercisable in accordance with the provisions of the 2006 Share Option Scheme. No further option will be granted under the 2006 Share Option Scheme.

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

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

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

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

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

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

### Movement of Share Options

As at 30 June 2016, i) a total of 303,602,286 shares options were granted under the 2006 Share Option Scheme, representing approximately 6.51% of the total number of issued shares of the Company; and ii) an aggregate of 26,000,000 shares are issuable for options granted under the 2006 Share Option Scheme, representing approximately 0.56% of the total number of issued shares of the Company.

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

Grantees	Number of Share options				Balance as at 30 June 2016	Approximate percentage of shareholding*
	Balance as at 1 July 2015	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year		
<b>i) Directors (Notes 1 &amp; 2)</b>						
Ms. Cheung	—	4,500,000	—	—	4,500,000	0.10%
Mr. Liu	—	4,500,000	—	—	4,500,000	0.10%
Mr. Zhang	—	4,500,000	—	—	4,500,000	0.10%
Mr. Lau Chun Shun	—	4,500,000	—	—	4,500,000	0.10%
<b>ii) Employees and others (Note 3)</b>	300,000	8,000,000	—	(300,000)	8,000,000	0.17%
<b>Total:</b>	<b>300,000</b>	<b>26,000,000</b>	<b>—</b>	<b>(300,000)</b>	<b>26,000,000</b>	

\* The issued share capital of the Company was 4,666,220,811 as at 30 June 2016.

Notes:

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

Name of Director	Date of grant ("Grant Date")	Exercise Price HK\$	Exercisable Period	Number of shares options				Closing price immediately before Grant Date HK\$	
				Balance as at 1 July 2015	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year		Balance as at 30 June 2016
Ms. Cheung	29 February 2016	5.19	1 September 2016 to 28 February 2019	—	4,500,000	—	—	4,500,000	5.18
Mr. Liu	29 February 2016	5.19	1 September 2016 to 28 February 2019	—	4,500,000	—	—	4,500,000	5.18
Mr. Zhang	29 February 2016	5.19	1 September 2016 to 28 February 2019	—	4,500,000	—	—	4,500,000	5.18
Mr. Lau Chun Shun	29 February 2016	5.19	1 September 2016 to 28 February 2019	—	4,500,000	—	—	4,500,000	5.18

(2) All options granted have a vesting period of 6 months from the Date of Grant and may be exercised on or after 1 September 2016. All options granted have a validity period of 3 years from 29 February 2016 to 28 February 2019.

(3) Details of the options granted to Employees and others are as follows:

Date of grant ("Grant Date")	Exercise Price HK\$	Exercisable Period	Number of shares options				Closing price Immediately Before Grant Date HK\$	
			Balance as at 1 July 2015	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year		Balance as at 30 June 2016
13 July 2010 (Note 4)	10.80	13 July 2011 to 12 July 2015	300,000	—	—	(300,000)	—	11.16
30 September 2015 (Note 5)	4.134	1 April 2016 to 29 September 2018	—	8,000,000	—	—	8,000,000	3.94
<b>Total:</b>			<b>300,000</b>	<b>8,000,000</b>	<b>—</b>	<b>(300,000)</b>	<b>8,000,000</b>	

(4) Each of the grantees who 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.

(5) All options granted have a vesting period of 6 months from the Date of Grant and may be exercised on or after 1 April 2016. All options granted have a validity period of 3 years from 30 September 2015 to 29 September 2018.

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

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

## Value of Share Options

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

Key assumptions of the Model are:

Date of Grant	Risk-free rate	Expected dividend yield	Expected volatility of the market price of the Shares	Fair value (approximately) HK\$
13 July 2010	1.500%	per annum 1.000%	80%	2,000,000
30 September 2015	0.637%	Per annum 2.700%	42%	7,800,000
29 February 2016	0.745%	Per annum 1.800%	46%	26,606,000

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

## 2016 Share Option Scheme

The 2006 Share Option Scheme has expired on 3 March 2016. In order to provide the Company with the flexibility of granting share options to the Directors, employees and other persons as incentives or rewards for their contribution or potential contribution to the Group after the expiry of the 2006 Share Option Scheme, the Directors has adopted the Share Option Scheme on 11 December 2015, which will take effect upon the expiry of the 2006 Share Option Scheme. Terms of the 2016 Share Option Scheme are substantially the same as those under the 2006 Share Option Scheme.

The principal terms of 2016 Share Option Scheme are as follows:

It is a share incentive scheme established to recognise and acknowledge the contributions or potential contributions of the eligible participants to the Group. Pursuant to 2016 Share Option Scheme, the Board may, at its discretion, offer to grant an option to any director, employee, executive, officer or any supplier, customer, consultant, agent and adviser of the Group.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the 2016 Share Option Scheme to eligible participants in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of Shareholders at a general meeting.

The subscription price of a Share in respect of any particular option granted under the 2016 Share Option Scheme shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The maximum number of shares in respect of which options may be granted under the 2016 Share Option Scheme and any other share option scheme of the Company shall not exceed such number of shares as required under the Listing Rules, being 10% of the Shares in issue as at the adoption date of the 2016 Share Option Scheme, being 466,622,081 shares. Under the Listing Rules, a listed issuer may seek approval by its shareholders in general meeting for "refreshing" the 10% limit under the scheme. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2016 Scheme and any other share option scheme of the Company must not exceed 30% of the shares in issue from time to time (or such number of shares as required under the Listing Rules). No options may be granted if such grant will result in this 30% limit being exceeded.

As at the date of the Annual Report, no option was granted under the 2016 Share Option Scheme.

### **DIRECTORS' SERVICES CONTRACTS**

None of the Directors who are proposed for re-election at the 2016 AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### **EMOLUMENT DETAILS**

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

# AUDIT COMMITTEE

## MEMBERS

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

## TERMS OF REFERENCE

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

## SUMMARY OF MAJOR WORK DONE IN FY2016

The Audit Committee holds regular meetings and organizes additional meetings if and when necessary. During FY2016, the Committee held six meetings. The following is a summary of the tasks completed by the Audit Committee during FY2016:

- reviewed the financial statements for FY2015 and for the six months ended 31 December 2015 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 FY2016 external audit fees;
- reviewed and monitored the external auditor's independence and the non-audit services, especially tax-related services, provided by the external auditor;
- reviewed the connected transactions and continuing connected transactions of the Group;
- reviewed the purchase terms and the fairness of the Group's basis of selecting its recovered paper suppliers;
- reviewed the exchange rate risk and hedging policy; and
- reviewed the Company's financial reporting system and internal control system.

## **FINANCIAL REPORTS**

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

## **REVIEW OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**

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

## **REVIEW OF THE GROUP'S ACCOUNTING AND FINANCIAL REPORTING FUNCTION**

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

## **RE-APPOINTMENT OF EXTERNAL AUDITOR**

The Audit Committee recommended to the Board that, subject to Shareholders' approval at the 2016 AGM, PricewaterhouseCoopers be re-appointed as the Company's external auditor for FY2017.

For FY2016, the external auditor of the Company received approximately RMB7.9 million for audit services and RMB0.5 million for tax and other services.

# INTERNAL CONTROL AND RISK MANAGEMENT

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

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

## **BUSINESS RISK**

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

## **FINANCIAL RISK**

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

## **COMPLIANCE RISK**

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

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

1. included in its Code of Conduct a strict prohibition on the unauthorized use of confidential or inside information; and
2. has established and implemented procedures for responding to external enquiries about the Group's affairs. Only the senior management of the Group are identified and authorized to act as the Company's spokespersons and respond to enquiries in allocated areas of issues.



## OPERATIONAL RISK

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

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

# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

## PROFILE OF EXECUTIVES DIRECTORS

**Ms. Cheung Yan**, JP, 59, 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 20 years of experience in paper manufacturing and over 30 years of experience in recovered paper recycling and international trade. Ms. Cheung is a member of the National Committee of the Chinese People's Political Consultative Conference, executive vice chairman of the China Overseas Chinese Entrepreneurs Association, vice president of China Paper Association, executive member of All-China Federation of Industry & Commerce, vice president of China Paper Industry Chamber of Commerce, president of the Guangdong Overseas Chinese Enterprises Associations, vice chairman of Guangdong Federation of Industry and Commerce, executive vice president of the Hong Kong China Chamber of Commerce, Honorary President of World Dongguan Entrepreneurs, Honorary Life President of Hong Kong Federation of Overseas Chinese Associations and Vice Chairman of New Home Association. Ms. Cheung is an honorary citizen of the City of Dongguan, Guangdong Province, China. In 2007, Ms. Cheung was awarded the "Entrepreneur of the Year in China 2007" by Ernst & Young and in 2008, she was accredited as a "Leader Figure" ("領袖人物獎") in "China Cailun Award" ("中華蔡倫獎") by China Paper Industry Chamber of Commerce and was awarded "China Charity Award 2008" ("2008年中華慈善獎") by the Ministry of Civil Affairs of the PRC. In May 2009, Ms. Cheung was awarded "Outstanding Entrepreneur in Pulp and Paper Manufacturing Industry in China" ("全國製漿造紙行業優秀企業家") by China Paper Association. She was awarded "Chinese Chamber of Commerce Contributions Award" ("華商貢獻獎") in the city of Chongqing in January 2010, the title of "Outstanding Person on Energy Saving and Emission Reduction in China 2009" ("2009中國節能減排功勳人物") by All-China Environment Federation in May 2010, "Outstanding Contribution Award on Poverty Alleviation and Benefiting the Community by a Businessman in the Private Sector in Guangdong Province" ("廣東省非公有制經濟人士扶貧濟困回報社會突出貢獻獎") in July 2010. Ms. Cheung was also awarded "Outstanding Entrepreneur in China" ("全國優秀企業家") by China Enterprise Association in May 2014, "Asian CEO of the Year" ("亞洲最佳CEO獎") by RISI and "Outstanding Contribution Award in Paper Industry in China" ("全國造紙行業傑出貢獻獎") by China Paper Association in June 2014. Ms. Cheung was appointed as a Justice of the Peace (JP) in July 2016. Ms. Cheung is the wife of Mr. Liu, the sister of Mr. Zhang and the mother of Mr. Lau Chun Shun.

**Mr. Liu Ming Chung**, 54, 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 25 years of experience in international trade and over 17 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**, 48, 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 22 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**, 35, joined the Company as a Non-executive Director in 2006 and was re-designated as an Executive Director of the Company in August 2009. He is a director of various subsidiaries of the Company. He is responsible for the management and operation of the Group including marketing and distribution, procurement and sales departments. Mr. Lau has over 7 years of experience in procurement, marketing and distribution, sales and corporate management. Mr. Lau holds a bachelor degree in Economics from the University of California, Davis and a master degree in Industrial Engineering from Columbia University. Mr. Lau is the son of Ms. Cheung and Mr. Liu and the nephew of Mr. Zhang.

**Mr. Zhang Yuanfu**, 53, has been an Executive Director of the Company since 2008. He is also a director of various subsidiaries of the Company. He also serves as the Group's Chief Financial Officer in charge of financial matters and investor relations. Prior to joining the Group, Mr. Zhang served as the chief financial officer, qualified accountant and company secretary of Weichai Power Co., Ltd. for more than 5 years and also worked in a number of Hong Kong listed companies in charge of accounting and financial management. He has more than 30 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*, 70, has been an Independent Non-Executive Director of the Company since 2006. She serves as an independent non-executive director of Guangnan (Holdings) Limited, Minmetals Land Limited, Sa Sa International Holdings Limited, Sinopec Kantons Holdings Limited, Tong Ren Tang Technologies, Co., Ltd., Wing On Company International Limited and Macau Legend Development Limited, all the shares of which are listed on the Stock Exchange. Ms. Tam is a deputy to the National People's Congress of The People's Republic of China and a member of the Hong Kong Basic Law Committee. She is qualified as a barrister-at-law at Gray's Inn, London and has practice experience in Hong Kong.

**Mr. NG Leung Sing**, *SBS, JP*, 67, has been appointed as an independent non-executive director of the Company since March 2013. Mr. Ng is vice chairman of Chiyu Banking Corporation Limited, the chairman of Bank of China (Hong Kong) Trustees Limited, a director of BOCHK Charitable Foundation Limited and a director of the Hong Kong Mortgage Corporation Limited. Mr. Ng is a Hong Kong Deputy to the 10th, 11th and 12th National People's Congress, People's Republic of China. He is also an independent non-executive director of MTR Corporation Limited, SmarTone Telecommunications Holdings Limited and Hanhua Financial Holding Company Limited, all are listed companies in Hong Kong. Mr. Ng was a member of The Court of The Lingnan University from 1999 to 2011, the General Manager of Bank-wide Operation Department of Bank of China (Hong Kong) Limited from August 2005 to July 2009, the executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. He was previously a member of the managing board of The Kowloon-Canton Railway Corporation, Hong Kong. Mr. Ng is a graduate of University of East Asia, Graduate College, Macau and holds a diploma in Chinese Law.

**Mr. Lam Yiu Kin**, aged 61, has been appointed as an independent non-executive director of the Company since 2016. Mr. Lam is a fellow member of each of the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England & Wales, the Chartered Accountants of Australia and New Zealand, and Hong Kong Institute of Certified Public Accountants ("HKICPA"). He graduated from The Hong Kong Polytechnic University with a higher diploma in Accountancy in 1975. He was conferred an Honorary Fellow of The Hong Kong Polytechnic University in 2002.

Mr. Lam was previously a member of the Listing Committee and the Financial Reporting Advisory Panel of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, and a partner of PricewaterhouseCoopers from 1993 to 2013. From 2014 to 2015, Mr. Lam was an independent non-executive director of Kate China Holdings Limited, a company listed on the Growth Enterprise

Market of the Stock Exchange. In all, Mr. Lam has over 40 years of extensive experience in accounting, auditing and business consulting. Mr. Lam is currently an independent non-executive director of each of Global Digital Creations Holdings Limited; Spring Real Estate Investment Trust; Vital Mobile Holdings Limited; Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.; Mason Financial Holdings Limited; Shougang Concord Century Holdings Limited; and COSCO Shipping Ports Limited.

## PROFILE OF SENIOR MANAGEMENT

**Mr. Lin Xin Yang**, 46, 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 23 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**, 44, 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 23 years production management experience in the large-scale paper manufacturing industry. Prior to joining the Group, he worked in Shandong Chenming Paper Industries Co., Ltd as a senior management and also acted as the general manager of a subsidiary. He graduated from Shandong Weifang Radio & Television Institute (major in Economic Information & Management Professional).

**Mr. Zhou Chuan Hong**, 55, 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 28 years of experience in equipment, project management and business management in the paper manufacturing industry. Prior to joining the Group, he worked in Shandong Huazhong Paper Co., Ltd. He graduated from South China Institute of Technology (currently South China University of Technology) and is an engineer.

**Mr. Sun Zuo Hua**, 42, joined the Group in June 2011 and has served as the General Manager of Nine Dragons Paper Industries (Chongqing) Co., Ltd. since December 2014. Prior to joining the Group, he has worked in Shandong Chenming Paper Holdings Limited and was served as a general manager of a subsidiary. He has over 21 years of experience in paper manufacturing management. Mr. Sun was graduated from Shandong Weifang University of Science and Technology, major in Economic Management.

**Mr. Ye Jian**, 41, joined the Group in 2003 and has served as the General Manager of Nine Dragons Pulp and Paper (Leshan) Co., Ltd. in charge of operations and management since July 2014. Mr. Ye has 21 years of experience in production, technology and management in the paper manufacturing industry. Prior to joining the Group, he worked in Ningbo Zhonghua Paper Industry Co., Ltd. He graduated from Quzhou College of Technology, Zhejiang Province.

**Mr. Xin Gang**, 42, 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 20 years of experience in production, technology and management in the paper manufacturing industry. He graduated from Shandong Institute of Light Industry in 1996 with a bachelor degree in Pulp and Paper Manufacturing.

**Mr. Zhu Qi Han**, 36, joined the Group in 2003 and has served as the General Manager of Nine Dragons Paper Industries (Shenyang) Co. Ltd. since July 2015, in charge of its overall management. Mr. Zhu has over 13 years of experience in marketing of paper industry, procurement management of recycled paper and operational management in carton manufacturing. Prior to joining the Group, he was served as the general manager of Nine Dragons Packaging (Taicang) Company Limited. Mr. Zhu was graduated from Shanghai University of Sport.

**Mr. Zhang Du Ling**, 46, 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 20 years of experience in sales and marketing in the paper manufacturing industry in China. He graduated from the School of Management of Chinese Academy of Sciences with a higher diploma in Business Administration.

**Mr. Ng Kwok Fan, Benjamin**, 60, has served as the Group's Deputy General Manager and Assistant to Chairlady in charge of corporate administration and investor relations since February 2006. Prior to joining the Group, Mr. Ng worked in several international marketing communications enterprises and public companies listed in Hong Kong and overseas. He has extensive experience in advertising, marketing and corporate finance. He graduated from the University of Hong Kong and is a member of both Chartered Professional Accountants of Canada and the CFA Institute.

**Mr. Chu Yiu Kuen, Ricky**, 45, has served as the Group's Deputy Chief Financial Officer in charge of financial operation since October 2008. Mr. Chu has more than 22 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**, 48, 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 26 years' experience in production, technology and equipment installment in the paper manufacturing industry. Prior to joining the Group, he worked for Fujian Qinshan Paper Co., Ltd. He graduated from Fujian College of Forestry with a diploma in Stock Preparation and Paper Manufacturing Technology.

**Mr. Chu Xin Qi**, 52, has served as the Deputy Chief Financial Officer -Internal Control in charge of group cost management and internal control since 2014. Mr. Chu joined the Group in 2001, he acted as a Deputy General Manager in Nine Dragons Paper Industries (Taicang) Co., Ltd. in charge of finance and resource management. Before joining the Group, he was the General Manager of Shandong Huazhong Paper Manufacturing Co., Ltd. He has over 27 years of experience in finance management. Mr. Chu is a senior economist and he graduated in 1990 from Shandong College of Economics with a Diploma in Finance.

# DIRECTORS' REPORT

The Directors are pleased to present the audited consolidated financial statements of ND Holdings for FY2016.

## 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.

## BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year, the material factors underlying its results and financial position and material attributable factors of the development and likely future developments of the Group's business, are provided throughout this Annual Report, particularly in the following separate sections:

- (a) Review of the Company's business — "Management's Discussion and Analysis";
- (b) The Company's risk management framework — "Internal Controls and Risk Management Report"
- (c) The Company's financial risk management — "Note 3 to the Consolidated Financial Statements";
- (d) Future development in the Company's business — "Chairlady's Report";
- (e) Analysis using financial key performance indicators — "Financial Highlights" and "Management's Discussion and Analysis";
- (f) Discussion on the Company's environmental policies and performance — "Environmental, Social and Governance";
- (g) Discussion on the Company's compliance with the relevant laws and regulations — "Corporate Governance", "Independent Auditors' Report" and "Directors' Report"; and
- (h) An account of the Company's key relationships with its employees, customers and suppliers and others — "Environmental, Social and Governance" and "Directors' Report".

## RESULTS AND APPROPRIATIONS

The results of the Group for FY2016 are set out in the accompanying financial statements on page 82.

An interim dividend of RMB2.0 cents (equivalent to approximately HK2.38 cents) per share for the six months ended 31 December 2015 (six months ended 31 December 2014: RMB2.0 cents) was paid to shareholders on 22 July 2016.

The Board has resolved to recommend the payment of a final dividend of RMB8.0 cents (equivalent to approximately HK9.3 cents) per share and a special dividend of RMB3.0 cents (equivalent to approximately HK3.5 cents) per share for FY2016, which are expected to be paid on Thursday, 12 January 2017 subject to the approval of 2016 AGM. The final dividend and special 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, 28 December 2016. The translation of RMB into Hong Kong dollars is made at the exchange rate of HK\$1.00 = RMB0.86035 as at 21 September 2016 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 18 to 19.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2016 are set out in note 9 to the financial Statements.

## PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

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

## BORROWINGS

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

## SHARE CAPITAL

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

## RESERVES

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

## DISTRIBUTABLE RESERVES

As at 30 June 2016, the Company's reserve available for cash distribution and/or distribution in specie, representing the retained earnings, amounted to approximately RMB1,757,000 (30 June 2015: RMB303,573,000). In addition, the Company's share premium account and contributed surplus of approximately RMB8,730,315,000 and RMB2,074,700,000, respectively, as at 30 June 2016 may be distributed to shareholders in certain circumstance prescribed by Section 54 of the Companies Act 1981 of Bermuda.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the aggregate amount of purchases attributable to the Group's five largest suppliers represented about 74.2% of the Group's total purchases and the purchase attributable to the Group's largest supplier was about 39.6% of the Group's total purchases. The aggregate amount of turnover attributable to the Group's five largest customers was approximately 5.3% of total turnover of the Group.

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

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

## MANAGEMENT CONTRACTS

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

## DIRECTORS

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

### Executive Directors

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

### INEDs

Ms. Tam Wai Chu, Maria  
Mr. Ng Leung Sing  
Mr. Lam Yiu Kin (appointed on 3 March 2016)  
Dr. Cheng Chi Pang (resigned on 3 March 2016)

In accordance with Bye-laws 87 of the Company's Bye-laws, Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Yuanfu, Ms. Tam Wai Chu, Maria and Mr. Ng Leung Sing will retire from office by rotation and, being eligible, offer themselves for re-election at the 2016 AGM.

In accordance with Bye-laws 86(2) of the Company's Bye-laws, Mr. Lam Yiu Kin being appointed by the Board in the Year shall hold office until the 2016 AGM and, being eligible, offer himself for re-election at the 2016 AGM.



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

As at 30 June 2016, 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 2016.

Name of Directors	Long Position/ Short Position	Number of Shares			Number of underlying shares (in respect of share options)		Total	Approximate percentage of shareholdings
		Personal Interests	Family Interests	Corporate Interests (Note 1)	Personal Interests	Family Interests		
Ms. Cheung	Long Position	85,597,758	27,094,184	2,992,120,000	4,500,000	4,500,000	3,113,811,942	66.73%
Mr. Liu	Long Position	27,094,184	85,597,758	2,992,120,000	4,500,000	4,500,000	3,113,811,942	66.73%
Mr. Zhang	Long Position	29,899,821	—	—	4,500,000	—	34,399,821	0.74%
Mr. Lau Chun Shun	Long Position	1,830,000	—	2,992,120,000	4,500,000	—	2,998,450,000	64.26%
Ms. Tam Wai Chu, Maria	Long Position	1,216,670	—	—	—	—	1,216,670	0.03%

#### (B) Interests in Associated Corporation — Best Result

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

Notes:

- (1) Best Result directly held 2,992,120,000 Shares in the Company. The issued share capital of Best Result is held (i) as to approximately 37.073% by Ms. Cheung personally; (ii) as to approximately 37.053% by Goldnew Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Liu Family Trust, (iii) as to approximately 10.000% by Acorn Crest Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Zhang Family Trust, and (iv) as to approximately 15.874% by Winsea Investments Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Golden Nest Trust.
- (2) The Zhang Family Trust is irrevocable trust. The Liu Family Trust and The Golden Nest Trust are revocable trusts.
- (3) Ms. Cheung is the spouse of Mr. Liu. Each of Ms. Cheung and Mr. Liu is therefore deemed to be interested in the Shares held by Best Result pursuant to Part XV of the SFO.
- (4) Mr. Lau Chun Shun is a beneficiary of each of The Liu Family Trust and The Golden Nest Trust. He is therefore deemed to be interested in the Shares held by Best Result pursuant to Part XV of the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company or any of their associates (within the meaning of Part XV of SFO) had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation as at 30 June 2016, as recorded in the register required to be kept under 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Directors or chief executive of the Company, as at 30 June 2016, the following persons had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

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

Note:

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

Save as disclosed above, as at 30 June 2016, 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.

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

### **DONATIONS**

The Group's charitable and other donations during the Year amounted to approximately RMB17,905,000 (2015: RMB18,289,000).

### **CONTINUING DISCLOSURE REQUIREMENT UNDER RULE 13.21 OF THE LISTING RULES**

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for FY2016.

### **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 FY2016 and in the normal course of business, the Company and its subsidiaries had various commercial transactions with certain connected persons. These transactions are considered to be continuing connected transactions under the Listing Rules.

Details of these transactions are as follows:

**(a) Come Sure Raw Paper Materials Supply Agreement**

On 7 March 2016, the Company entered into the master supply agreement (the "Come Sure Raw Paper Materials Supply Agreement") with Come Sure Group (Holdings) Limited ("Come Sure"), pursuant to which the Company had agreed to supply raw paper materials to Come Sure and its subsidiaries, including the joint venture, for a period commencing from 1 April 2016 to 31 March 2019. As the joint venture was an associate of Mr. Zhang, 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 2015 to 31 March 2016, the actual amount of transactions under the Come Sure Raw Paper Materials Supply Agreement was RMB159 million and was within the annual cap of RMB600 million. During the period from 1 April 2016 to 30 June 2016, the actual amount of transactions was RMB44 million and the annual cap for the period from 1 April 2016 to 31 March 2017 is RMB500 million.

**(b) Longteng Packaging Materials and Chemicals Purchase Agreement**

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

During FY2016, the actual amount of transactions under the Longteng Packaging Materials and Chemicals Purchase Agreement was RMB213 million and was within the annual cap of RMB600 million. The Longteng Packaging Materials and Chemicals Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**(c) Nantong Tenglong Chemicals Purchase Agreement**

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

During FY2016, the actual amount of transactions under the Nantong Tenglong Chemicals Purchase Agreement was RMB238 million and was within the annual cap of RMB1,150 million. The Nantong Tenglong Chemicals Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**(d) Longteng Packaging Paperboard Supply Agreement**

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

During FY2016, the actual amount of transactions under the Longteng Packaging Paperboard Supply Agreement was RMB422 million and was within the annual cap of RMB800 million. The Longteng Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**(e) Taicang Packaging Paperboard Supply Agreement**

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

During FY2016, the actual amount of transactions under the Taicang Packaging Paperboard Supply Agreement was RMB218 million and was within the annual cap of RMB350 million. The Taicang Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**(f) Honglong Packaging Paperboard Supply Agreement**

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

During FY2016, the actual amount of transactions under the Honglong Packaging Paperboard Supply Agreement was RMB132 million and was within the annual cap of RMB150 million. The Honglong Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**(g) ACN Recovered Paper Purchase Agreement**

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

During FY2016, the actual amount of transactions under the ACN Recovered Paper Purchase Agreement was RMB9,013 million and was within the annual cap of RMB17,000 million. The ACN Recovered Paper Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**(h) Tianjin ACN Wastepaper Purchase Agreement**

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

During FY2016, the actual amount of transactions under the Tianjin ACN Wastepaper Purchase Agreement was RMB4,773 million and was within the annual cap of RMB8,900 million. The Tianjin ACN Wastepaper Purchase Agreement was approved by the independent shareholders at the special general meeting held on 23 June 2014.

**ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS**

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

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

- (b) either on normal commercial terms or, if there are not sufficient comparable terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;
- (c) in accordance with the relevant agreements governing such transactions; and
- (d) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

### **PRE-EMPTIVE RIGHTS**

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

### **PERMITTED INDEMNITY PROVISION**

Pursuant to the Bye-Laws, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective offices or trusts.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

### **PUBLIC FLOAT**

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

### **AUDITOR**

The Group's financial statements for FY2016 have been audited by PricewaterhouseCoopers who retires and, being eligible, offer itself for re-appointment. A resolution to re-appoint PricewaterhouseCoopers and to authorize the Directors to fix its remuneration will be proposed at the 2016 AGM.

On behalf of the Board

**Cheung Yan**  
*Chair lady*

Hong Kong, 21 September 2016

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

We have audited the consolidated financial statements of Nine Dragons Paper (Holdings) Limited (the "Company") and its subsidiaries set out on pages 80 to 144, which comprise the consolidated balance sheet as at 30 June 2016, 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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**Independent Auditor's Report** *(continued)*  
**To the Shareholders of Nine Dragons Paper (Holdings) Limited**  
*(incorporated in Bermuda with limited liability)*

羅兵咸永道

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 21 September 2016



## CONSOLIDATED BALANCE SHEET

	Note	30 June 2016 RMB'000	30 June 2015 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	44,860,821	45,010,861
Land use rights	7	1,521,765	1,472,399
Intangible assets	8	245,275	251,528
Investments in an associate and a joint venture	10	65,759	64,240
Other receivables	12	47,500	—
Deferred income tax assets	17	15,884	6,750
		<b>46,757,004</b>	46,805,778
<b>Current assets</b>			
Inventories	11	3,605,520	3,553,245
Trade and bills receivables	12	4,597,675	5,351,488
Other receivables and prepayments	12	954,649	1,397,598
Tax recoverable		46,665	28,007
Restricted cash		53,634	23,100
Short-term bank deposits	13	274,008	563,617
Cash and cash equivalents	13	11,002,470	7,310,840
		<b>20,534,621</b>	18,227,895
<b>Total assets</b>		<b>67,291,625</b>	65,033,673
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital and share premium	14	9,208,587	9,208,587
Other reserves	15	1,323,109	1,240,359
Retained earnings		15,542,523	14,777,793
		<b>26,074,219</b>	25,226,739
<b>Non-controlling interests</b>		<b>346,642</b>	298,790
<b>Total equity</b>		<b>26,420,861</b>	25,525,529

	Note	30 June 2016 RMB'000	30 June 2015 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	20,852,384	19,802,381
Deferred income tax liabilities	17	2,176,336	1,912,311
Other payables	18	—	34,529
		<b>23,028,720</b>	21,749,221
<b>Current liabilities</b>			
Trade and bills payables	18	4,097,964	3,963,649
Other payables and deposits received	18	1,315,229	1,181,424
Current income tax liabilities		434,853	423,195
Borrowings	16	11,992,892	12,188,128
Derivative financial instruments		1,106	2,527
		<b>17,842,044</b>	17,758,923
<b>Total liabilities</b>		<b>40,870,764</b>	39,508,144
<b>Total equity and liabilities</b>		<b>67,291,625</b>	65,033,673

The notes on pages 87 to 144 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 80 to 144 were approved by the board of directors of the Company on 21 September 2016 and were signed on its behalf.

**Ms. Cheung Yan**  
Chairlady

**Mr. Liu Ming Chung**  
Deputy Chairman and Chief Executive Officer

## CONSOLIDATED INCOME STATEMENT

<b>For the year ended 30 June</b>			
	Note	<b>2016</b> RMB'000	2015 RMB'000
<b>Sales</b>	19	<b>32,092,770</b>	30,092,546
Cost of goods sold	21	<b>(26,231,444)</b>	(25,376,141)
<b>Gross profit</b>		<b>5,861,326</b>	4,716,405
Other income/(expenses) and other losses — net	20	<b>590,954</b>	154,644
Exchange losses on operating activities — net		<b>(337,597)</b>	(7,130)
Loss arising from disposal of a subsidiary		—	(26,640)
Selling and marketing costs	21	<b>(736,018)</b>	(679,147)
Administrative expenses	21	<b>(1,047,598)</b>	(917,743)
<b>Operating profit</b>		<b>4,331,067</b>	3,240,389
Finance income	23	<b>138,740</b>	130,164
Finance costs	23	<b>(1,410,310)</b>	(1,521,802)
Finance costs — net		<b>(1,271,570)</b>	(1,391,638)
Exchange (losses)/gains on financing activities — net		<b>(1,434,494)</b>	67,235
Share of profit of an associate and a joint venture — net	10	<b>42,430</b>	39,487
<b>Profit before income tax</b>		<b>1,667,433</b>	1,955,473
Income tax expense	24	<b>(518,054)</b>	(499,184)
<b>Profit for the year</b>		<b>1,149,379</b>	1,456,289
<b>Profit attributable to:</b>			
— Equity holders of the Company		<b>1,121,742</b>	1,411,520
— Non-controlling interests		<b>27,637</b>	44,769
		<b>1,149,379</b>	1,456,289
<b>Basic earnings per share for profit attributable to equity holders of the Company during the year</b> <i>(expressed in RMB per share)</i>	25	<b>0.2404</b>	0.3025
<b>Diluted earnings per share for profit attributable to equity holders of the Company during the year</b> <i>(expressed in RMB per share)</i>	25	<b>0.2403</b>	0.3025

The notes on pages 87 to 144 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Profit for the year</b>	<b>1,149,379</b>	1,456,289
<b>Other comprehensive income</b>		
<i>(Items that may be reclassified subsequently to profit or loss):</i>		
Currency translation differences	<b>32,852</b>	(9,372)
Cash flow hedges	—	(294)
<b>Other comprehensive income for the year</b>	<b>32,852</b>	(9,666)
<b>Total comprehensive income for the year</b>	<b>1,182,231</b>	1,446,623
<b>Attributable to:</b>		
— Equity holders of the Company	<b>1,142,280</b>	1,405,441
— Non-controlling interests	<b>39,951</b>	41,182
	<b>1,182,231</b>	1,446,623

The notes on pages 87 to 144 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity holders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital and share premium RMB'000 (Note 14)	Other reserves RMB'000 (Note 15)	Retained earnings RMB'000	Total RMB'000		
<b>Balance at 1 July 2015</b>	9,208,587	1,240,359	14,777,793	25,226,739	298,790	25,525,529
<b>Comprehensive income</b>						
Profit for the year	—	—	1,121,742	1,121,742	27,637	1,149,379
<b>Other comprehensive income</b>						
Currency translation differences	—	20,538	—	20,538	12,314	32,852
<b>Total comprehensive income</b>	—	20,538	1,121,742	1,142,280	39,951	1,182,231
<b>Transactions with owners</b>						
2015 final and 2016 interim dividends paid to equity holders of the Company	—	—	(326,635)	(326,635)	—	(326,635)
Dividends paid to non-controlling interests	—	—	—	—	(70,407)	(70,407)
Capital injection by a non-controlling interest	—	—	—	—	94,140	94,140
Acquisition of additional interests in a subsidiary	—	10,705	—	10,705	(15,832)	(5,127)
Share options granted to directors and employees	—	21,130	—	21,130	—	21,130
<b>Total transactions with owners</b>	—	31,835	(326,635)	(294,800)	7,901	(286,899)
Appropriation to statutory reserve and enterprise expansion fund	—	30,377	(30,377)	—	—	—
<b>Balance at 30 June 2016</b>	<b>9,208,587</b>	<b>1,323,109</b>	<b>15,542,523</b>	<b>26,074,219</b>	<b>346,642</b>	<b>26,420,861</b>

The notes on pages 87 to 144 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June			
	Note	2016 RMB'000	2015 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	27(a)	8,070,232	7,201,656
Income tax paid		(270,313)	(149,876)
Interest paid		(1,339,445)	(1,445,407)
Net cash generated from operating activities		6,460,474	5,606,373
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,800,024)	(1,703,543)
Proceeds from disposal of property, plant and equipment	27(b)	15,248	22,052
Payments for land use rights		(38,085)	(59,298)
Capital contribution made to a joint venture		—	(20,940)
Cash advances made to a joint venture		(7,443)	(34,580)
Disposal of a subsidiary, net of cash disposed		681	(7,075)
Interest received		138,740	130,164
Changes in short-term bank deposits		289,609	(563,617)
Dividends received from an associate		40,708	48,926
Net cash used in investing activities		(1,360,566)	(2,187,911)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		39,466,880	27,372,610
Repayments of borrowings		(40,526,975)	(30,956,552)
Changes in restricted cash		(30,534)	12,659
Payments for derivative financial instruments		(104,185)	(11,526)
Payments for acquisition of additional interests in subsidiaries		(5,127)	(55,870)
Dividends paid to non-controlling interests		(65,024)	(34,263)
Dividends paid to equity holders of the Company		(326,635)	(373,371)
Capital injection made by a non-controlling interest		94,140	38,910
Net cash used in financing activities		(1,497,460)	(4,007,403)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		7,310,840	7,901,644
Exchange gains/(losses) on cash and cash equivalents		89,182	(1,863)
<b>Cash and cash equivalents at end of the year</b>	13	<b>11,002,470</b>	<b>7,310,840</b>

The notes on pages 87 to 144 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

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

These financial statements are presented in Renminbi, unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company (the "BoD") on 21 September 2016.

## 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 all applicable 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### (a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for the Group's financial year beginning on 1 July 2015. The adoption of those amended standards do not have any significant impact to the results and financial position of the Group.

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle



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

### 2.1 Basis of preparation *(continued)*

#### (b) New Hong Kong Companies Ordinance (Cap.622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during this financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 July 2015 and have not been early adopted by the Group:

HKAS 1 (Amendment)	Disclosure Initiative <sup>1</sup>
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle <sup>1</sup>
HKAS 7 (Amendment)	Changes in Liabilities Arising from Financial Activities <sup>2</sup>
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealized Losses <sup>2</sup>
HKFRS 2 (Amendment)	Classifications and Measurement of Share-based Payment <sup>3</sup>
HKFRS 9 (2014)	Financial Instruments <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 16	Leases <sup>4</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>

<sup>1.</sup> Effective for annual period beginning on 1 July 2016.

<sup>2.</sup> Effective for annual period beginning on 1 July 2017.

<sup>3.</sup> Effective for annual period beginning on 1 July 2018.

<sup>4.</sup> Effective for annual period beginning on 1 July 2019.

<sup>5.</sup> Effective date to be determined.

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

## 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 2016.

#### (a) Subsidiaries

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

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

#### (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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs

#### (d) Separate financial statements of the Company

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

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

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

### 2.3 Equity method, associates and joint arrangements

#### (a) Equity method

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in an associate or joint venture includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate or joint venture, any difference between the cost of the associate or joint venture and the Group's share of the net fair value of the associate's or joint venture's identifiable assets and liabilities is accounted for as goodwill.

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

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

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

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

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

#### (b) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

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

### 2.3 Equity method, associates and joint arrangements *(continued)*

#### (c) Joint arrangements

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

### 2.4 Segment reporting

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

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

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

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

### 2.5 Foreign currency translation *(continued)*

#### (c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

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

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

### 2.6 Property, plant and equipment

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

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

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

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

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

### 2.6 Property, plant and equipment *(continued)*

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 carrying amount of the asset is greater than its estimated recoverable amount (Note 2.10).

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

### 2.7 Construction in progress

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

### 2.8 Land use rights

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

### 2.9 Intangible assets

#### (a) Goodwill

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

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

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

### 2.9 Intangible assets *(continued)*

#### (b) Other intangible assets

##### (i) Trademark

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

##### (ii) Patent

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

##### (iii) Customer relationship

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

#### (c) Computer software

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

#### (d) Sea area use rights

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

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

### 2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill and trademark, are not subject to amortisation and are tested annually for impairment. 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

### 2.11 Financial assets

#### (a) Classification

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

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

#### (b) Recognition and measurement

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

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



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

### 2.12 Offsetting financial instruments

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

### 2.13 Impairment of financial assets

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

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

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

### 2.14 Derivative financial instruments

Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in fair values of the derivative financial instruments not designated as hedging instruments are recognised immediately in profit or loss.

### 2.15 Inventories

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

### 2.16 Trade, bills and other receivables

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

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

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

### 2.17 Cash and cash equivalents, restricted cash and short-term bank deposits

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

### 2.18 Share capital

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

### 2.19 Trade, bills and other payables

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

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

### 2.20 Borrowings and borrowing costs

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

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

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

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

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

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

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

### 2.21 Current and deferred income tax

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

#### (a) Current income tax

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

#### (b) Deferred income tax

##### *Inside basis differences*

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

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

##### *Outside basis differences*

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

Generally the Group is unable to control the reversal of the temporary difference for the associate or joint venture. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's or joint venture's undistributed profits is not recognised.

#### (c) Offsetting

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

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

### 2.22 Employee benefits

#### (a) Pension obligations

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

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

#### (b) Employee leave entitlements

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

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

#### (c) Share-based compensation

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

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

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

### 2.22 Employee benefits *(continued)*

#### (c) Share-based compensation *(continued)*

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

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

### 2.23 Provisions

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

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

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

### 2.24 Revenue and other income recognition

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

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

#### (a) Revenue from sales of goods

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

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

### 2.24 Revenue and other income recognition *(continued)*

**(b) Interest income**

Interest income is recognised using the effective interest method.

**(c) Other income from sales of electricity**

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

**(d) Other income from rendering of transportation service**

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

### 2.25 Leases (as the lessee for operating leases)

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

### 2.26 Government grants

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

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

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

### 2.27 Dividend distribution

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

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

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

##### (a) Foreign exchange risk

The Group mainly operates in mainland China, Hong Kong, Macau and Vietnam and is exposed to foreign exchange risk arising from various currency exposures, primary with respect to the United States Dollars ("US\$"), Euros ("EURO") and Hong Kong Dollars ("HK\$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the Group's foreign exchange risks, foreign currency borrowings, currency structured instruments and other appropriate financial instruments may be used to hedge material exposure. At 30 June 2016, if RMB had weakened/strengthened by 5.0% against US\$, EURO and HK\$, with all other variables held constant, post-tax profit for the year ended 30 June 2016 would have been RMB616,595,000 lower/higher (2015: RMB836,279,000) and other reserves would have been RMB166,000 lower/higher (2015: RMB2,972,000 lower/higher), respectively, mainly as a result of unrealised foreign exchange losses/gains on translation of foreign currency-denominated financial instruments (including cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and derivative financial instruments) into the functional currency of the group entities and the translation of financial statements of the Group's foreign operations into the Group's presentation currency.

##### (b) Interest rate risk

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

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

At 30 June 2016, if interest rates on borrowings had been 25 basis point higher/lower with all other variables held constant, post-tax profit for the year would have been RMB39,724,000 lower/higher (2015: RMB45,237,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.1 Financial risk factors *(continued)*

##### (c) Credit risk

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

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

The table below shows the cash at banks of the major counterparties with external credit ratings as at 30 June 2016.

*Counterparties with external credit rating (Note)*

	<b>30 June 2016</b>	30 June 2015
	<b>RMB'000</b>	RMB'000
Aa1	<b>20,152</b>	26,344
Aa3	<b>161,197</b>	226,433
A1	<b>5,668,053</b>	3,643,130
A2	<b>2,763,326</b>	1,381,494
A3	<b>90,296</b>	104,160
Baa1	<b>1,231,915</b>	685,334
Baa2	<b>150,836</b>	43,054
others	<b>1,241,963</b>	1,785,758
	<b>11,327,738</b>	7,895,707

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

Credit risk related to receivables (including trade receivables, bills receivables and other receivables) is the risk that the receivables cannot be collected on the due date. Management reviews its receivables for objective evidence of impairment. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered as objective evidence that a receivable is impaired. In determining this, management makes judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect on the market and economic environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded as an expense. Specifically for the Group's trade receivables, the Group has policies in place to ensure that sales of goods are made to customers with a good credit history and the Group performs periodic credit evaluations of its customers based on assessment of ageing of trade receivables, repayment history, the customers' financial position and other factors. The Group's bills receivables are issued by banks with good reputation. The Group's other receivables are deposits or receivables arose from normal operations, which based on management's assessment, the credit risk is not significant. Management does not expect any losses from non-performance of the debtors as at 30 June 2016.



### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.1 Financial risk factors *(continued)*

##### (d) Liquidity risk

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

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 30 June 2016</b>				
Borrowings (including interests) (Note)	12,831,405	8,250,041	13,182,450	—
Trade, bills and other payables	4,889,697	—	—	—
Financial guarantee contracts provided to a joint venture	39,504	—	—	—
<b>At 30 June 2015</b>				
Borrowings (including interests) (Note)	13,008,728	11,109,952	9,279,289	18,115
Trade, bills and other payables	4,769,765	34,529	—	—
Financial guarantee contracts provided to a joint venture	40,004	—	—	—

Note: Interest on borrowings is calculated on borrowings held as at 30 June 2016 and 2015, respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2016 and 2015, respectively.

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.2 Capital risk management

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

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

The gearing ratio is calculated as follows:

	<b>30 June 2016</b> RMB'000	30 June 2015 RMB'000
Total borrowings (Note 16)	<b>32,845,276</b>	31,990,509
Less: cash and cash equivalents, restricted cash and short-term bank deposits	<b>(11,330,112)</b>	(7,897,557)
Net debt	<b>21,515,164</b>	24,092,952
Total equity	<b>26,420,861</b>	25,525,529
Gearing ratio	<b>81.4%</b>	94.4%

The decrease in gearing ratio during the year ended 30 June 2016 was mainly resulted in the decrease in net debt during the year.

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Derivative financial instruments of the Group are measured at fair value in level 2 as at 30 June 2016 (2015: same). These derivative financial instruments are not traded in an active market (for example, over-the counter derivatives), so their fair value is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. All significant inputs required to fair value the instruments are observable, so the instrument is included in level 2.

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

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

#### (a) Useful lives of plant and machinery

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

Should the actual useful lives of the paper manufacturing plant and machinery be 10% shorter/longer from management's estimate, the carrying amount of the plant and machinery as at 30 June 2016 would be RMB992,199,000 lower (2015: RMB839,405,000) or RMB811,799,000 higher (2015: RMB686,787,000).

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

##### (b) 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.

##### (c) Income taxes

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. Significant judgement is also required in determining the tax rate that would be applicable when related temporary difference that gives rise to deferred income tax are recycled for those group entities currently entitling preferential tax rate. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

#### 5. SEGMENT INFORMATION

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

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

The Group is domiciled in the PRC. The revenue from external customers attributable to the PRC for the year ended 30 June 2016 is RMB29,859,611,000 (2015: RMB27,807,607,000), and the total of its revenue from external customers from other countries is RMB2,233,159,000 (2015: RMB2,284,939,000). The breakdown of the major products of the total sales is disclosed in Note 19.

As at 30 June 2016, the total of non-current assets other than deferred income tax assets located in the PRC is RMB46,238,133,000 (2015: RMB46,643,520,000), and the total of these non-current assets located in other countries is RMB502,987,000 (2015: RMB155,508,000).

## 6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles, transportation, and logistics equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 July 2014</b>						
Cost	7,912,639	42,229,968	773,339	828,132	2,826,169	54,570,247
Accumulated depreciation	(1,831,195)	(6,434,758)	(353,383)	(351,715)	—	(8,971,051)
Net book amount	6,081,444	35,795,210	419,956	476,417	2,826,169	45,599,196
<b>Year ended 30 June 2015</b>						
Opening net book amount	6,081,444	35,795,210	419,956	476,417	2,826,169	45,599,196
Additions	6,355	55,978	36,131	63,563	1,363,151	1,525,178
Transfer	214,996	2,678,740	38,064	—	(2,931,800)	—
Disposals (Note 27)	(7,834)	(47,226)	(3,067)	(5,125)	—	(63,252)
Disposal of a subsidiary	(39,372)	(110,419)	(728)	(4,205)	(91,181)	(245,905)
Depreciation (Notes 21 and (b))	(334,274)	(1,311,984)	(82,989)	(70,069)	—	(1,799,316)
Exchange differences	(904)	(3,624)	(23)	(155)	(334)	(5,040)
Closing net book amount	5,920,411	37,056,675	407,344	460,426	1,166,005	45,010,861
<b>At 30 June 2015</b>						
Cost	8,066,943	44,611,326	833,514	827,026	1,166,005	55,504,814
Accumulated depreciation	(2,146,532)	(7,554,651)	(426,170)	(366,600)	—	(10,493,953)
Net book amount	5,920,411	37,056,675	407,344	460,426	1,166,005	45,010,861
<b>Year ended 30 June 2016</b>						
Opening net book amount	5,920,411	37,056,675	407,344	460,426	1,166,005	45,010,861
Additions	—	107,762	29,640	80,567	1,596,029	1,813,998
Transfer	339,404	907,236	59,049	—	(1,305,689)	—
Disposals (Note 27)	(5,863)	(33,548)	(3,776)	(2,960)	—	(46,147)
Depreciation (Notes 21 and (b))	(343,702)	(1,419,994)	(83,572)	(76,621)	—	(1,923,889)
Exchange differences	1,205	2,017	11	51	2,714	5,998
Closing net book amount	5,911,455	36,620,148	408,696	461,463	1,459,059	44,860,821
<b>At 30 June 2016</b>						
Cost	8,386,437	45,549,942	909,541	852,054	1,459,059	57,157,033
Accumulated depreciation	(2,474,982)	(8,929,794)	(500,845)	(390,591)	—	(12,296,212)
Net book amount	5,911,455	36,620,148	408,696	461,463	1,459,059	44,860,821

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

- (a) Certain property, plant and equipment of the Group with carrying values of approximately RMB1,106,747,000 as at 30 June 2016 (2015: RMB1,163,166,000) had been pledged for the borrowings of the Group (Note 16).
- (b) Depreciation was expensed in the following category in the consolidated income statement:

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
Cost of goods sold	1,668,062	1,571,093
Administrative expenses	186,147	161,620
Selling and marketing costs	65,940	62,949
Other expenses	3,740	3,654
	<b>1,923,889</b>	1,799,316

## 7. LAND USE RIGHTS

	RMB'000
<b>At 1 July 2014</b>	
Cost	1,741,897
Accumulated amortisation	(262,123)
Net book amount	<u>1,479,774</u>
<b>Year ended 30 June 2015</b>	
Opening net book amount	1,479,774
Additions	69,298
Disposal of a subsidiary	(41,918)
Amortisation (Note 21)	(33,771)
Exchange differences	(984)
Closing net book amount	<u>1,472,399</u>
<b>At 30 June 2015</b>	
Cost	1,769,277
Accumulated amortisation	(296,878)
Net book amount	<u>1,472,399</u>
<b>Year ended 30 June 2016</b>	
Opening net book amount	<b>1,472,399</b>
Additions	<b>83,989</b>
Amortisation (Note 21)	<b>(36,045)</b>
Exchange differences	<b>1,422</b>
Closing net book amount	<u><b>1,521,765</b></u>
<b>At 30 June 2016</b>	
Cost	<b>1,853,266</b>
Accumulated amortisation	<b>(331,501)</b>
Net book amount	<u><b>1,521,765</b></u>

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

Amortisation of RMB36,045,000 (2015: RMB33,771,000) is included in the "cost of goods sold" of the consolidated income statement.

As at 30 June 2016, the Group is in the process of applying the title certificates for certain of its land use rights with an aggregate carrying value of RMB58,582,000 (2015: RMB59,525,000). However, the directors of the Company are of the opinion that substantially all risks and rewards of these land use rights have already been transferred to the Group.

## 8. INTANGIBLE ASSETS

	Goodwill	Trademark	Patent	Customer relationship	Computer software	Sea area use right	Total
	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 July 2014</b>							
Cost	221,830	56,566	4,524	30,709	11,016	—	324,645
Accumulated amortisation and impairment	(75,136)	—	(3,396)	(18,426)	(4,442)	—	(101,400)
Net book amount	146,694	56,566	1,128	12,283	6,574	—	223,245
<b>Year ended 30 June 2015</b>							
Opening net book amount	146,694	56,566	1,128	12,283	6,574	—	223,245
Additions	—	—	—	—	—	33,728	33,728
Amortisation (Notes 21 and (a))	—	—	(566)	(3,071)	(1,441)	(367)	(5,445)
Closing net book amount	146,694	56,566	562	9,212	5,133	33,361	251,528
<b>At 30 June 2015</b>							
Cost	221,830	56,566	4,524	30,709	11,016	33,728	358,373
Accumulated amortisation and impairment	(75,136)	—	(3,962)	(21,497)	(5,883)	(367)	(106,845)
Net book amount	146,694	56,566	562	9,212	5,133	33,361	251,528
<b>Year ended 30 June 2016</b>							
Opening net book amount	146,694	56,566	562	9,212	5,133	33,361	251,528
Amortisation (Notes 21 and (a))	—	—	(562)	(3,071)	(1,319)	(1,301)	(6,253)
Closing net book amount	146,694	56,566	—	6,141	3,814	32,060	245,275
<b>At 30 June 2016</b>							
Cost	221,830	56,566	4,524	30,709	11,016	33,728	358,373
Accumulated amortisation and impairment	(75,136)	—	(4,524)	(24,568)	(7,202)	(1,668)	(113,098)
Net book amount	146,694	56,566	—	6,141	3,814	32,060	245,275



## 8. INTANGIBLE ASSETS *(continued)*

(a) Amortisation of RMB4,952,000 and RMB1,301,000 (2015: RMB5,078,000 and RMB367,000) are charged to the "administrative expenses" and capitalised in "property, plant and equipment", respectively.

### (b) Impairment test for goodwill

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

Key assumptions used for value-in-use calculations:

	30 June 2016	30 June 2015
Gross margin (Note (i))	17%	16%
Long-term growth rate (Note (ii))	1%	1%
Discount rate (Note (iii))	14%	13%

Note:

- (i) Management determined budgeted gross margin based on past performance and its expectations for the market development.
- (ii) The long-term growth rate used does not exceed the long-term growth rate for the paper manufacturing industry and is used to extrapolate cash flows beyond the budget period.
- (iii) The discount rate used is pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the business.

For the year ended 30 June 2016, management of the Group was of the view there was no impairment of goodwill (2015: nil).

As at 30 June 2016, if the budgeted gross margin applied to the cash flow projections had been 5% lower, or if a long-term growth rate of 0% was applied in the value-in-use calculation, or if the discount rate applied in the value-in-use calculation had been 5% higher, with other variables held at constant, no impairment will be required.

## 8. INTANGIBLE ASSETS *(continued)*

### (c) Impairment test for trademark

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

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

	30 June 2016	30 June 2015
Royalty rate (Note (i))	2%	2%
Long-term growth rate (Note (ii))	2%	2%
Discount rate (Note (iii))	12%	12%

Note:

- (i) Royalty rate is determined based on management's estimate and knowledge about the business.
- (ii) The long-term growth rate used does not exceed the long-term growth rate for the paper manufacturing industry and is used to extrapolate cash flows beyond the budget period.
- (iii) The discount rate used is pre-tax discount rate applied to the cash flow projections and reflect specific risks relating to the business.

For the year ended 30 June 2016, management of the Group was of the view there was no impairment of trademark (2015: nil).

As at 30 June 2016, 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, no material impairment will be required.

## 9. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2016:

	Place of incorporation	Principal activities/ place of operation	Issued and fully paid share capital/paid-in capital	Attributable equity interest held
<b>Directly held:</b>				
Nine Dragons Paper (BVI) Group Limited ("NDP (BVI)")	British Virgin Islands (the "BVI"), limited liability company	Investment holdings/BVI	US\$10,000	100%
<b>Indirectly held:</b>				
Nine Dragons Worldwide Investment Limited	Hong Kong, limited liability company	Investment holdings/HK	HK\$1	100%
Nine Dragons (China) Investment Co., Ltd. <sup>2</sup>	PRC, limited liability company	Investment holdings/ PRC	US\$2,163,760,693	100%
Dongguan Nine Dragons Paper Industries Co., Ltd. <sup>1</sup> (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$833,181,000	99.9%
Nine Dragons Paper Industries (Taicang) Co., Ltd. <sup>1</sup> (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$450,720,000	99.5%
Nine Dragons Paper Industries (Chongqing) Co., Ltd. <sup>1</sup> (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$390,200,080	99.9%
Nine Dragons Paper Industries (Tianjin) Co., Ltd. <sup>1</sup> (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$503,940,000	99.9%
Nine Dragons Paper Industries (Quanzhou) Co., Ltd. <sup>2</sup>	PRC, limited liability company	Manufacture of paper/ PRC	US\$126,700,000	100%
Nine Dragons Pulp And Paper (Leshan) Co., Ltd. <sup>1</sup> (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$462,210,000	99.9%
Nine Dragons Paper Industries (Shenyang) Co. Ltd. <sup>1</sup>	PRC, limited liability company	Manufacture of paper/ PRC	US\$150,000,000	100%
Hebei Yongxin Paper Co., Ltd. <sup>1</sup> ("Hebei Yongxin") (Note (a))	PRC, limited liability company	Manufacture of paper/ PRC	US\$68,995,000	99.99% (2015: 98.13%)
Cheng Yang Paper Mill Co., Ltd. (Note (a))	Vietnam, limited liability company	Manufacture of paper/ Vietnam	US\$100,000,000	67%

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

Kind of legal entities:

1 Sino-foreign equity joint venture enterprise

2 Wholly foreign-owned enterprise

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

## 10. INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

	Associate	Joint venture	Total
	RMB'000	RMB'000	RMB'000
<b>At 1 July 2014</b>	34,116	18,623	52,739
Addition of investment cost	—	20,940	20,940
Share of profit/(loss)	39,923	(436)	39,487
Dividends received	(48,926)	—	(48,926)
<b>At 30 June 2015</b>	25,113	39,127	64,240
<b>At 1 July 2015</b>	<b>25,113</b>	<b>39,127</b>	<b>64,240</b>
Share of profit/(loss)	<b>44,976</b>	<b>(2,546)</b>	<b>42,430</b>
Dividends received	<b>(40,708)</b>	—	<b>(40,708)</b>
Exchange differences	—	<b>(203)</b>	<b>(203)</b>
<b>At 30 June 2016</b>	<b>29,381</b>	<b>36,378</b>	<b>65,759</b>

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

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

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

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
The Group's share of the associate's:		
Profit before income tax	59,967	53,231
Profit for the year	44,976	39,923
Other comprehensive income for the year	—	—
Total comprehensive income for the year	44,976	39,923

## 10. INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE *(continued)*

(c) Particulars of the Group's joint venture are set out below.

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

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

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
The Group's share of the Joint Venture's:		
Loss before income tax	(2,546)	(436)
Loss for the year	(2,546)	(436)
Other comprehensive income for the year	(203)	—
Total comprehensive income for the year	(2,749)	(436)

## 11. INVENTORIES

	30 June 2016 RMB'000	30 June 2015 RMB'000
At cost:		
Raw materials	2,592,540	2,559,339
Finished goods	1,012,980	993,906
	<b>3,605,520</b>	<b>3,553,245</b>

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB26,231,444,000 for the year end 30 June 2016 (2015: RMB25,376,141,000).

## 12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2016 RMB'000	30 June 2015 RMB'000
Trade receivables		
— third parties	1,994,747	2,067,618
— related parties (Note 29(d))	30,499	27,297
	<b>2,025,246</b>	2,094,915
Bills receivable		
— third parties	2,542,278	3,245,858
— related parties (Note 29(d))	30,151	10,715
	<b>2,572,429</b>	3,256,573
	<b>4,597,675</b>	5,351,488
Value-added tax recoverable	412,422	776,620
Other receivables and deposits		
— third parties	207,899	209,876
— related parties (Note 29(d))	44,656	38,404
	<b>252,555</b>	248,280
Prepayments		
— third parties	337,172	372,698
Less: other receivables included in non-current assets	(47,500)	—
	<b>954,649</b>	1,397,598

- (a) As at 30 June 2016, the fair value of trade, bills and other receivables approximate their carrying amounts due to their short-term maturities.

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

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

As at 30 June 2016, the ageing analysis of trade receivables based on invoice date is as follows:

	<b>30 June 2016</b> RMB'000	30 June 2015 RMB'000
0–30 days	<b>1,669,939</b>	1,615,272
31–60 days	<b>338,020</b>	453,508
61–90 days	<b>14,244</b>	11,195
Over 90 days	<b>3,043</b>	14,940
	<b>2,025,246</b>	2,094,915

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

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

Trade receivables are analysed below:

	<b>30 June 2016</b> RMB'000	30 June 2015 RMB'000
Fully performing under credit term (Note (i))	<b>1,985,168</b>	2,003,222
Past due but not impaired (Note (ii))	<b>40,078</b>	91,693
Total trade receivables	<b>2,025,246</b>	2,094,915

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

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

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

	<b>30 June 2016</b> RMB'000	30 June 2015 RMB'000
0-30 days	<b>13,063</b>	20,658
31-60 days	<b>22,169</b>	57,507
61-90 days	<b>3,216</b>	763
Over 90 days	<b>1,630</b>	12,765
	<b>40,078</b>	91,693

- (d) Bills receivables issued by banks are mainly with maturity period of 90 to 180 days (2015: 90 to 180 days).
- (e) The carrying amounts of trade, bills and other receivables and deposits are denominated in the following currencies:

	<b>30 June 2016</b> RMB'000	30 June 2015 RMB'000
RMB	<b>4,641,084</b>	5,378,199
HK\$	<b>155,479</b>	154,084
Others	<b>53,667</b>	67,485
	<b>4,850,230</b>	5,599,768

- (f) The maximum exposure to credit risk is the carrying amount of trade, bills and other receivables and deposits. The Group does not hold any collateral as security.
- (g) Prepayments mainly represent advance to suppliers for purchase of raw materials.
- (h) During the year ended 30 June 2016, the Group has written off other receivables of RMB69,988,000 (2015: nil).



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

	30 June 2016 RMB'000	30 June 2015 RMB'000
Cash and cash equivalents		
– Cash in hand	2,374	1,850
– Cash at banks (Note (c))	11,000,096	7,308,990
	<b>11,002,470</b>	7,310,840
Short-term bank deposits (Note (d))	<b>274,008</b>	563,617
	<b>11,276,478</b>	7,874,457
Cash and cash equivalents and short-term bank deposits denominated in:		
– RMB	9,563,243	6,525,886
– US\$	803,665	867,419
– HK\$	490,791	121,596
– EURO	366,583	277,850
– Others	52,196	81,706
	<b>11,276,478</b>	7,874,457

- (a) As at 30 June 2016, the maximum exposure to credit risk is the carrying amount of cash at banks and short-term bank deposits of RMB11,274,104,000 (2015: RMB7,872,607,000).
- (b) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated cash and cash equivalents and short-term bank deposits out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.
- (c) Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 30 June 2016, the weighted average effective interest rate of these deposits was 0.58% (2015: 0.53%).
- (d) Short-term bank deposits earn interest of 2.26% per annum (2015: 2.78% per annum).

## 14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK\$'000	RMB'000	RMB'000	RMB'000
Issued and fully paid					
<b>Year ended 30 June 2015</b>					
At 1 July 2014 and 30 June 2015	4,666,220,811	466,622	478,272	8,730,315	9,208,587
<b>Year ended 30 June 2016</b>					
At 1 July 2015 and 30 June 2016	<b>4,666,220,811</b>	<b>466,622</b>	<b>478,272</b>	<b>8,730,315</b>	<b>9,208,587</b>

## 15. OTHER RESERVES

	Contributed surplus RMB'000 (Note (a))	Capital reserve RMB'000	Share option reserve RMB'000 (Note (b))	Statutory reserve and enterprise expansion fund RMB'000 (Note (c))	Currency translation reserve RMB'000	Cash flow hedge reserve RMB'000	Total RMB'000
<b>At 1 July 2014</b>	660,542	98,980	18,729	458,083	(61,950)	294	1,174,678
Share options granted to directors and employees	—	—	239	—	—	—	239
Acquisition of additional interests in subsidiaries	—	121,771	—	—	—	—	121,771
Disposal of a subsidiary	—	—	—	(50,250)	—	—	(50,250)
Currency translation differences	—	—	—	—	(5,785)	—	(5,785)
Cash flow hedges:							
— Fair value losses	—	—	—	—	—	(6,287)	(6,287)
— Amounts set off the impact of hedged items that affected the consolidated income statement	—	—	—	—	—	5,993	5,993
<b>At 30 June 2015</b>	<b>660,542</b>	<b>220,751</b>	<b>18,968</b>	<b>407,833</b>	<b>(67,735)</b>	<b>—</b>	<b>1,240,359</b>

## 15. OTHER RESERVES *(continued)*

	Contributed surplus RMB'000 (Note (a))	Capital reserve RMB'000	Share option reserve RMB'000 (Note (b))	Statutory reserve and enterprise expansion fund RMB'000 (Note (c))	Currency translation reserve RMB'000	Total RMB'000
<b>At 1 July 2015</b>	<b>660,542</b>	<b>220,751</b>	<b>18,968</b>	<b>407,833</b>	<b>(67,735)</b>	<b>1,240,359</b>
Share options granted to directors and employees	—	—	21,130	—	—	21,130
Acquisition of additional interests in a subsidiary	—	10,705	—	—	—	10,705
Appropriation to statutory reserve and enterprise expansion fund	—	—	—	30,377	—	30,377
Currency translation differences	—	—	—	—	20,538	20,538
<b>At 30 June 2016</b>	<b>660,542</b>	<b>231,456</b>	<b>40,098</b>	<b>438,210</b>	<b>(47,197)</b>	<b>1,323,109</b>

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

### (b) Share options reserve

Share options are granted to directors and to selected employees. Options are conditional on the directors and employees completing 0.5 to 4.5 years' service (the vesting period). The options are exercisable starting 0.5 to 5 years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

**15. OTHER RESERVES** *(continued)***(b) Share options reserve** *(continued)*

Details of the share options are as follows:

Grant date	Exercise price in HK\$ per share	Exercisable period	Number of share options			As at 30 June 2016
			As at 1 July 2015	Granted	Expired	
13 July 2010	10.80	13 July 2011 to 12 July 2015	300,000	—	(300,000)	—
30 September 2015	4.134	1 April 2016 to 29 September 2018	—	8,000,000	—	8,000,000
29 February 2016	5.19	1 September 2016 to 28 February 2019	—	18,000,000	—	18,000,000
			300,000	26,000,000	(300,000)	26,000,000

Out of the 26,000,000 outstanding options (30 June 2015: 300,000), 8,000,000 options were exercisable as of 30 June 2016 (2015: 300,000).

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

Grant date	Risk-free rate	Expected dividend yield	Expected volatility of the market price of the share	Fair value (approximately)
				HK\$'000
13 July 2010	1.500%	Per annum 1.000%	80%	2,000,000
30 September 2015	0.637%	Per annum 2.700%	42%	7,800,000
29 February 2016	0.745%	Per annum 1.800%	46%	26,606,000

**(c) Statutory reserve and enterprise expansion fund**

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

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

## 16. BORROWINGS

	30 June 2016 RMB'000	30 June 2015 RMB'000
Non-current		
– Long-term bank and other borrowings	<b>20,453,784</b>	19,404,981
– Medium-term notes	<b>398,600</b>	397,400
	<b>20,852,384</b>	19,802,381
Current		
– Short-term bank borrowings	<b>10,674,355</b>	9,260,988
– Current portion of long-term bank and other borrowings	<b>1,318,537</b>	1,529,065
– Current portion of medium-term notes	–	1,098,075
– Short-term commercial papers	–	300,000
	<b>11,992,892</b>	12,188,128
	<b>32,845,276</b>	31,990,509

- (a) As at 30 June 2016, borrowings of RMB426,018,000 (2015: RMB598,455,000) are secured by certain property, plant and equipment (Note 6) of the Group; borrowings of RMB28,914,145,000 (2015: RMB26,138,049,000) are guaranteed by the Company; and borrowings of RMB359,433,000 (2015: RMB73,363,000) are guaranteed by the Company and secured by restricted cash.
- (b) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	30 June 2016 RMB'000	30 June 2015 RMB'000
6 months or less	<b>23,711,227</b>	24,825,438
6–12 months	<b>4,039,065</b>	3,967,111
1–5 years	<b>5,094,984</b>	3,197,960
	<b>32,845,276</b>	31,990,509

**16. BORROWINGS** *(continued)*

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

	30 June 2016		
	Bank and other borrowings RMB'000	Medium-term notes RMB'000	Total RMB'000
Within 1 year	11,992,892	—	11,992,892
Between 1 and 2 years	7,340,269	398,600	7,738,869
Between 2 and 5 years	13,113,515	—	13,113,515
	<b>32,446,676</b>	<b>398,600</b>	<b>32,845,276</b>

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

(d) The effective interest rates of borrowings as at 30 June 2016 are as follows:

	30 June 2016		
	RMB	US\$	Euro
Long-term bank and other borrowings	4.28%	3.27%	1.54%
Short-term bank borrowings	4.12%	1.76%	1.21%
Medium-term notes	7.56%	—	—

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

**16. BORROWINGS** *(continued)*

- (e) The carrying amounts of current borrowings approximate their fair values due to their short-term maturities.

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date, which are categorised as level 2 fair value measurement. As the Group's non-current borrowings are mainly carried at floating rates, as at 30 June 2016 and 2015, the carrying amounts of non-current borrowings approximate their fair values.

- (f) The carrying amounts of all the Group's borrowings as at 30 June 2016 are denominated in the following currencies:

	<b>30 June 2016</b> <b>RMB'000</b>	30 June 2015 RMB'000
RMB	<b>19,300,874</b>	8,337,526
EURO	<b>10,881,695</b>	4,488,638
US\$	<b>2,662,707</b>	18,165,265
HK\$	—	999,080
	<b>32,845,276</b>	31,990,509

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

	<b>30 June 2016</b> <b>RMB'000</b>	30 June 2015 RMB'000
At floating rates:		
— expiring within one year	<b>29,333,822</b>	31,034,208
— expiring beyond one year	<b>2,134,539</b>	1,995,915
	<b>31,468,361</b>	33,030,123

## 17. DEFERRED INCOME TAX

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted at 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 taxation authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	<b>30 June 2016</b> RMB'000	30 June 2015 RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	<b>(15,884)</b>	(6,750)
Deferred income tax liabilities:		
— to be recovered within 12 months	<b>8,186</b>	4,096
— to be recovered after more than 12 months	<b>2,168,150</b>	1,908,215
	<b>2,176,336</b>	1,912,311
Deferred tax liabilities, net	<b>2,160,452</b>	1,905,561

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

	<b>For the year ended 30 June</b>	
	<b>2016</b> RMB'000	2015 RMB'000
Beginning of the year	<b>1,905,561</b>	1,604,045
Charged to the consolidated income statement (Note 24)	<b>254,741</b>	301,547
Exchange differences	<b>150</b>	(31)
End of the year	<b>2,160,452</b>	1,905,561



**17. DEFERRED INCOME TAX** *(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**

	<b>Accelerated tax depreciation</b>
	RMB'000
At 1 July 2014	1,761,425
Charged to the consolidated income statement	253,600
Exchange differences	(31)
At 30 June 2015	2,014,994
At 1 July 2015	<b>2,014,994</b>
Charged to the consolidated income statement	<b>263,035</b>
Exchange differences	<b>150</b>
At 30 June 2016	<b>2,278,179</b>

**Deferred income tax assets**

	<b>Tax losses</b>	<b>Others</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
At 1 July 2014	(121,309)	(36,071)	(157,380)
Charged to the consolidated income statement	42,733	5,214	47,947
At 30 June 2015	(78,576)	(30,857)	(109,433)
At 1 July 2015	<b>(78,576)</b>	<b>(30,857)</b>	<b>(109,433)</b>
Charged/(credited) to the consolidated income statement	<b>9,563</b>	<b>(17,857)</b>	<b>(8,294)</b>
At 30 June 2016	<b>(69,013)</b>	<b>(48,714)</b>	<b>(117,727)</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 RMB631,543,000 (2015: approximately RMB1,084,202,000) have not been provided for in these consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Group's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

## 18. TRADE, BILLS AND OTHER PAYABLES AND DEPOSITS RECEIVED

	30 June 2016 RMB'000	30 June 2015 RMB'000
Trade payables		
— third parties	<b>856,920</b>	1,219,181
— related parties (Note 29(d))	<b>173,309</b>	534,325
	<b>1,030,229</b>	1,753,506
Bills payable		
— third parties	<b>2,837,735</b>	2,210,143
— related parties (Note 29(d))	<b>230,000</b>	—
	<b>3,067,735</b>	2,210,143
	<b>4,097,964</b>	3,963,649
Deposits from customers		
— third parties	<b>365,928</b>	273,754
Other payables		
— third parties	<b>870,492</b>	882,641
— related parties (Note 29(d))	<b>3,178</b>	—
	<b>873,670</b>	882,641
Staff welfare benefits payable	<b>75,631</b>	59,558
Less: other payables included in non-current liabilities	—	(34,529)
	<b>1,315,229</b>	1,181,424

**18. TRADE, BILLS AND OTHER PAYABLES AND DEPOSITS RECEIVED** *(continued)*

(a) The ageing analysis of trade payables based on invoice date as at 30 June 2016 is as follows:

	<b>30 June 2016</b> RMB'000	30 June 2015 RMB'000
0–90 days	<b>1,010,871</b>	1,711,432
91–180 days	<b>7,070</b>	14,516
181–365 days	<b>7,001</b>	4,983
Over 365 days	<b>5,287</b>	22,575
	<b>1,030,229</b>	1,753,506

(b) Bills payables are mainly with maturity period of 90 to 180 days (2015: same).

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

**19. SALES**

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

	<b>For the year ended 30 June</b>	
	<b>2016</b> RMB'000	2015 RMB'000
Sales of packaging paper	<b>30,006,173</b>	27,877,646
Sales of recycled printing and writing paper	<b>1,851,945</b>	1,970,147
Sales of high value specialty board products	<b>234,652</b>	222,577
Sales of pulp	—	22,176
	<b>32,092,770</b>	30,092,546

**20. OTHER INCOME/(EXPENSES) AND OTHER LOSSES – NET**

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
Other income		
– value added tax (“VAT”) refund (Note(a))	<b>423,977</b>	14,986
– subsidy income	<b>129,297</b>	133,793
– sales of electricity	<b>72,437</b>	44,808
– income from transportation services	<b>98,053</b>	121,986
Other expenses		
– cost of sales of electricity	<b>(35,695)</b>	(24,564)
– cost of transportation services	<b>(87,146)</b>	(107,994)
Other losses – net	<b>(9,969)</b>	(28,371)
	<b>590,954</b>	154,644

- (a) Effective from 1 July 2015, pursuant to the preferential VAT policies collectively issued by the Ministry of Finance and the PRC State Administration of Taxation, the Group’s VAT paid in relation to the production and sales of paper products using the recycle paper as raw materials was eligible for 50% of refund.

**21. EXPENSES BY NATURE**

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

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
Depreciation (Note 6)	<b>1,923,889</b>	1,799,316
Less: amount charged to other expenses	<b>(3,740)</b>	(3,654)
	<b>1,920,149</b>	1,795,662
Amortisation of intangible assets (Note 8)	<b>4,952</b>	5,078
Employee benefit expenses (Note 22)	<b>1,347,452</b>	1,231,937
Raw materials and consumables used (net of claims)	<b>23,251,542</b>	22,089,574
Changes in finished goods	<b>(19,074)</b>	698,926
Repairs and maintenance expenses	<b>586,854</b>	424,351
Transportation expenses	<b>178,985</b>	165,637
Operating leases		
– Land use rights (Note 7)	<b>36,045</b>	33,771
– Buildings	<b>2,476</b>	1,315
Auditor’s remuneration	<b>8,100</b>	7,500
Non-deductible value-added tax for indirect export sales	<b>73,198</b>	82,976
Others	<b>624,381</b>	436,304
	<b>28,015,060</b>	26,973,031

## 22. EMPLOYEE BENEFIT EXPENSES

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
Wages and salaries	1,102,270	1,042,939
Share options granted to directors and employees (Notes 15)	21,130	239
Allowances and benefits	224,052	188,759
	<b>1,347,452</b>	<b>1,231,937</b>

### (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	
	2016 RMB'000	2015 RMB'000
Gross scheme contributions	81,203	70,887

### (b) Directors' and senior management's emoluments

The remuneration of each of the director and chief executive officer of the Company for the year ended 30 June 2016 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	Total RMB'000
						RMB'000	
<i>Executive directors</i>							
Ms. Cheung Yan	4,600	1,840	—	—	3,723	—	10,163
Mr. Liu Ming Chung (i)	4,370	1,610	—	—	3,723	—	9,703
Mr. Zhang Cheng Fei	4,141	1,610	—	—	3,723	—	9,474
Mr. Zhang Yuan Fu	831	—	3,152	—	—	15	3,998
Mr. Lau Chun Shun	1,147	344	940	—	3,723	15	6,169
<i>Independent non-executive directors</i>							
Ms. Tam Wai Chu, Maria	439	—	—	102	—	—	541
Dr. Cheng Chi Pang (ii)	295	—	—	133	—	—	428
Mr. Lam Yiu Kin (iii)	146	—	—	—	—	—	146
Mr. Ng Leung Sing	439	—	—	102	—	—	541
	<b>16,408</b>	<b>5,404</b>	<b>4,092</b>	<b>337</b>	<b>14,892</b>	<b>30</b>	<b>41,163</b>

## 22. EMPLOYEE BENEFIT EXPENSES *(continued)*

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

The remuneration of each of the directors and chief executive officer of the Company for the year ended 30 June 2015 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
<i>Executive directors</i>							
Ms. Cheung Yan	4,600	1,840	—	—	—	—	6,440
Mr. Liu Ming Chung (i)	4,370	1,610	—	—	—	—	5,980
Mr. Zhang Cheng Fei	4,818	932	—	—	—	—	5,750
Mr. Zhang Yuan Fu	793	—	3,382	—	—	14	4,189
Mr. Lau Chun Shun	883	109	1,009	—	97	14	2,112
<i>Independent non-executive directors</i>							
Ms. Tam Wai Chu, Maria	419	—	—	68	—	—	487
Dr. Cheng Chi Pang (ii)	419	—	—	68	—	—	487
Mr. Wang Hong Bo (iv)	160	—	—	—	—	—	160
Mr. Fok Kwong Man (v)	419	—	—	68	—	—	487
Mr. Ng Leung Sing	419	—	—	68	—	—	487
	17,300	4,491	4,391	272	97	28	26,579

#### Notes

- (i) Mr. Liu Ming Chung is also the chief executive officer of the Group.
- (ii) Resigned on 3 March 2016.
- (iii) Appointed on 3 March 2016.
- (iv) Resigned on 3 March 2015.
- (v) Passed away on 18 June 2015.

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

**22. EMPLOYEE BENEFIT EXPENSES** *(continued)***(c) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2016 include five (2015: four) directors whose emoluments are reflected in the analysis presented above.

**23. FINANCE INCOME AND FINANCE COSTS**

	<b>For the year ended 30 June</b>	
	<b>2016</b> <b>RMB'000</b>	<b>2015</b> <b>RMB'000</b>
Finance income:		
Interest income from bank deposits	<b>138,740</b>	130,164
Finance costs:		
Interest on borrowings	<b>(986,079)</b>	(1,234,975)
Other incidental borrowing costs	<b>(212,149)</b>	(201,916)
Less: interest capitalised	<b>18,622</b>	48,612
	<b>(1,179,606)</b>	(1,388,279)
Bills discount charge	<b>(127,940)</b>	(121,543)
Loss on currency and interest rate swap contracts and foreign exchange option contracts	<b>(102,764)</b>	(5,987)
Cash flow hedge reserve released	<b>—</b>	(5,993)
	<b>(1,410,310)</b>	(1,521,802)

The capitalisation interest rate applied to funds borrowed generally and used for the development of construction in progress is 3.66% for the year ended 30 June 2016 (2015: 4.42%).

## 24. INCOME TAX EXPENSE

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
Current income tax		
— PRC corporate income tax and withholding income tax (Note (a) and (b))	263,313	197,637
— Hong Kong profits tax (Note (c))	—	—
	263,313	197,637
Deferred income tax (Note 17)	254,741	301,547
	518,054	499,184

### (a) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except that certain of these subsidiaries are entitled to preferential rate of 15% for the Group's financial year ended 30 June 2016 (2015: 15%).

### (b) PRC withholding income tax

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The applicable withholding income tax rate of the intermediate holding company of the Company's PRC subsidiaries for the year ended 30 June 2016 was 5% (2015:10%).

### (c) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group did not have any assessable profits for the year ended 30 June 2016 (2015: Nil).



**24. INCOME TAX EXPENSE** *(continued)*

- (d) 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:

	<b>For the year ended 30 June</b>	
	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Profit before income tax	<b>1,667,433</b>	1,955,473
Tax calculated at applicable tax rates of the respective companies	<b>455,201</b>	481,987
Effect of preferential tax rates	<b>(162,739)</b>	(66,302)
Tax losses for which no deferred income tax asset was recognised	<b>14,590</b>	27,801
Expenses not deductible	<b>230,229</b>	58,869
Effect of change in the estimated applicable tax rates for temporary difference to be recycled in the foreseeable future	<b>(18,672)</b>	—
Utilisation of previously unrecognised tax losses	<b>(555)</b>	(3,171)
Income tax expense	<b>518,054</b>	499,184

The weighted average applicable tax rate is based on tax calculated at applicable tax rate of the respective companies over the profit before income tax for the year ended 30 June 2016, of which is 27.3% (2015: 24.6%).

## 25. EARNINGS PER SHARE

### — Basic

	For the year ended 30 June	
	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	<b>1,121,742</b>	1,411,520
Weighted average number of ordinary shares in issue (shares in thousands)	<b>4,666,221</b>	4,666,221
Basic earnings per share (RMB per share)	<b>0.2404</b>	0.3025

### — Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options.

For the year ended 30 June 2016, a calculation is done to determine the number of shares that could have been issued at fair value (determined as the average market price per share for the year) based on the total proceeds receivable upon exercising the outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as the number of shares issued for no consideration.

	For the year ended 30 June	
	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	<b>1,121,742</b>	1,411,520
Weighted average number of ordinary shares in issue (shares in thousands)	<b>4,666,221</b>	4,666,221
Adjustment for share options (shares in thousands)	<b>1,185</b>	—
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	<b>4,667,406</b>	4,666,221
Diluted earnings per share (RMB per share)	<b>0.2403</b>	0.3025

## 26. DIVIDENDS

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
Interim dividend, paid, of RMB2.0 cents (2015: RMB2.0 cents) per ordinary share (Note (a))	93,324	93,324
Final dividend, proposed, of RMB8.0 cents (2015: RMB5.0 cents) per ordinary share (Note (b))	373,298	233,311
Special dividend, proposed, of RMB3.0 cents (2015: nil) per ordinary share (Note (b))	139,987	—
	<b>606,609</b>	326,635

- (a) An interim dividend for the six months ended 31 December 2015 of RMB2.0 cents per ordinary share, totaling approximately RMB93,324,000 (six months ended 31 December 2014: RMB93,324,000) has been approved in a meeting held by the BoD on 25 February 2016.
- (b) At a meeting held on 21 September 2016, the BoD proposed a final dividend of RMB8.0 cents and a special dividend of RMB3.0 cents per ordinary share, totaling approximately RMB11.0 cents per ordinary share. These proposed dividend are not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 30 June 2017.

A final dividend for the year ended 30 June 2015 of RMB5.0 cents per ordinary share, totaling approximately RMB233,311,000 has been declared in the Company's Annual General Meeting on 11 December 2015 and paid during the year.

## 27. NOTES OF CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Cash generated from operations

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Profit for the year</b>	<b>1,149,379</b>	1,456,289
<b>Adjustments for</b>		
Income tax expense (Note 24)	<b>518,054</b>	499,184
Depreciation (Note 6)	<b>1,923,889</b>	1,799,316
Amortisation (Notes 7 and 8)	<b>40,997</b>	38,849
Share options granted to directors and employees (Note 22)	<b>21,130</b>	239
Losses on disposal of property, plant and equipment (Note b)	<b>26,375</b>	29,621
Share of profit of an associate and a joint venture (Note 10)	<b>(42,430)</b>	(39,487)
Finance income (Note 23)	<b>(138,740)</b>	(130,164)
Finance costs (Note 23)	<b>1,410,310</b>	1,521,802
Exchange losses/(gains) on financing activities — net	<b>1,434,494</b>	(67,235)
Loss arising from disposal of a subsidiary	<b>—</b>	26,640
Exchange losses on operating activities — net	<b>337,597</b>	7,130
	<b>6,681,055</b>	5,142,184
<b>Changes in working capital</b>		
Inventories	<b>(52,275)</b>	970,094
Changes in restricted cash on operating activities	<b>—</b>	1,000
Trade, bills and other receivables, and prepayments	<b>1,141,850</b>	249,260
Trade, bills and other payables, and deposits received	<b>299,602</b>	839,118
<b>Cash generated from operations</b>	<b>8,070,232</b>	7,201,656

### (b) Proceeds from disposal of property, plant and equipment

	For the year ended 30 June	
	2016 RMB'000	2015 RMB'000
Net book value being disposed of property, plant and equipment (Note 6)	<b>46,147</b>	63,252
Losses on disposal of property, plant and equipment	<b>(26,375)</b>	(29,621)
Changes in other receivables	<b>(4,524)</b>	(11,579)
<b>Proceeds from disposal of property, plant and equipment</b>	<b>15,248</b>	22,052

## 28. COMMITMENTS

### (a) Capital commitments

The Group has material capital commitments contracted but not provided for on property, plant and equipment as follows:

	30 June 2016 RMB'000	30 June 2015 RMB'000
Not later than one year	1,871,060	799,529
Later than one year and not later than five years	85,022	81,162
	<b>1,956,082</b>	880,691

### (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 2016 RMB'000	30 June 2015 RMB'000
Not later than one year	3,560	473
Later than one year and not later than five years	5,102	1,894
Later than five years	15,965	15,194
	<b>24,627</b>	17,561

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

**29. RELATED PARTY TRANSACTIONS** *(continued)***(b) Transactions with related parties**

In addition to those disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year ended 30 June 2016. These transactions are conducted in the normal course of the Group's business:

	<b>For the year ended 30 June</b>	
	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Sales of goods:		
Taicang Packaging	<b>217,542</b>	185,153
Dongguan Honglong	<b>132,210</b>	80,392
	<b>349,752</b>	265,545
Purchase of recovered paper (net of claims):		
ACN	<b>9,013,493</b>	6,955,367
ACN Tianjin	<b>4,772,816</b>	5,784,475
Taicang Packaging	<b>18,344</b>	14,293
	<b>13,804,653</b>	12,754,135

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

**(c) Key management compensation**

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

	<b>For the year ended 30 June</b>	
	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Salaries, allowance and benefits	<b>31,323</b>	29,732
Share options	<b>3,899</b>	60
	<b>35,222</b>	29,792

**29. RELATED PARTY TRANSACTIONS** *(continued)***(d) Balances with related parties**

	<b>30 June 2016</b>	30 June 2015
	<b>RMB'000</b>	RMB'000
Balances due from:		
– Global Fame	<b>44,656</b>	34,580
– Dongguan Honglong	<b>41,582</b>	22,567
– Taicang Packaging	<b>19,068</b>	19,269
	<b>105,306</b>	76,416

The amounts are unsecured, interest free and have a credit period of 60 days (Note 29(b)).

	<b>30 June 2016</b>	30 June 2015
	<b>RMB'000</b>	RMB'000
Balances due to:		
– ACN Tianjin	<b>283,575</b>	139,114
– ACN	<b>119,734</b>	395,211
– Longen International Limited	<b>3,178</b>	–
	<b>406,487</b>	534,325

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

**(e) Provision of guarantee to the joint venture**

As at 30 June 2016, the Group has provided guarantee of RMB39,504,000 to Global Fame related to its borrowings (30 June 2015: RMB40,004,000).

**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 Yan and Mr. Liu Ming Chung, executive directors of the Company.

## 31. BALANCE SHEET OF THE COMPANY STANDING ALONE

	Note	30 June 2016 RMB'000	30 June 2015 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		97	269
Investments in subsidiaries		2,450,263	2,444,025
		<b>2,450,360</b>	2,444,294
<b>Current assets</b>			
Other receivables and prepayments		1,451	2,182
Amounts due from subsidiaries		10,627,274	11,165,984
Cash and cash equivalents		507,523	8,805
		<b>11,136,248</b>	11,176,971
<b>Total assets</b>		<b>13,586,608</b>	13,621,265
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		9,208,587	9,208,587
Other reserves	(a)	2,114,798	2,093,668
Retained earnings	(b)	1,757	303,573
<b>Total equity</b>		<b>11,325,142</b>	11,605,828
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		1,657,800	1,528,400
<b>Current liabilities</b>			
Other payables and deposits received		107,416	487,037
Borrowings		496,250	—
		<b>603,666</b>	487,037
<b>Total liabilities</b>		<b>2,261,466</b>	2,015,437
<b>Total equity and liabilities</b>		<b>13,586,608</b>	13,621,265



**31. BALANCE SHEET OF THE COMPANY STANDING ALONE** *(continued)***(a) Movement of other reserves**

	Contributed surplus	Share option reserve	Total
	RMB'000	RMB'000	RMB'000
<b>At 1 July 2014</b>	2,074,700	18,729	2,093,429
Share options granted to directors and employees	—	239	239
<b>At 30 June 2015</b>	2,074,700	18,968	2,093,668
<b>At 1 July 2015</b>	<b>2,074,700</b>	<b>18,968</b>	<b>2,093,668</b>
Share options granted to directors and employees	—	<b>21,130</b>	<b>21,130</b>
<b>At 30 June 2016</b>	<b>2,074,700</b>	<b>40,098</b>	<b>2,114,798</b>

**(b) Movement of retained earnings**

	RMB'000
<b>At 1 July 2014</b>	673,356
Profit of the year	3,514
Dividends	(373,297)
<b>At 30 June 2015</b>	303,573
<b>At 1 July 2015</b>	<b>303,573</b>
Profit of the year	<b>24,819</b>
Dividends	<b>(326,635)</b>
<b>At 30 June 2016</b>	<b>1,757</b>

## OTHER INFORMATION

### SHAREHOLDERS

As at 30 June 2016, the Group had over 3,400 non-institutional shareholders.

### FINANCIAL CALENDAR

FY2016 interim results Announcement	published on 24 February 2016
FY2016 annual results Announcement	published on 21 September 2016
Closure of register of members for determining the entitlement of the attendance of the 2016 AGM	5 December 2016 to 7 December 2016 (both dates inclusive)
2016 AGM	7 December 2016
Ex-dividend date for final dividend and special dividend	20 December 2016
Latest time to lodge transfer with the Share Registrar for entitlement of the final dividend and special dividend	4:30 p.m. on 21 December 2016
Closure of register of members for determining the entitlement of the final dividend and special dividend	22 December 2016 to 28 December 2016 (both dates inclusive)
Distribution of FY2016 final dividend and special dividend#	12 January 2017

# subject to Shareholders' approval of the final dividend and special dividend at the 2016 AGM

### ANNUAL GENERAL MEETING

The 2016 AGM will be held on Wednesday, 7 December 2016. The notice of the 2016 AGM which constitutes part of the circular to Shareholders will be sent together with this Annual Report. The notice of 2016 AGM and the proxy form will also be available on the website of HKExnews at [www.hkexnews.hk](http://www.hkexnews.hk) under Listing Company Information and the website of the Company at [www.ndpaper.com](http://www.ndpaper.com).

## SHARE INFORMATION

### Share Information as at 30 June 2016

Market capitalization:	HK\$27.5 billion
Number of issued shares:	4,666,220,811 Shares
Nominal Value:	HK\$0.1 per Share
Board Lot:	1,000 Shares

### Shares listing

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

### Dividend

Dividend per Share for the year ended 30 June 2016

— Interim Dividend:	RMB2 cents per Share
— Final Dividend:	RMB8 cents per Share
— Special Dividend:	RMB3 cents per Share

### Share registrar and transfer office

#### Principal:

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

#### Hong Kong branch:

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

### Investor relations contact

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

### Stock Code

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

### Website

[www.ndpaper.com](http://www.ndpaper.com)  
[www.irasia.com/listco/hk/ndpaper](http://www.irasia.com/listco/hk/ndpaper)

## DEFINITION

2006 Share Option Scheme	the share option scheme adopted by the Company on 12 February 2006
2016 Share Option Scheme	the share options scheme adopted by the Company on 11 December 2015
2016 AGM	Annual General Meeting to be held on 7 December 2016
ACN	America Chung Nam, Inc., a corporation established with limited liability under the laws of the State of California in the United States, is indirectly wholly owned by Ms. Cheung and Mr. Liu
Associate(s)	has the meaning ascribed to it under the Listing Rules
Best Result	Best Result Holdings Limited, a company incorporated under the laws of BVI, is a substantial shareholder of the Company
Board	the board of directors of the Company
BVI	the British Virgin Islands
Bye-laws	the bye-laws of ND Holdings
CG Code	the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules
Company or ND Holdings or ND Paper	Nine Dragons Paper (Holdings) Limited, a company which was incorporated in Bermuda on 17 August 2005 under the Companies Act 1981 as an exempt Company with limited liability
Director(s)	the director(s) of the Company or any one of them
Dongguan Longteng	Dongguan Longteng Industrial Co., Ltd. (東莞市龍騰實業有限公司), a limited liability company established in the PRC in May 2003
FY	Financial year ended/ending 30 June
Group	the Company and its subsidiaries
HKD/HK\$	Hong Kong dollars
Hong Kong or Hong Kong SAR or HKSAR	Hong Kong Special Administrative Region of the PRC
Honglong Packaging	Dongguan Honglong Packaging Co., Ltd. (東莞弘龍包裝有限公司), a company established in the PRC
INED(s)	Independent Non-executive Director(s) of ND Holdings
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange

Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
Mr. Liu	Mr. Liu Ming Chung, an executive Director, the Deputy Chairman and the Chief Executive Officer of the Company
Mr. Zhang	Mr. Zhang Cheng Fei, an executive Director and the Deputy Chief Executive Officer of the Company
Ms. Cheung	Ms. Cheung Yan, an executive Director and the Chairlady of the Company
Nantong Tenglong	Nantong Tenglong Chemical Technology Co., Ltd. (南通騰龍化工科技有限公司), a company established in the PRC
PRC	People's Republic of China
PM	a prefix referring to the Group's paper machines. For example, PM1 refers to the Group's first paper machine
RMB	Renminbi, the lawful currency of the PRC
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
Share(s)	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
Shareholder(s)	holder(s) of Shares of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
sq.ft	square feet
sq.m	square metre
Taicang Packaging	Nine Dragons Packaging (Taicang) Company Limited (玖龍包裝(太倉)有限公司), a wholly foreign owned enterprise established in the PRC on 9 April 2002
The Liu Family Trust	a trust set up Mr. Liu as the settlor and BNP Paribas Jersey Trust Corporation Limited as the trustee
Tianjin ACN	ACN (Tianjin) Resources Co., Ltd. (中南(天津)再生資源有限公司), a company established in the PRC
tpa	tonnes per annum
US\$/USD	United States dollars
Year	the twelve months ended 30 June 2016
%	per cent



This 2015/16 Annual Report ("Annual Report") (in both English and Chinese versions) has been posted on the Company's website at [www.ndpaper.com](http://www.ndpaper.com) and on the website of HKExnews at [www.hkexnews.hk](http://www.hkexnews.hk).

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

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

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

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



玖龍紙業(控股)有限公司\*

NINE DRAGONS PAPER (HOLDINGS) LIMITED