玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 2689

NO ENVIRONMENTAL MANAGEMENT NO PAPER MAKING

Annual Report 2018/2019

* For identification purposes only

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.

Contents printed on Land Dragon 100% Recycled Fiber Offset Paper

Contents

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 Chairman and Deputy Chief Executive Officer)*
Mr. Lau Chun Shun
Mr. Ken Liu *(Deputy Chairman)*
Mr. Zhang Lianpeng
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
Mr. Chen Kefu

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

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Hamilton HM 11, Bermuda

HONG KONG OFFICE

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Kowloon, Hong Kong
Tel: (852) 3929 3800
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AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

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

PRINCIPAL BANKERS

Bank of China
Bank of Communications
China Development Bank
Agricultural Bank of China
China Merchants Bank
The Export-Import Bank of China
Industrial and Commercial Bank of China
China Mincheng Bank
Postal Savings Bank of China
Industrial Bank Co., Ltd.

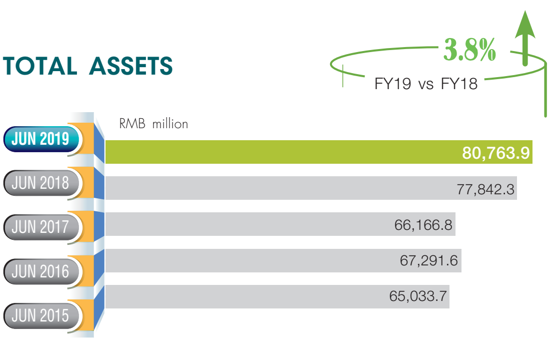
FINANCIAL HIGHLIGHTS

For the year ended 30 June	2019	2018	Change
Operating results (RMB million)			
Sales	54,647.4	52,781.8	3.5%
Gross profit	8,439.2	11,585.2	(27.2%)
Operating profit	5,789.8	10,434.7	(44.5%)
Profit before income tax	4,826.3	9,551.3	(49.5%)
Profit attributable to Company's equity holders	3,859.7	7,848.1	(50.8%)
Adjusted profit attributable to Company's equity holders[(1)]	4,024.4	7,868.8	(48.9%)
Financial position (RMB million)			
Net cash generated from operating activities	8,637.3	8,400.3	2.8%
Net debt	22,633.2	23,667.5	(4.4%)
Shareholders' funds	37,591.3	35,979.5	4.5%
Per share data (RMB cents)			
Earning per share — basic	82.5	167.9	(50.9%)
Earning per share — diluted	82.4	167.5	(50.8%)
Dividend per share			
— Interim	10.0	10.0	—
— Final	18.0	40.0	(55.0%)
Other data (RMB million)			
Capital expenditures	5,814.9	6,386.6	(9.0%)
Key ratio (%)			
Gross profit margin	15.4	21.9	(6.5) pts
Operating profit margin	10.6	19.8	(9.2) pts
Net profit margin	7.1	14.9	(7.8) pts
EBITDA/ratio	14.7	24.0	(9.3) pts
Return on capital employed	6.8	12.5	(5.7) pts

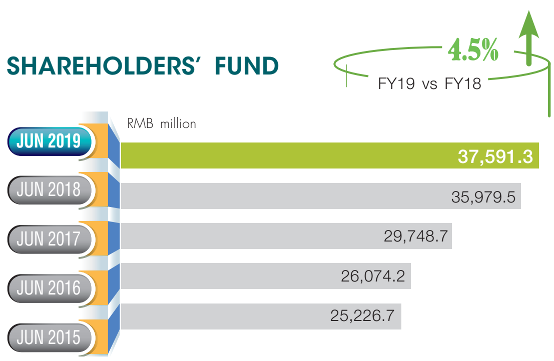
- Group revenue increased by 3.5% to approximately RMB54,647.4 million
- Profit attributable to equity holders of the Company decreased by 50.8% to approximately RMB3,859.7 million
- Adjusted profit attributable to equity holders of the Company decreased by 48.9% to approximately RMB4,024.4 million
- Net profit margin decreased 7.8 percentage points to 7.1%

Note:
(1) Adjusted profit attributable to Company's equity holders excluded the exchange losses/gains on operating and financing activities (net of tax).

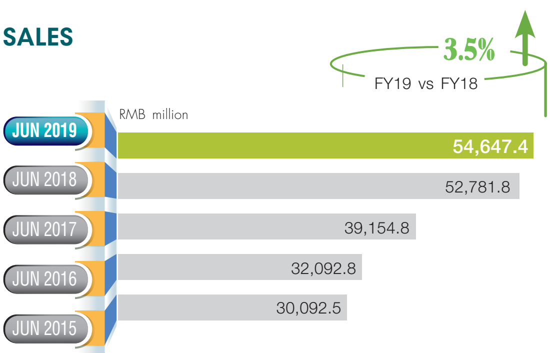
TOTAL ASSETS



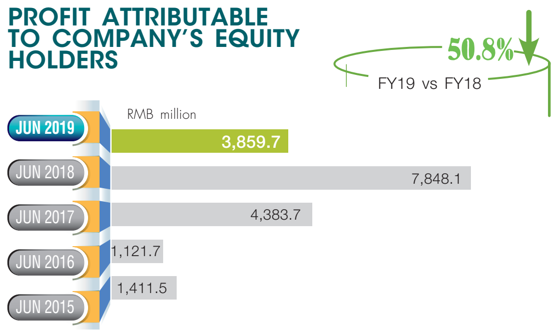
SHAREHOLDERS' FUND



SALES



PROFIT ATTRIBUTABLE TO COMPANY'S EQUITY HOLDERS



MAIN PRODUCTS

01 LINERBOARD CATEGORY

1) Kraftlinerboard

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

2) Testlinerboard

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

3) White Top Linerboard

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

4) Coated Linerboard

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

02 HIGH PERFORMANCE CORRUGATING MEDIUM

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

04 PRINTING AND WRITING PAPER CATEGORY

1) Uncoated Woodfree Paper

Uncoated woodfree paper is suitable for printing books, teaching materials, magazines, notebooks and colour pictures. The Group offers high quality uncoated woodfree paper of 50-80g/m^2. This product has passed FSC certification. The Group classifies different classes of products into Sea Dragon and Land Dragon so as to cater to the different needs of the customers.

2) Office Paper

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

05 PRODUCTS OFFERED BY U.S. MILLS

1) Printing Paper

The Group's offering of printing and writing papers provides a broad range of products for nearly any project. Our mills produce coated freesheet, coated groundwood and uncoated freesheet grades for a variety of end uses, including catalogs, magazines, retail flyers, and commercial printing.

2) Specialty Paper

The Group's specialty papers are inventive and adaptable, with consistent quality, superior customer service and reliability. With primary focus in label and release liner applications, the Group's Rumford Division has over 20 years of experience selling into these markets.

3) Pulp

The Group's NBSK and NBHK pulp grades are known for their consistency and functional properties.

06 PACKAGING PRODUCTS CATEGORY
(Note 1)

1) High Performance Corrugated Cardboard Products

Manufactured by Germany's advanced BHS corrugator machines, our high performance corrugated cardboard is 100% made by the Group's containerboard products. The Group produces Type A, C, B and E corrugated cardboard and double to septuple wall cardboard. Being highly tenacious and impact resistant, the products are suitable for producing high-end carton boxes and lining boards. The Group also caters to customers' needs to design and produce corrugated cardboard with special functionalities such as waterproof, moisture proof, and anti-counterfeiting, and classifies different classes of products into Nine Dragons, Sea Dragon and Land Dragon.

2) High Performance Carton Box Products

The Group produces carton boxes with 1–7 colour water based printing. The products offer high resistance to compression and impact, and clear printing effect. All raw materials meet the latest environmental requirements and are suitable for the packaging of food, electronic appliances, industrial products and logistics purposes, etc. With advanced high-speed printing presses and equipment including fully automated flatbed die-cutting, combination stitcher/gluer machines, the Group is able to meet the diverse needs of customers.

Note 1: On 25 September 2019, the Group completed the acquisition of the equity capital of the packaging companies held by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr Zhang Cheng Fei and companies controlled by them.

CHAIRLADY'S REPORT

Cheung Yan • *Chairlady*

"We expect that market consolidation of the paper manufacturing industry will be accelerated by the three major drivers namely environmental protection, raw materials and market conditions, thereby creating more room for development for the large enterprises."

Dear Shareholders,

During FY2019, the packaging paper industry in China has seen unprecedented challenges. With the trade tension between China and the U.S. remained unresolved, downstream demand has been under pressure amidst the complicated and evolving economic environment both at home and abroad. Coupled with the progressively tightening control on the import quota of recovered paper by the Chinese government, both the prices of domestic recovered paper and Renminbi experienced significant volatility.

Despite these challenges, Nine Dragons Paper's sales volume and sales both reached a record high during the Year by leveraging its leading position in the industry, a diverse range of products, prudent and timely price adjustments, as well as its full range of reliable services. With the sales volume in China and Vietnam increased to approximately 13.3 million tonnes, and the external sales volume of approximately 0.8 million tonnes contributed by the four paper and pulp mills newly acquired in the U.S., the Group's total sales volume for the Year reached approximately 14.1 million tonnes, representing a year-on-year increase of approximately 1.1 million tonnes. Total sales increased by 3.5% year-on-year to approximately RMB54,647.4 million. In addition, despite various expansion projects implemented during the Year, net gearing ratio dropped to 59.7%, the lowest level in the last decade, down by 5.6 percentage points year-on-year.

Product prices of the whole industry had been under pressure as affected by the economic weakness. As such, the Group's gross profit margin for the Year decreased to 15.4%, while profit attributable to equity holders was approximately RMB3,859.7 million. Profit attributable to equity holders was approximately RMB4,024.4 million if the exchange losses on operating and financing activities (net of tax) were excluded, representing a year-on-year decrease of 48.9%. Basic earnings per share was approximately RMB82 cents. The Board has proposed the distribution of a final dividend of RMB18.0 cents per share. Together with the interim dividend of RMB10.0 cents per share, dividend for the Year amounted to RMB28 cents per share with a dividend payout ratio of 34.0%.

As an enterprise operating in the manufacturing industry, Nine Dragons Paper's ability to expand production capacity and hence increase the benefits from economies of scale represents one of its major strengths. As at 30 June 2019, the Group's total design production capacity of pulp and paper was 15.89 million tpa. The aggregate new packaging paper production capacity of 0.95 million tpa at the Shenyang and Quanzhou bases is scheduled to commence production in the fourth quarter of 2019; while the aggregate new packaging paper production capacity of 1.1 million tpa at the Hebei and Dongguan bases is scheduled to commence production in the first quarter of 2020. In addition, we are also planning to add 0.55 million tpa of packaging paper production capacity in Malaysia in 2021. By then, the Group's total design production capacity for paper production will exceed 18 million tpa.

The extensive and diversified global procurement network of recovered paper has been Nine Dragon Paper's competitive advantage throughout these years. In order to further enhance the stability and flexibility of raw material supply upstream while ensuring the quality and increasing the competitiveness in terms of its production costs, during the Year the Group has increased the purchase of domestic recovered paper, strengthened its quality control and actively sought opportunities to expand its reserve of upstream resources. In August 2019, our pulp mill in Old Town, Maine, U.S. resumed production. The mill has a design production capacity of 0.16 million tpa of unbleached kraft pulp. In September, we successfully acquired a company in Malaysia and attained 0.48 million tpa of recycled pulp production capacity. Currently, the Group has a total design production capacity of 0.85 million tpa for pulp. In the next two years, we shall upgrade the equipment at the four existing pulp mills in the U.S. It is expected that our production capacity of recycled pulp and kraft pulp will increase by a total of 0.56 million tpa and 0.20 million tpa respectively, and the Group's total design production capacity for pulp will reach 1.61 million tpa by 2021.

In complement with its upstream integration, the Group was also expanding its downstream business to gain greater pricing power on its products. In September 2019, the Group completed the acquisition of 7 packaging factories downstream, 5 of which are in operation and engaged in the production of corrugated cardboard and carton box. It is expected that these factories will consume over 1.0 million tonnes of the Group's containerboard products every year in the future. We shall also be able to provide one-stop services to our end customers, which will strengthen the synergies and improve our product quality and pricing power, as well as enhance cost and operational efficiencies. Leveraging its strong platforms, the Group is well positioned to further expand and strengthen its downstream business.

As the saying goes, "Every cloud has a silver lining"; a time of danger is also a time of opportunity. Firstly, the central government's supply side reform and economic stimulus policies on tax and levy reduction will be favourable to the growth of the Chinese economy and boost the inelastic demand for consumer goods, which will in turn bring positive influence on the paper manufacturing industry. Moreover, the trading between China and the ASEAN, as well as the European Union countries will be beneficial to China's export to a certain extent. Furthermore, we expect that market consolidation of the paper manufacturing industry will be accelerated by the three major drivers namely environmental protection, raw materials and market conditions, thereby creating more room for development for the large enterprises.

As for the changes in raw material supply, we have already prepared for the worst. In the coming year, the Group will focus on turning challenges into opportunities to consistently provide our customers with "a piece of exemplary quality paper" by leveraging the development of upstream and downstream businesses, while at the same time maintaining our cost advantages:

1. Integrate domestic raw materials and market segments to make up for the raw material supply gap — In view of the government's increased efforts in the implementation of waste sorting to promote the recycling of domestic recovered paper, we have also strengthened our efforts in expanding the domestic purchase channels for recovered paper, and continued to explore opportunities to expand the production capacity of recycled pulp overseas with an aim to fully utilize quality imported recovered paper procured at low price as our raw materials. We believe that this two-pronged approach would help to ensure both the supply and quality of our raw materials;

2. Enrich the range of paper products to cater for the packaging needs of different segments — While striving to satisfy the needs of mid-to-high-end markets, we will also devote greater resources to the research and development, production and sales of mid-to-low-end products with good value for money so as to further increase our overall market share; and

3. Continue to maintain a healthy gearing ratio — We shall maximize our returns by adjusting the debt portfolio to maintain a balance between borrowing costs and exchange risks.

The staff of Nine Dragons Group will forge ahead with concerted efforts and get well-prepared for changes and challenges. On behalf of all members of the Board, I would like to take this opportunity to express my sincere gratitude to our stakeholders, including employees, governments at all levels, customers, investors, banks and business partners for their trust and support in Nine Dragons Paper all along.

Cheung Yan
Chairlady

Hong Kong, 24 September 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS

Review of Operations

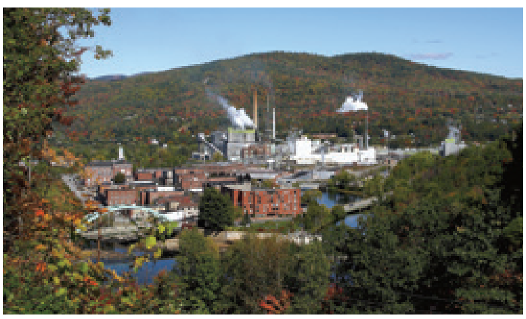
Strong financial position for the Year albeit complex and volatile operating environment

During the Year, the Chinese packaging paperboard industry operated in an extremely severe environment. The Sino-US trade war which has repeatedly escalated since mid-2018, leading to relatively conservative manufacturing industry chains, as well as slowdown in export and spending appetite of end consumers. Further tightening of the import quota of recovered paper has resulted in unpredictable price volatility of recovered paper. In addition, the fluctuation in RMB exchange rate has also brought certain impact to the paper industry.

As the lingering negative impact of the Sino-US trade disputes continued to erode the confidence of downstream customers and consumers, the product selling prices of both large and small-scale paper manufacturing businesses were generally under pressure, and the Group was no exception. As a result, profitability for the Year declined from its peak in FY2018. Nevertheless, the Group still maintained a strong financial position, with sales and sales volume for the Year reaching a new record high while debt gearing ratio decreased to its lowest level over the last decade and cash flow remained at a healthy level.

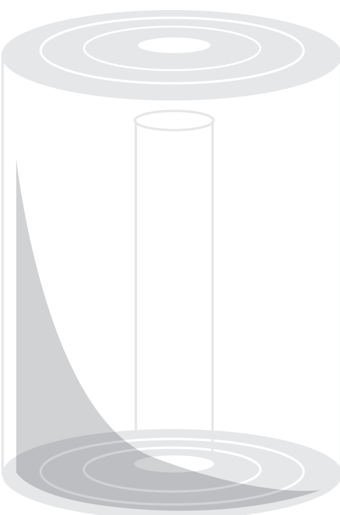
As at 30 June 2019, the Group's total design production capacity for paper and pulp worldwide amounted to 15.89 million tpa. To date, it has reached 16.37 million tpa, the breakdown of which is as follows:

Distribution by location	Design production capacity of paper (tpa)	Design production capacity of pulp (tpa)	Number of paper/pulp machines
China			
Dongguan	5,250,000	—	15
Taicang	3,030,000	—	8
Tianjin	2,150,000	—	5
Chongqing	1,900,000	—	4
Quanzhou	650,000	—	2
Shenyang	350,000	—	1
Hebei	500,000	—	2
Leshan	350,000	—	1
Vietnam	450,000	—	2
Malaysia	—	480,000	2
U.S.	890,000	373,000	8
Total	**15,520,000**	**853,000**	**50**



Breakdown by product category	Design production capacity (tpa)
Paper products	
Linerboard	8,130,000
Corrugating medium	3,400,000
Coated duplex board	2,600,000
Printing and writing paper	1,120,000
Specialty paper	270,000
	15,520,000
Pulp products	
Kraft pulp	155,000
Recycled pulp	698,000
	853,000

During the Year, the Group continued to promote innovation, research and development, as well as training in order to enhance the aspects of technology, product, environmental protection, safety and human resources management. As at 30 June 2019, the Group employed a total of approximately 18,500 full-time staff and has obtained 565 patents, while another 150 patent applications or approvals are being processed.



Business Strategy and Development Plan

Broadening of product range and expansion of paper production capacity

The Group makes timely and appropriate adjustments to its sales strategies in response to changes in the macro-environment and market demands. During the Year, while reinforcing our existing mid-to-high-end customer base, we have also promoted products with good value for money under the "River Dragon (江龍牌)" brand with a view to establishing a more diversified product mix and expanding the coverage in mid-to-low-end markets, in order to increase the overall sales volume and market share of the Group.

In terms of paper production capacity, during the Year the Group has commenced production of new production capacity of 0.55 million tpa at the Chongqing base. Currently, the Group has a design production capacity of 15.52 million tpa for paper. According to our original plan, an additional aggregate production capacity of 2.05 million tpa for linerboard would have commenced production in Shenyang, Hebei, Quanzhou and Dongguan by the third quarter of 2019. However, due to executional delays in construction, design works and commissioning tests, the progress was delayed correspondingly. Additionally, we plan to add 0.55 million tpa of linerboard capacity in Malaysia by the end of 2021. Details of the latest production commencement plan for our paper manufacturing projects are as follow:

Production base	Paper products	Design production capacity (tpa)	Expected commencement date
China			
Shenyang	Linerboard	600,000	2019Q4
Quanzhou	Linerboard	350,000	2019Q4
Hebei	Linerboard	500,000	2020Q1
Dongguan	Linerboard	600,000	2020Q1
Malaysia	Linerboard	550,000	2021

Upon completion of all these paper manufacturing projects, the Group's total design capacity for paper production is expected to reach 18.12 million tpa by the end of 2021.

Commencing self-production of recycled pulp to diversify raw material sources

As the imposition of import quota on recovered paper has decreased raw material supply, the amount of domestic recovered paper is expected not enough to satisfy the entire market demand. The resulting supply gap in recovered paper would bring an impact to the paper manufacturing industry that should not be underestimated. Leveraging our solid corporate strengths built over the years, the Group has actively diversified the purchasing channels of domestic recovered paper and closely monitored the quality of domestic recovered paper for early preparation. Meanwhile, we have also formulated a detailed plan for the manufacturing of pulp. In particular, we expect to increase the production capacity of recycled pulp upstream with a view to gaining a better control over the stability of raw material supply as well as the quality and cost efficiencies of production.

As at 30 June 2019, the Group's aggregate design production capacity for kraft pulp and recycled pulp was 0.37 million tpa. We have carried out a series of equipment upgrade for our mill in Old Town, U.S. The mill has commenced production of unbleached softwood kraft pulp since August 2019 with a production capacity of 0.16 million tpa. The Group has acquired a company in Malaysia in September with a production capacity of 0.48 million tpa of recycled pulp. Currently, the Group has a total design production capacity of 0.85 million tpa for kraft pulp and recycled pulp.

We plan to further increase the production capacity of our existing mills in the U.S. for recycled pulp by 0.56 million tpa and kraft pulp by 0.20 million tpa by the end of 2021. Details of the latest plan for our kraft pulp and recycled pulp manufacturing projects are as follow:

Production base	Pulp products	Design production capacity (tpa)	Expected commencement date
U.S.			
Biron	Recycled pulp	240,000	2020
Fairmont	Recycled pulp	60,000	2020
	Recycled pulp	60,000	2021
Rumford	Recycled pulp	200,000	2020
	Kraft pulp	80,000	2020
Old Town	Kraft pulp	115,000	2021

Upon completion of all these pulp manufacturing projects, the Group's aggregate design capacity for kraft pulp and recycled pulp production is expected to reach 1.61 million tpa by the end of 2021.

Optimizing the industry chain by downstream expansion

We believe that a vertical industry chain would help further optimize our product and cost structure. As such, in September 2019, the Group expanded its business towards the downstream industry chain through the acquisition of packaging business in the production of corrugated cardboard and carton boxes. Equipped with advanced automated equipment, the acquired packaging plants are in the proximity of the Group's paper manufacturing bases, with a total annual design production capacity of 1.0 billion sq.m. These would bring synergy to the Group in various aspects, including enhanced operating efficiency, boosting business volume and revenue, reducing operating and financial costs as well as increasing pricing power.

FINANCIAL REVIEW

Sales

The Group achieved a revenue of approximately RMB54,647.4 million for FY2019, representing an increase of approximately 3.5% as compared with FY2018. 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 85.9% of the revenue, with the remaining revenue of approximately 14.1% generated from its printing and writing paper and high value specialty paper and pulp products.

The Group's revenue for FY2019 increased by approximately 3.5% as compared with FY2018, resulting from the increase in sales volume of approximately 8.5% which was mainly contributed by the recently acquired mills in the USA. Revenue of linerboard, high performance corrugating medium, coated duplex board, printing and writing paper, and high value specialty paper and pulp products for FY2019 accounted for approximately 47.9%, 21.3%, 16.7%, 11.9% and 2.2% respectively of the total revenue, compared to 52.2%, 23.7%, 18.4%, 5.1% and 0.6% respectively in FY2018.

The Group's annual design production capacity in packaging paperboard, printing and writing paper, and high value specialty paper and pulp products of which including the four recently acquired US mills capacity as at 30 June 2019 was approximately 15.9 million tpa, comprising approximately 8.1 million tpa of linerboard, approximately 3.4 million tpa of high performance corrugating medium, approximately 2.6 million tpa of coated duplex board, approximately 1.1 million tpa of printing and writing paper and approximately 0.6 million tpa high value specialty paper and pulp products. The four US mills capacity of approximately 1.3 million tpa, including of approximately 0.9 million tpa coated one-side, coated freesheet and coated groundwood grade for printing and writing paper and specialty paper products; and of approximately 0.4 million tpa recycled pulp and kraft pulp products.

The Group's sales volume reached approximately 14.1 million tonnes, increased by 8.5% as compared with 13.0 million tonnes in FY2018. The increase in sales volume was driven by approximately 0.2 million tonnes, 0.1 million tonnes and 0.8 million tonnes increase in China business, Vietnam business and the newly acquired US business respectively.

The sales volume of linerboard, high performance corrugating medium and printing and writing paper for FY2019 increased by approximately 5.3%, 2.0% and 130.2% respectively, while the coated duplex board for FY2019 decreased by approximately 3.1% as compared with those in FY2018 after accounted to the recently acquired US operations, mainly contributed by the Rumford and Biron mills. At the same time, these recently acquired mills also market kraft and recycled pulp into the US market for FY2019.

The majority of the Group's sales continued to be realised from the China market, in particular from the linerboard and high performance corrugating medium sectors. For FY2019, revenue related to China consumption represented 88.8% of the Group's total revenue, while the remaining revenue of 9.3% and 1.9% represented sales made to the markets in the US and Vietnam respectively.

For FY2019, sales to the Group's top five customers in aggregate accounted for approximately 4.9% (FY2018: 4.4%) of the Group's total revenue, with that to the single largest customer accounted for approximately 1.4% (FY2018: 1.1%).

Gross profit and Gross profit margin

The gross profit for FY2019 was approximately RMB8,439.2 million, a decrease of approximately RMB3,146.0 million or 27.2% as compared with RMB11,585.2 million in FY2018. The gross profit margin decreased from 21.9% in FY2018 to approximately 15.4% in FY2019, mainly due to the decrease in the selling price of the products for the year impacted by the escalating trade tension between China and the USA.

Selling and marketing costs

Selling and marketing costs increased by approximately 40.3% from RMB1,115.1 million in FY2018 to approximately RMB1,564.2 million in FY2019 which was mainly contributed by the recently acquired mills in the USA. The total amount of selling and distribution costs as a percentage of the Group's revenue increased from 2.1% in FY2018 to approximately 2.9% in FY2019. The increase was mainly attributable to the recently acquired mills in the USA which has different distribution channels as compared to the PRC. If the selling and marketing costs of US operations of approximately RMB552.2 million were excluded, the total amount of selling and distribution costs as a percentage of the Group's revenue excluding US revenue, remained relatively stable at approximately 2.0% in FY2019 as compared to 2.1% in FY2018.

Administrative expenses

Administrative expenses increased by approximately 39.0% from RMB1,226.5 million in FY2018 to approximately RMB1,705.2 million in FY2019 which was mainly contributed by factors including (i) additional management and administrative costs of approximately RMB217.6 million related to the newly acquired mills in the USA; (ii) additional management and administrative costs incurred to support the coming launch new machines in various bases; and (iii) increase the scale of research and development related expenses. As a percentage of Group's revenue, the administrative expenses increased from 2.3% in FY2018 to approximately 3.1% in FY2019.

Operating profit

The operating profit for FY2019 was approximately RMB5,789.8 million, representing a decrease of approximately RMB4,644.9 million or 44.5% over FY2018. The operating profit margin decreased from 19.8% in FY2018 to approximately 10.6% in FY2019 mainly due to the decrease in gross profit margin of the Group.

Finance costs

The finance costs for FY2019 increased by approximately 4.1% from RMB1,024.3 million in FY2018 to approximately RMB1,066.6 million in FY2019. The increase in finance cost was mainly contributed by the hike of interest rate in FY2019 even though the total borrowings of RMB32,712.2 million in FY2018 decreased to approximately RMB31,002.2 million in FY2019. The increase of interest on borrowings of approximately RMB140.3 million and the increase of bills discount charge of approximately RMB49.9 million were partially offset by the increase of interest capitalised of approximately RMB138.3 million in FY2019 as compared with FY2018.

Exchange losses on operating and financing activities — net

The exchange losses on operating and financing activities before tax for FY2019 in aggregation amounted to approximately RMB174.5 million (represented by exchange losses on operating activities and financing activities before tax of approximately RMB82.9 million and RMB91.6 million respectively), increased by approximately RMB165.3 million from RMB9.2 million in FY2018.

The aggregated exchange losses on operating and financing activities net of tax amounted to approximately RMB164.7 million in FY2019 as compared to RMB20.7 million in FY2018.

Income tax expense

Income tax charged for the FY2019 amounted to approximately RMB944.5 million and decreased by approximately 44.1% or RMB745.5 million as compared with FY2018 mainly due to the decrease in profit before tax.

The Group's effective tax rate (income tax expense divided by profit before income tax for the Year) was approximately 19.6% in FY2019 as compared to 17.7% in FY2018.

Net profit

The profit attributable to equity holders of the Company decreased from RMB7,848.1 million in FY2018 to approximately RMB3,859.7 million in FY2019. If the exchange losses on operating and financing activities (net of tax) of approximately RMB164.7 million were excluded, the profit attributable to equity holders of the Company for FY2019 decreased by approximately 48.9%, to approximately RMB4,024.4 million due to decrease in the selling price of the products and decrease in profit margin.

In FY2018, the profit attributable to equity holders of the Company was RMB7,868.8 million if the exchange losses on operating and financing activities (net of tax) amounted to RMB20.7 million were excluded.

Dividend

In FY2019, the Group paid an interim dividend of RMB10.0 cents per share, which amounted to RMB467.4 million. The directors have proposed a final dividend of RMB18.0 cents per share, which will aggregate to approximately RMB844.6 million. The total dividend for the FY2019 amounted to RMB28.0 cents per share (RMB50.0 per share in FY2018). The dividend pay out ratio was approximately 34.0% in FY2019 (29.8% in FY2018).

Working capital

The inventories increased by approximately 13.7% to approximately RMB7,609.1 million in FY2019 from RMB6,691.1 million in FY2018. Inventories mainly comprise raw materials (mainly recovered paper, coal and spare parts) of approximately RMB3,723.8 million and finished goods of approximately RMB3,885.3 million.

The raw materials increased by approximately 2.9% to approximately RMB3,723.8 million in FY2019 from RMB3,619.3 million in FY2018. The finished goods increased by approximately 26.5% to approximately RMB3,885.3 million in FY2019 from RMB3,071.8 million in FY2018. The increase in raw materials and finished goods balance was mainly due to the Group's annual design production capacity increased by 0.9 million tpa in FY2019.

In FY2019, raw material (excluding spare parts) turnover days remained relatively stable at approximately 24 days as compared to 25 days for FY2018 while the finished goods turnover days increased to approximately 31 days as compared to 27 days for FY2018.

Trade and bills receivables were approximately RMB3,984.3 million in FY2019, decreased by approximately 33.6% from RMB5,998.3 million in FY2018. During FY2019, the turnover days of trade receivables were approximately 19 days which was within the credit terms granted by the Group to its customers.

Trade and bills payables were approximately RMB5,585.5 million in FY2019, increased by approximately 76.1% from RMB3,172.7 million in FY2018. The turnover days of trade and bills payable were approximately 44 days for FY2019 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 FY2019 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 remained relatively stable of approximately RMB10,750.5 million in FY2019. The decrease of cash generated from profit for the year were offset by the changes in the working capital in particular the increase in trade, bills and other payables and the decrease in trade, bills and other receivables. In terms of available financial resources as at 30 June 2019, the Group had total undrawn banking facilities of approximately RMB52,184.6 million and cash and cash equivalents of approximately RMB8,186.4 million.

As at 30 June 2019, the shareholders' funds were approximately RMB37,901.5 million, an increase of approximately RMB1,635.9 million from that of FY2018. The shareholders' fund per share increased from RMB7.8 in FY2018 to approximately RMB8.1 in FY2019.

Debts Management

The Group's outstanding borrowings decreased by approximately RMB1,710.0 million from RMB32,712.2 million as at 30 June 2018 to approximately RMB31,002.2 million as at 30 June 2019. The short-term and long-term borrowings amounted to approximately RMB14,382.0 million and RMB16,620.2 million respectively, accounting for 46.4% and 53.6% of the total borrowings respectively. As at 30 June 2019, about 99.8% of the Group's debts were on unsecured basis.

The net debt to total equity ratio of the Group decreased from 65.3% as at 30 June 2018 to approximately 59.7% as at 30 June 2019. 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 2019, total foreign currency borrowings amounted to the equivalent of approximately RMB14,818.5 million and loans denominated in RMB amounted to approximately RMB16,183.7 million, representing approximately 47.8% and 52.2% of the Group's borrowings respectively.

Cost of borrowing

The effective interest rates of long-term borrowings and short-term borrowings were 3.6% and 3.4% per annum as at 30 June 2019 and 3.4% and 3.3% per annum as at 30 June 2018. The gross interest and finance charges (including interest capitalised but before interest income and exchange losses on financing activities) increased to approximately RMB1,340.9 million in FY2019 from RMB1,160.2 million in FY2018.

Capital expenditures

The Group's payments for the construction of factory buildings, purchase of plants, machineries and equipments during FY2019 were approximately RMB5,814.9 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 RMB2,055.4 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 FY2019, the Group had no material contingent liabilities.

THE GROUP IN THE LAST FIVE YEARS

In millions of RMB

	For the year ended 30 June				
Consolidated Income Statements	**2019**	**2018**	**2017**	**2016**	**2015**
Sales	54,647.4	52,781.8	39,154.8	32,092.8	30,092.5
Cost of goods sold	(46,208.2)	(41,196.6)	(31,178.5)	(26,231.5)	(25,376.1)
Gross profit	8,439.2	11,585.2	7,976.3	5,861.3	4,716.4
Other income/(expenses) and other (losses)/gains, net	702.9	1,101.7	681.6	591.0	154.5
Exchange (losses)/gains on operating activities, net	(82.9)	89.4	(117.0)	(337.6)	(7.1)
Loss arising from disposal of a subsidiary	—	—	—	—	(26.6)
Selling and marketing costs	(1,564.2)	(1,115.1)	(837.9)	(736.0)	(679.1)
Administrative expenses	(1,705.2)	(1,226.5)	(1,142.3)	(1,047.6)	(917.7)
Operating profit	5,789.8	10,434.7	6,560.7	4,331.1	3,240.4
Finance income	135.4	102.9	106.7	138.7	130.2
Finance costs	(1,066.6)	(1,024.3)	(1,066.0)	(1,410.3)	(1,521.8)
Exchange (losses)/gains on financing activities, net	(91.6)	(98.6)	(282.6)	(1,434.5)	67.2
Share of results of an associate and a joint venture	59.3	136.6	116.2	42.4	39.5
Profit before income tax	4,826.3	9,551.3	5,435.0	1,667.4	1,955.5
Income tax expense	(944.5)	(1,690.0)	(1,025.4)	(518.0)	(499.2)
Profit for the year	3,881.8	7,861.3	4,409.6	1,149.4	1,456.3
Profit attributable to:					
— Equity holders of the Company	3,859.7	7,848.1	4,383.7	1,121.7	1,411.5
— Non-controlling interests	22.1	13.2	25.9	27.7	44.8

	For the year ended 30 June				
Information of Cash Flows	**2019**	**2018**	**2017**	**2016**	**2015**
Net cash generated from operating activities	8,637.3	8,400.3	3,513.3	6,460.5	5,606.4
Net cash used in investing activities	(5,845.0)	(7,375.8)	(3,166.4)	(1,360.6)	(2,187.9)
Net cash (used in)/generated from financing activities	(3,684.1)	1,582.8	(4,844.0)	(1,497.5)	(4,007.4)
Net (decrease)/increase in cash and cash equivalents	(891.8)	2,607.3	(4,497.1)	3,602.4	(588.9)

In millions of RMB

Consolidated Assets, Liabilities and Equity	As at 30 June				
	2019	2018	2017	2016	2015
Total assets	80,763.9	77,842.3	66,166.8	67,291.6	65,033.7
Inventories	7,609.0	6,691.1	4,679.1	3,605.5	3,553.2
Trade and bills receivables	3,984.3	5,998.3	5,399.2	4,597.7	5,351.5
Other receivables and prepayments	3,348.8	2,979.7	1,220.7	954.6	1,397.6
Financial assets at fair value through profit or loss	60.6	—	—	—	—
Tax recoverable	23.7	10.0	50.1	46.7	28.0
Short-term bank deposits	26.1	—	10.8	274.0	563.6
Cash and cash equivalents and restricted cash	8,343.0	9,044.7	6,496.8	11,056.1	7,334.0
Total current assets	23,395.5	24,723.8	17,856.7	20,534.6	18,227.9
Property, plant and equipment	55,318.0	51,121.4	46,415.1	44,860.8	45,010.9
Land use rights	1,579.0	1,483.0	1,520.8	1,521.8	1,472.4
Intangible assets	271.1	231.4	230.7	245.3	251.5
Investments in associate and joint venture	89.7	176.2	119.8	65.8	64.2
Deferred income tax assets	89.6	85.2	2.4	15.9	6.8
Other receivables and prepayments	21.0	21.3	21.3	47.4	—
Total non-current assets	57,368.4	53,118.5	48,310.1	46,757.0	46,805.8
Total liabilities	42,862.4	41,576.7	36,082.0	40,870.8	39,508.2
Trade and bills payables	5,585.5	3,172.7	2,291.2	4,098.0	3,963.6
Other payables and advance from customers	—	2,122.2	1,842.7	1,315.2	1,181.5
Other payables and contract liabilities	2,509.9	—	—	—	—
Current income tax liabilities	470.2	706.2	565.8	434.9	423.2
Borrowings	14,382.0	18,141.1	12,116.1	11,992.9	12,188.1
Derivative financial instruments	—	—	—	1.1	2.5
Total current liabilities	22,947.6	24,142.2	16,815.8	17,842.1	17,758.9
Borrowings	16,620.3	14,571.1	16,833.0	20,852.4	19,802.4
Deferred income tax liabilities	3,188.0	2,772.6	2,433.2	2,176.3	1,912.3
Other payables	106.5	90.8	—	—	34.6
Total non-current liabilities	19,914.8	17,434.5	19,266.2	23,028.7	21,749.3
Capital and reserves attributable to equity holders of the Company	37,591.3	35,979.5	29,748.7	26,074.2	25,226.7
Non-controlling interests	310.2	286.1	336.1	346.6	298.8

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PRINCIPLES

Scope

Established in 1995, the Group is a world-renowned modernized group engaged in recovered paper-based environmentally-friendly paper making. Its revenue is mainly generated from the production and sales of a broad variety of quality packaging paper products, including linerboard (kraftlinerboard, testlinerboard, white top linerboard and coated linerboard), high performance corrugating medium, coated duplex board, recycled printing and writing paper (including uncoated woodfree paper, copy paper, coated and uncoated freesheet etc.), specialty paper and pulp. Adhering to the philosophy of "No Environmental Management, No Paper Making", the Group uses recyclable paper as its raw materials, committing itself to environmental protection, energy conservation and emission reduction.

The disclosure in the Environmental, Social and Governance Report (the "Report") for FY2019 covers the sustainable development initiatives and performance of the eight production bases of the Group in mainland China (namely Dongguan, Taicang, Chongqing, Tianjin, Quanzhou, Shenyang, Leshan and Hebei bases) and one base in Vietnam during the period from 1 July 2018 to 30 June 2019 (the "Year").

"No Environmental Management No Paper Making"

As the acquisitions of the Group's four mills in the United States weren't completed until June, October and November 2018, respectively, the data of the four mills are not disclosed in the Report because such data cannot reflect their full-year operations. Neither does the Report cover the data on the downstream packaging factories, the acquisition of which was completed in September 2019, nor the Malaysia factory which commenced operation in September 2019. We will cover the relevant full-year data in our future reports.

Reference Guideline

The Group has been disclosing its performance regarding environment, health and safety, human resources, corporate governance and social responsibility annually since FY2014. The preparation of the Report was with reference to the ESG Reporting Guide in Appendix 27 of the Main Board Listing Rules. The Report has complied with the "comply or explain" provisions under the ESG Reporting Guide.

Working Group

The Board of the Group and its five Board Committees (Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee) regularly monitor and review the Company's overall strategy, risk management, financial position, corporate governance and sustainability initiatives, etc.

The data and information in the Report was derived from the Group's internal documents, records and statistics. The Group's Environmental Protection & Energy Saving Department, Human Resources Department, Information Technology Department, General Management Department, Finance Department, Public Relations Department and Investor Relations Department have formed an inter-department working group to be responsible for the collection, statistics and consolidation of the data and information disclosed in the Report.

Stakeholders' Opinions

The Group values the opinions and respects the sustainable relationship with each of our stakeholders including business partners, suppliers, customers, clients, investors, regulators, employees and communities. We welcome any feedback on the Report via email (ir@ndpaper.com). The opinions and information provided by you will be kept confidential and will not be disclosed to any third party.

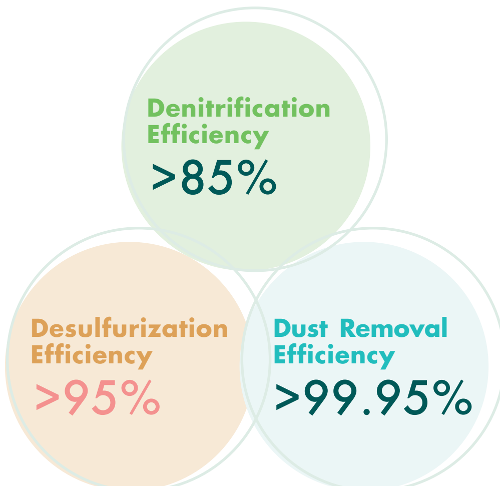
ENVIRONMENT

Adhering to the philosophy of "No Environmental Management, No Paper Making", the Group advocates the recycled economic development model of "Reduce, Reuse and Resource". We not only use recyclable paper as its raw materials, but also continuously step up the efforts on environmental protection by implementing various environmental protection regulations and introducing environmental protection facilities in different production stages so as to ensure our various emission and energy consumption indices outperform government standards.

EMISSIONS

Upholding the principle of green development, energy conservation and emission reduction, the Group monitors its emission in strict compliance with regulations such as "Air Pollution Prevention and Control Law of the People's Republic of China" (《中華人民共和國大氣污染防治法》), "Emission Standard of Air Pollutants for Thermal Power Plants" (《火電廠大氣污染物排放標準》), "Water Pollution Prevention and Control Law of the People's Republic of China" (《中華人民共和國水污染防治法》), "Discharge Standard of Water Pollutants for Pulp and Paper Industry" (《製漿造紙工業水污染物排放標準》) and "Law on the Prevention and Control of Environmental Pollution By Solid Waste of the People's Republic of China" (《中華人民共和國固體廢物污染環境防治法》). The Group has well-established emission monitoring and management system, including 24-hour online monitoring, or commissions third party institutions with China Metrology Accreditation (CMA) to regularly collect data for statistical analysis.

Internationally Leading Gas Treatment Facilities and Enclosed Coal Storage Domes



Each of the production bases of the Group has its own heat and electricity boiler to provide steam and electricity for production lines. Currently, coal serves as its major energy source. The adoption of circulating fluidized bed boilers enables reduction in nitrogen oxide at source. For the treatment of exhaust gas, the Group adopts 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. 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 of over 99.95%. This reduces the generation and emission of pollutants in the flue gas, ensuring various indicators of flue gas outperforming the relevant national emission standards.

Since 2016, the Group has been gradually adding and upgrading ultra-clean facilities, such as the adoption of the latest wet electrostatic precipitating technology to the boilers in an active approach, so as to further reduce dust emission. Currently the Group has met the national standard of ultra-low emission (with the size of dust smaller than 10mg/m^3), thus effectively improving the quality of the environment.

The Group is the pioneer in the industry in constructing 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.

During the Year, each emission indicator of the Group's emissions and greenhouse gases outperformed national or regional standards. The recently upgraded desulfurization, denitrification and dust removal facilities for higher emission standards resulted in a year-on-year decrease of 6.2%, 15.5% and 16.7% in SO_2 intensity, NOx intensity and dust intensity, respectively. The total greenhouse gas emission and intensity also recorded a year-on-year decrease of 0.9% and 3.9%, respectively.

Type of emission	FY2019	FY2018	Change
Sulfur dioxide (SO_2) (tonnes/ten thousand tonnes of paper)	**1.06**	1.13	–6.2%
Nitrogen oxides (NOx) (tonnes/ten thousand tonnes of paper)	**3.21**	3.80	–15.5%
Dust (tonnes/ten thousand tonnes of paper)	**0.20**	0.24	–16.7%

Greenhouse gas emission	FY2019	FY2018	Change
Total emission (tonnes in CO_2 equivalent)	**12,839,410**	12,956,288	–0.9%
Intensity (tonnes in CO_2 equivalent/ten thousand tonnes of paper)	**9,339**	9,722	–3.9%

Sulfur dioxide (SO_2)
1.06
(tonnes/ten thousand tonnes of paper)
▼6.2%

Nitrogen oxides (NOx)
3.21
(tonnes/ten thousand tonnes of paper)
▼15.5%

Dust
0.20
(tonnes/ten thousand tonnes of paper)
▼16.7%

Total greenhouse gas emission
12,839,410
(tonnes in CO_2 equivalent)
▼0.9%

Greenhouse gas intensity
9,339
(tonnes in CO_2 equivalent/ten thousand tonnes of paper)
▼3.9%

Advanced Wastewater Treatment Facilities

The Group adopts internationally leading production technologies for paper making to control the volume of wastewater generated at source. Each of the production lines is installed with an advanced water recycling system which can effectively reduce a large amount of wastewater generated and discharged.

At the end of the wastewater treatment process, we adopt a four-stage water treatment process (physical +IC anaerobic + aerobic + Fenton advanced treatment), such that our processed wastewater outperforms the industrial standard, the "Discharge Standard of Water Pollutants for Pulp and Paper Industry" (《製漿造紙工業水污染物排放標準》) (GB3544–2008) and the discharge standards of regions where our production bases are located. A large amount of methane produced during the anaerobic biological treatment of wastewater is transmitted to the boiler for heat and electricity generation as a clean energy after biological desulfurization.

During the Year, despite the Group's consumption of domestic recovered paper increased due to the fact that China narrowed the quota of imported recovered paper, various indicators of the Group's discharged water outperformed national or regional standards and even with improvements. Among these, intensity of chemical oxygen demand (COD) and suspended solids (SS) decreased by 1.7% and 1.5% on a year-on-year basis respectively, demonstrating the Group's efficiency and capability in waste water treatment. Besides, the denitrification facilities newly added in the Year enabled an effective year-on-year decrease of 4.5% and 6.9% in ammonia nitrogen intensity and total nitrogen intensity, respectively.

Discharged water indicators	FY2019	FY2018	Change
Chemical oxygen demand (COD) (tonnes/ten thousand tonnes of paper)	**2.92**	2.97	–1.7%
Ammonia nitrogen (tonnes/ten thousand tonnes of paper)	**0.105**	0.11	–4.5%
Suspended solids (SS) (tonnes/ten thousand tonnes of paper)	**0.67**	0.68	–1.5%
Total nitrogen (tonnes/ten thousand tonnes of paper)	**0.54**	0.58	–6.9%
Chromaticity (times)	**9.67**	9.88	–2.1%
Biological oxygen demand (BOD) (mg/L)	**10.98**	11.12	–1.3%
pH value	**6.82**	6.91	–1.3%

Chemical oxygen demand (COD)
2.92 (tonnes/ten thousand tonnes of paper)
▼1.7%

Ammonia nitrogen
0.105 (tonnes/ten thousand tonnes of paper)
▼4.5%

Suspended solids (SS)
0.67 (tonnes/ten thousand tonnes of paper)
▼1.5%

Total nitrogen
0.54 (tonnes/ten thousand tonnes of paper)
▼6.9%

Chromaticity
9.67 (times)
▼2.1%

Biological oxygen demand (BOD)
10.98 (mg/L)
▼1.3%

pH value
6.82
▼1.3%

Solid Waste Disposal

The hazardous wastes and non-hazardous wastes generated by the Group should be in compliance with the "Solid Waste Pollution Prevention and Control Law of the People's Republic of China" (《中華人民共和國固體廢物污染環境防治法》). For hazardous wastes, we carry out standardized management in strict compliance with national management requirements in relation to hazardous waste, with measures including identifying hazardous waste in our plant area in accordance with the "Directory of National Hazardous Wastes" (《危險廢物名錄》), setting up standardized warehouses in plant area for the storage of hazardous waste and commissioning qualified companies with the operating license for disposal of hazardous waste to conduct detoxification treatment.

Since as early as 2003, being the first of its kind, the Group has developed in-house environmentally friendly industrial waste incinerators and sludge drying equipment, to effectively manage its solid wastes. Advanced exhaust gas treatment facilities, bag dust removal unit and semi-dry desulfurization facilities are utilized in incinerators, while emission monitoring units have been installed to ensure real-time online monitoring of gas emission.

In order to enhance our overall utilization rate of solid wastes, we reuse all pulp wastes generated in paper manufacturing in the paper-making workshops and incinerate all solid wastes generated in paper manufacturing after selection, which can generate steam and electricity for production. The water content in sludge is less than 40%, which is an achievement from our research and development as well as continuous promotion and application of the overall utilization 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 does not only reduce secondary pollution, but also turns all dried sludge into renewable fuel, thus saving a large amount of coal and realizing recycling and zero discharge of sludge.

Water Content in Sludge
<40%

We also sell other solid wastes such as waste coal ashes in the power plants and boiler slag to qualified companies which use such wastes as construction materials.

During the Year, both hazardous wastes and non-hazardous wastes discharge by the Group outperformed national or regional standards. Due to the government's intensified management and control over the impurity rate of recovered paper from the source as well as the Group's effective control over solid wastes, despite an increase in production volume during the Year, total volume and intensity of non-hazardous wastes registered a year-on-year decrease of 11.9% and 17.0% respectively, while total volume and intensity of hazardous wastes only increased slightly and in a reasonable range.

Solid Wastes	FY2019	FY2018	Change
Total volume			
Hazardous wastes (tonnes)	**5,923**	5,709	+3.7%
Non-hazardous wastes (tonnes)	**2,734,613**	3,105,235	–11.9%
Intensity			
Hazardous wastes (tonnes/ten thousand tonnes of paper)	**4.31**	4.28	+0.7%
Non-hazardous wastes (tonnes/ten thousand tonnes of paper)	**1,989**	2,397	–17.0%

USE OF RESOURCES

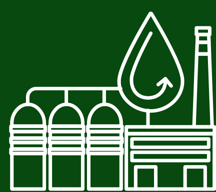
Forest in the City

"There is no waste on this planet, only misplaced resources". The Group has established its general approach to upholding scientific development, green development and using recovered paper for paper making since its establishment.

Among all raw material we used in our products, recovered paper accounted for over 95% of the total fiber, and over 14 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 recycled and reused various wastes generated during our production processes through research and development, technology upgrades as well as equipment enhancement.

Energy conservation

For energy consumption, each production base of the Group has heat and electricity boiler in place to generate electricity and steam for its production lines with coal as the major energy source. In order to reduce coal consumption, we carry out research, development and upgrade of energy-saving technologies, formulate energy-saving and upgrading plans and enhance or eliminate equipment with high energy consumption, including replacing less efficient motors with variable-frequency motors, upgrading drum pulpers and wind turbines and eliminating certain lightings and refrigerating equipment.

Utilization of solid waste	Methane Collection and Treatment System	Energy Saving Measures in Offices
		
• Development of in-house environmentally-friendly industrial waste incinerators since as early as 2003, being the first of its kind • Utilizing harmless waste generated from paper production, namely light slag and dewatered sludge of sewage treatment plants as resources, which significantly reduces waste discharge while lowering coal consumption and reducing the emission of greenhouse gases such as carbon dioxide • Heat and electricity generated from incineration of solid substances is utilized for paper production	• Continuous technological upgrades since 2008, including the introduction of methane desulfurization devices • Methane generated from sewage treatment plants is incinerated for electricity and heat supply to substitute for some coal • Standard coal of 60,000 tonnes can be reduced per annum upon commencement of operation	• Energy-saving lights are used and lights of different zones are controlled with individual switches • Air-conditioning is constantly set at over 26 degree Celsius • Lights and computers are turned off during rest hours or long breaks of the staff

During the Year, each of the Group's energy consumption indices outperformed national or regional standards. Affected by the increase in the Group's production volume with new production capacities for commissioning work, total energy consumption increased slightly with a reasonable fluctuation in intensity.

Energy	FY2019	FY2018	Change
Total consumption			
Coal (tonnes of standard coal)	**4,329,977**	4,155,007	+4.2%
Steam (tonnes)	**22,130,897**	21,876,827	+1.2%
Electricity (kWh)	**8,525,442,867**	8,315,875,619	+2.5%
Intensity			
Coal (tonnes of standard coal/tonnes of paper)	**0.315**	0.313	+0.6%
Steam (tonnes/tonnes of paper)	**1.61**	1.64	–1.8%
Electricity (kWh/tonnes of paper)	**620**	624	–0.6%

Steam
1.61
(tonnes/tonnes of paper)
▼1.8%

Electricity
620
(kWh/tonnes of paper)
▼0.6%

Water Conservation

The Group attaches great importance to water resources and has devoted itself into the enhancement of water recycling rate during the production process. Each of our paper machines is installed with an advanced water recycling system to reuse the processed wastewater at the source of production, so as to reduce water resources consumption.

During the Year, the Group improved the utilization rate of the water recycling system and continued to increase the recycling of wastewater to the manufacturing workshops. As a result, each water resource index has seen an improvement. The recycling rate of wastewater maintained at over 97% during the Year.

Recycling rate of wastewater
>97%

Water resources	FY2019	FY2018	Change
Total water consumption (tonnes)	**87,985,066**	88,177,910	–0.2%
Average water consumption (tonnes/tonnes of paper)	**6.1**	6.6	–7.6%
Recycling rate of wastewater (%)*	**97.1**	97.0	+0.1 percentage point

* Estimated value

Major packaging materials

6.53

(tonnes/Ten thousand tonnes of paper)

▼0.5%

Packaging Materials

Plastics and paper are the Group's major packaging materials. During the Year, the total consumption of major packaging materials increased slightly due to the increase in the Group's production volume as well as the increase in moist proof packaging in response to the market and customer demand, while its intensity broadly remained basically the same.

Major packaging materials	FY2019	FY2018	Change
Total consumption (tonnes)	**8,922**	8,672	+2.9%
Intensity (tonnes/Ten thousand tonnes of paper)	**6.53**	6.56	–0.5%

ENVIRONMENT AND NATURAL RESOURCES

Green products

The Group always encourages technological innovation as well as the research and development of green products. We continuously innovate and upgrade our products and support the research and development of light-weighted and 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. This series of environmentally friendly product with strong edge in resource conservation is leading the development of light-weighted paper packaging.

Environmental Certifications

The Group obtained the certification of "China Environmental Labelling Product" and was successively granted various certifications under international standardized management systems, including ISO 9001 certification for quality management systems, ISO 14001 certification for environmental management systems, OHSAS 18001 certification for occupational health and safety management systems and FSC™ certification for forest environmental protection systems.

Certifications under International Standardized Management Systems

ISO 9001

ISO 14001

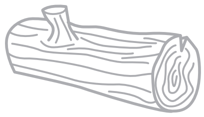
OHSAS 18001 CERTIFIED

FSC www.fsc.org

Impact on Natural Resources and the Environment

Producing paper with recovered paper

Saving wood of
3 to 4 cubic meters



Saving Electricity of
600kWh

Saving Standard Coal of
approximately 1.2 tonnes

Saving Water of
Over 100 tonnes

The Group produces paper with recovered paper, which accounts for over 95% of total raw materials for production. It is estimated that 1 tonne of recovered paper produces approximately 0.8 tonne of finished product of packaging paper. Therefore, in comparison with paper-making solely with kraft pulp, it can save wood of approximately 3 to 4 cubic meters, standard coal of approximately 1.2 tonnes, electricity of 600 kWh and water of over 100 tonnes. Recovered paper recycled by the Group amounted to over 14 million tonnes per annum, which significantly reduced logging and consumption of water resources and energy, thereby reducing waste discharge and relieving the burden of the environment.

The Group proactively solves the problem of odour in the plant area. We have adopted the advanced anaerobic IC treatment technology in the treatment of wastewater generated from paper production, through which the organic substances in wastewater can be decomposed by anaerobic microorganisms. We collect the methane generated therefrom as clean energy to be incinerated in boilers. Concerning the odor generated from various pools in sewage treatment plants, including acidification pools and thickening pools, we implement tank topped-out and ventilation to the odor source, and carry out biological deodorization and alkaline sprinkling cleaning treatment, or send it to boilers for incineration.

The Group is highly concerned about its noise emission, and ensure compliance with the national "Emission Standard of Noise for Industrial Enterprises at Boundary" (《工業企業廠界環境噪音排放標準》) (GB12348–2008). We have installed acoustic insulation panels and mufflers for equipment that produce heavy noise, and set up noise-insulated control rooms in the paper-making workshops to prevent staff from working under high noise levels for prolonged hours. In addition, noise protection devices, such as earplugs, are provided and employees are required to wear them during inspection around the workshops. We also conduct noise monitoring around the plant area on a regular basis, and actively communicate with local residents, so as to minimize the impact on their daily life.

Advocacy of Transparent Management

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

Construction of Environmental Protection Management System

- A range of systems including a centralized control system on environmental protection, an operational management ledger, and a ledger for facilities and equipment inspection and maintenance

- The centralized control system on environmental protection incorporates 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

EMPLOYMENT AND LABOR PRACTICES

Employees are the cornerstone of the Company's success, and "Respect and care for our staff" is one of the core values of the Group. It would be impossible for the Group to have the current sustainable and stable development without the support of its employees. We not only care about our employees' wellbeing but also their personal and career development.

EMPLOYMENT

Employment and Benefits

The Group ensures compliance with regulations and contracts in relation to employment in the jurisdiction where it operates by conducting its recruitment in a fair, open and impartial manner, and providing its employees with competitive remuneration and benefits. For instance, our employee recruitment in Mainland China is in strict compliance with regulations such as the "Labor Law of the People's Republic of China" (《中華人民共和國勞動法》) and the "Labor Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》). Meanwhile, we have formulated comprehensive internal systems, namely the "Recruitment Management System" (《招聘管理制度》) and the "Professional Title Evaluation System" (《職稱評審制度》), to ensure equality in the workplace, regardless of the employees' gender, age (except for minors), region and race. Candidates who meet the job requirements will be able to obtain equal working opportunities. All recruited employees will enter into labor contracts in writing with the Company once they join and report to the Company, which adequately protect the rights of labors.

Upholding the mission of "Taking a leading position in the industry in terms of production output and efficiency, quality management of employees and software management as well as employees' benefits and remuneration", we provide employees with competitive remuneration and benefits among its peers in accordance with the "Remuneration and Benefits Management System" (《薪酬福利管理制度》), and offer attendance bonus to encourage high-caliber staff. In addition to contributions to retirement insurance, work injury insurance, medical insurance, maternity insurance, unemployment insurance and housing provident fund as required by the government, we also offer other benefits, including meal allowance, shift allowance, high temperature allowance, subsidies for environment protection, phone bill allowance and business travel allowance. Moreover, the Group has built its own housing complexes with pleasant environment to provide dormitories to all employees. Besides, with a view to enriching employees' life after work, the Group also provides various living and entertainment facilities for free, such as gym rooms, swimming pools, basketball courts, football fields and badminton courts. We attach great importance to the meal quality and nutrition in staff canteens, for example, the canteen in Dongguan base uses fresh ingredients supplied by our own ecological park.

In respect of working hours and holidays, the Group, in strict compliance with laws and regulations, ensures that employees can at least have one day off after six days of work. Pursuant to the "Regulation on Public Holidays for National Annual Festivals and Memorial Days" (《全國年節及紀念日放假辦法》), we arrange day offs for employees on national statutory holidays and give overtime pay to those who are unable to take day off in accordance with the regulation. Pursuant to the "Regulation on Paid Annual Leave for Employees" (《職工帶薪年休假條例》), we provide paid annual leaves to all employees. Pursuant to the "Special Rules on Labor Protection for Female Employees" (《女職工勞動保護特別規定》), we provide maternity leave and breastfeeding leave to female employees. Advocating work-life balance, the Group encourages employees to enhance work efficiency and avoid overtime. During the Year, the average overtime hours per employee was 38 hours, representing a significant year-on-year decrease of 70.6%.

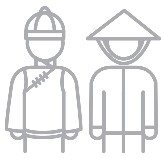
With an aim to further foster the sense of belonging and team spirit, the Group has formed various leisure and recreation clubs, including photography club, badminton club, dance club and volunteer club. Diverse recreational and cultural events have also been held, such as various sports events, Chinese New Year banquets, Lantern Festival Fun Fair and Mid-autumn Festival barbeque gatherings.

As at 30 June 2019, the Group employed a total of 18,456 full-time staff, 17,037 of which are from the PRC and Vietnam, and 1,419 are from the United States.

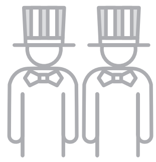
The Group

Total Number of Full-time Staff Employed
18,456

Number of Staff from the PRC and Vietnam
17,037



Number of Staff form the United States
1,419



HEALTH AND SAFETY

Upholding the principles of "Safety first" (「安全第一」) and "No fire, No injury" (「不輕傷一個人、不着一把火」), the Group strives to reduce the health and safety risks in its production sites and workplaces.

The Group maintains social insurance, including work injury insurance, for all employees pursuant to regulations such as the Prevention and Control of Occupational Diseases of the People's Republic of China (《中華人民共和國職業病防治法》) and the Regulation on Work-related Injury Insurance (《工傷保險條例》). Furthermore, the Group sets up a fire safety management department, and strictly implements relevant safety regulations and practices formulated by the Group, including Safety Incidents Reporting Management Practices (《集團安全事故匯報管理規範》), Material Stacking Management Practices (《集團物料堆垛管理規範》), Fire Safety Management Practices (《集團消防安全管理規範》), Proposal for Handling of Hazardous Chemical Incidents (《危險化學品事故處置方案》), and Hazardous Waste Stacking Management Practices (《集團危廢物料堆垛管理規範》), amongst others.

The Group provides a broad range of safety protection supplies for workers, including safety helmets, safety shoes, earplugs, earmuffs, gloves and heat insulation gear, and organizes physical examination in respect of occupational health for staff every year. We have also formed a firefighting team to prepare for fire emergency.

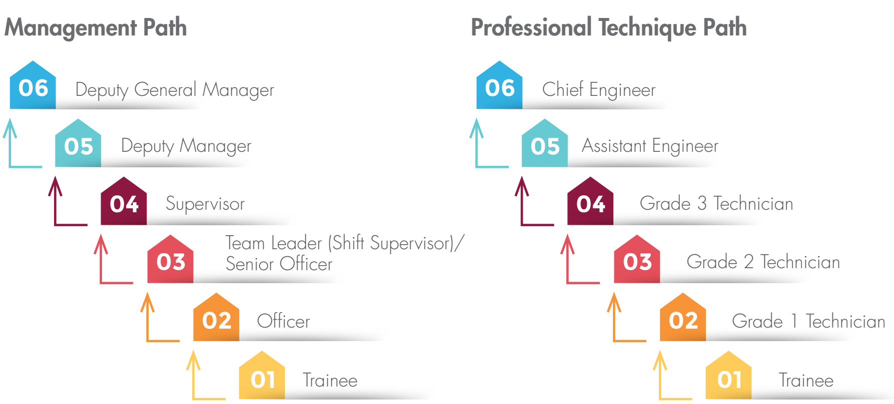
In order to improve employees' capability to deal with emergencies, we organize numerous emergency drills every year. The Group held over 18,000 emergency drills during the Year.

DEVELOPMENT AND TRAINING

The Group values each of its employee. We provide employees with ample staff training, learning opportunities, promotion paths and great career prospect.

Staff Development

The Group has established a management path and a technology path for employees' selection, encouraging them to take both paths for career development. Employees in positions requiring professional techniques can achieve promotion and development by following the professional technique path. With their positions remaining unchanged, they can realize improvement in their position rank and remuneration in the enterprise.



Staff Training

The Group provides a continuous learning environment for its employees by offering various internal and external trainings, which enable them to acquire the latest industry knowledge and techniques, thereby staying abreast of industry standards and market trends.

External trainings include special operations training and certification, middle-level executive reserve cultivation, Nine Dragons Class student cultivation, professional skills training, etc. During the Year, 2,529 participants (FY2018: 2,477) joined the external trainings. Total funding provided by the Group was approximately RMB3.68 million (FY2018: RMB3.39 million).

During the Year, the Group organized a total of 8,296 (FY2018: 5,681) internal trainings, and a total of 218,843 participants (FY2018: 164,558) joined such trainings, among which 460 (FY2018: 216) were senior management; 10,219 (FY2018: 5,863) were middle-level management.

In terms of training hours, the Group carried out 267,066 hours (FY2018: 194,741 hours) of training in total during the Year, with average training hours of 15.2 hours (FY2018: 11.3 hours) per employee, among which 935 hours (FY2018: 396 hours) were attended by senior management; 13,620 hours (FY2018: 7,463 hours) were attended by middle-level management.

In terms of the types of training carried out by the Group, 57,560 participants (FY2018: 49,476) joined professional skills training; 117,413 participants (FY2018: 74,964) joined safety training; 5,857 participants (FY2018: 5,538) joined clean and civilized production training; 21,723 participants (FY2018: 17,794) joined conceptual guidance and professional ethics training; and 16,291 participants (FY2018: 16,786) joined other types of training during the Year.

External Trainings
2,529 participants

Number of Internal Trainings
8,296

Total Training Hours
267,066 hours

Average Training Hours
15.2
hours/employee

LABOR STANDARDS

The Group strictly complies with the minimum age requirement as stipulated by laws and regulations of the places in which it operates. The Group prohibits itself from recruiting children under age of 16 and the youngest among the existing employees are over 18.

The Group has a staff union in place with members from different departments, who can represent the interests of grass-roots employees. The Company attaches importance to organizing staff union activities and demonstrating its roles so as to put our humanized management concepts into practice.

The Group has been at the forefront of the industry in fulfilling its social responsibilities. Nine Dragons Paper Industries (Dongguan) Co., Ltd. has taken the lead in introducing SA8000 Social Responsibility Management System in the industry since 2013, and passed the certification and was awarded the certificate in February 2015. Nine Dragons Paper Industries (Taicang) Co., Ltd. has also passed the SA8000 Social Responsibility Management System certification and was awarded the certificate in September 2016.

SUPPLY CHAIN MANAGEMENT

The Group has a series of rigorous selection criteria for the evaluation of qualified suppliers. A comprehensive evaluation is conducted on suppliers in terms of company qualification (including time of inception, registered capital, shareholders of the company, scope of operation, necessary qualifications and certificates of the industry, etc.), entities of the company, manufacturing capability (including main products and production capacity, production equipment, inventory, etc.), technical competence (including patents, number of technicians, etc.), after-sale service ability, ISO certification, the capability of quality management and control, honour(s) awarded to the company, business relationships among the suppliers, corporate reputation, geographical advantages of the suppliers, etc. The suppliers are required to provide all information for filing and evaluation in accordance with the Group's requirements. Suppliers evaluated as qualified are recorded into the system as qualified suppliers and the failed are listed as unqualified suppliers.

The Group identifies whether the supplier is in normal operating condition by tracking the business and enterprise information of suppliers on a regular basis. Re-evaluation is made for suppliers with abnormal operating condition. Meanwhile, the suppliers will be tracked regularly to determine the existence of dishonesty, and suppliers with dishonest behaviors will be frozen.

As at 30 June 2019, the number of suppliers of the Group totaled 7,819 (FY2018: 7,140), among which the suppliers of the China bases amounted to 6,674 (FY2018: 6,228) and the suppliers of the Vietnam base amounted to 1,145 (FY2018: 912).

PRODUCT RESPONSIBILITY

The packaging paper products of the Group are applicable to various consumer goods. As an enterprise that shouldered its social responsibility, product safety and quality is one of our key commitments to customers.

Quality assurance and recall of products

The Group adheres to the green philosophy of "No Environmental Management, No Paper-Making". All bases are making proactive efforts in facilitating works in relation to ISO 9000 quality management system, ISO 14000 environmental management system and OHSAS 18001 occupational health and safety management system. We add no environmentally and physically harmful substances during the process of production. In addition, we carry out accurate management and control through domestically and internationally advanced online monitoring and production and quality management system, i.e. DCS, QCS and other systems, and regularly inspect the substances of papers, which are concerns of the customers, through authoritative testing organizations such as SGS.

The Group has a set of comprehensive product traceability management system and stringent products recall management practices in place. During the Year, the Group has no such case where products sold or shipped are subject to recalls for safety and health reasons.

Follow-up of complaints

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

Consumer data protection and privacy policies

Information Confidential Management Practices

The Group develops a stringent 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》)). For the purpose of ensuring that customer data and privacy are given adequate protection, and as required by the Information Confidential Management Practices, the related responsible persons must keep complete secrecy of all the confidential materials and confidential information, and shall never spread them without authorization. Meanwhile, the responsible persons shall keep confidential of the data and information, and confidential materials and confidential information leak resulting from mismanagement is not allowed. The responsible persons shall not photograph, copy and make private copies of any confidential 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 pages generated during the process of copying shall be destroyed in a timely manner. The passing of confidential materials, for which personal service is required, shall be performed in compliance with secrecy measures. We shall implement classified management for documents and shall manage and control the limits of authority of the responsible persons to browse and download such documents in accordance with secrecy requirements.

During the Year, the Group has no such case regarding the leakage of personal information of any customers.

SOUND CORPORATE GOVERNANCE

The Group firmly believes that sound and effective corporate governance, which is a fundamental element in the development of all enterprises, is essential for safeguarding the interests of all stakeholders. In order to maintain the highest level of corporate governance, the Group has adopted a set of comprehensive corporate governance principle, emphasizing the need for an excellent Board, effective internal management and control and stringent disclosure practices, as well as the transparency and accountability for all stakeholders. In addition, the Group constantly updates such practices with a view to fostering a corporate culture with high standards of integrity.

Anti-corruption

The Group has specifically establish a specialized "Group Audit Regulatory Department" (集團審計監管部) to prevent corruption and investigate corruption cases. Appointed by the Group, the Group Audit Regulatory Department is independent from the management and capable of maintaining objectivity and independence in its governance structure and practical work. Regular operating management audits and special audits are conducted by the Group Audit Regulatory Department quarterly to each of the production bases, while the "Regulatory Commission (監管會)" is also set up in each of the production bases respectively, to supervise and manage daily works. Technically, the Group applies the SAP and OA (office automation) systems to achieve routinization and standardization of all businesses, and makes continuous revision and improvement based on feedbacks to minimize the practicability of corruption and related loopholes. In addition, the Group Audit Regulatory Department shall maintain all whistle-blowing of corruption and bribery by any employees in confidentiality and make relevant investigations. During the Year, no outstanding and concluded litigation in relation to corruption was brought against the Group and its employees.

The Group provides anti-corruption education and training for staff holding key positions on a regular basis. Specialized anti-corruption education and training were arranged for new employees during orientation. The legal department of the Group will provide anti-corruption education and training to relevant employees on a quarterly basis. In addition to group-wide trainings, each functional department also promotes anti-corruption education at their department meetings. Further, the "Letter of Undertaking of Integrity (廉潔承諾書)" shall be signed by all the purchasing, sales and supervision personnel and employees holding positions related to economic activities in all other departments of the Group and each of its production bases. The Group and each of its production bases enter into the "Non-improper Commercial Practices Agreement (禁止不正當商業行為協議)" concurrently while entering into commercial contracts with external parties.

All the in-service staff of the Group are strictly prohibited from taking part-time jobs or participating in the operation of business in relation to the Group's activities without permission. Any in-service personnel, whose families (including his/her immediate relatives, spouse and children) establish a company by themselves, is required to file registration with the regulatory department. In the event that the organizations, in which the relatives and friends of the in-service personnel (including his/her immediate relatives, spouse, children, classmates, friends, etc.) work, are doing business with the Group, such personnel shall submit a list of those relatives and friends to the Group and avoid contact with them during the course of business. It is strictly prohibited from divulging any information of the Group to the ex-service personnel.

The Group has communication channels in place for accepting opinions and processing complaints. Internally, we collect the employees' complaints and suggestions through a specific email box for complaints, i.e. the "集團投訴 claim_group/NDDG/ndpaper" and "Chairlady Mailbox (董事長信箱)" established in each of the production bases. Externally, we conduct a service satisfaction survey with customers and suppliers on a regular basis by issuing questionnaires to collect their advice, complaints and suggestions. The commercial contracts entered into with external parties are attached with the "Complaint Handling Guidelines (投訴處理指引)" and there is a notice board about the method of complaints being placed at the loading and unloading site in respective production bases. Among all the matters complained about, those related to each production base will be investigated and handled by the Regulatory Commission thereof, and for those with more significant influence or cover a wider range, a special investigation will be conducted and handled by the Group Audit Department.

COMMUNITY

The Group has been proactively performing its social responsibility and participating in national and local economic development. The Group spares no efforts in poverty alleviation in the community. In addition to direct assistance to the poor and vulnerable group, the Group focuses on supporting education and poverty alleviation through industry development in poverty-stricken areas, aiming to boost local economic development and create long-term job opportunities. Besides, the Group is committed to improving the infrastructures in rural areas and improving the living environment of the villagers. In recent years, the Group engaged in various public welfare activities with accumulated contributions of over RMB300 million.

- Nine Dragons has always insisted on targeted poverty alleviation and consistently participated in "Guangdong Poverty Alleviation Day" with accumulated donations of over RMB190 million to various underdeveloped areas, including western and northern Guangdong;

- Nine Dragons Paper has established the "Nine Dragons Class" for many years. Poverty alleviation was achieved by way of vocational education with over 900 students trained to date. The program provided funding for higher education as well as job opportunities for underprivileged students in remote regions, which served as a sound platform for children from poor families, encouraging them to make positive changes to the future of themselves and their families through their own diligent efforts. This also cultivates for the nation and the industry workers of the new era with consciousness and skills for sustainable development, while keeping a heart of gratitude and love towards the society;

- Nine Dragons Paper has established a number of "Caring Bases" to provide "Nine Dragons Caring Lunches" to poor children staying in mountain regions;

- A total amount of over RMB5.2 million was donated to support the "A Piece of Caring Paper" activity of China Charity Federation, helping children with congenital heart disease while actively promoting waste paper recycling;

- Nine Dragons Paper proactively participated in disaster relief and made donation for the construction of "Heart Resettling Houses" in disaster-stricken areas several times and donated RMB37 million in aggregate for earthquake disaster relief in Wenchuan, Yushu and Ya'an to assist people in those areas to rebuild their homes;

- Nine Dragons Paper has been awarded a number of honors such as "National Poverty Alleviation Award", "China Charity Prize", "Chinese Merchants Contribution Award" and "Guangdong Poverty Alleviation Cotton Tree Golden Cup";

- In Hong Kong, a total of over HK$62 million have been donated to various organizations, including New Home Association, Our Hong Kong Foundation and Hong Kong Federation of Overseas Chinese Association in an effort to building a loving community.

Community Activities the Management Took Part in

"In October 2018, Ms. Cheung Yan (Chairlady) was granted the "National Poverty Alleviation Award", a national award in the field of poverty alleviation."

"Ms. Cheung Yan (Chairlady) was awarded the title of "CCTV's Charitable Person of the Year"."

"In October 2018, the Group established the Nine Dragons Talent Fund in Zhongshan University and undertook to donate RMB10 million annually from 2018 to 2025 for the development of high-calibre medical professionals in China."

Participated in Guangdong Poverty Alleviation Day and made a donation of RMB42 million in June 2019.

Proactively supported targeted poverty alleviation measures implemented by the government. It has participated in "Guangdong Poverty Alleviation Day" for 10 consecutive years and made an aggregate donation of over RMB190 million, contributing to the mission of "building a moderately prosperous society" promoted by the State.

Actively participated in "Ten Thousand Enterprises for Ten Thousand Villages" (萬企幫萬村), a rural revitalization program initiated by the Guangdong government to support the poverty alleviation work in Guangdong province.

MAJOR COMMUNITY ACTIVITIES PARTICIPATED IN FY2019

1. Targeted poverty alleviation projects

In poverty-stricken areas, Nine Dragons Paper focuses on education, poverty alleviation through industry development, support to the underprivileged groups, improving the infrastructure in rural areas and improvement of the living environment of villagers, benefitting various underdeveloped areas, including western and northern Guangdong.

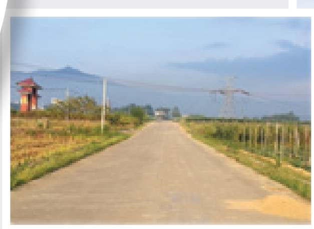
- Providing financial support to Fubei village, Wengcheng town, Wengyuan county, Shaoguan city for the building of public service facilities, improving the living condition of villagers and helping them to improve labor skills.

Road construction and maintenance


Before


After

Adding streetlamp facilities


Before


After

Assisting the construction of a comprehensive service community and a health station

Funding the transformation of dilapidated houses for poverty-stricken families

Providing financial support to Pingpu village, Zhoutian town, Renhua county, Shaoguan city

Funding poverty-stricken families to practice poultry farming for poverty alleviation through industry development

Broadening major village road

Funding Zhuyuan village, Heshui town, Yangchun city

Distributing supplies to poverty-stricken families for poverty alleviation through industry development

Visiting poverty-stricken families

"Funding pearl cultivation in Liusha village, Tandou town, Leizhou city for poverty alleviation through industry development."

"Funding the "Caring for Poverty-stricken Mother Program" to help mothers suffered from severe diseases among the poverty-stricken population in the rural areas in 14 prefecture-level cities in Guangdong."

2. Actively supporting community activities in Hong Kong

"The Group made donations to various charities and non-profit organizations in Hong Kong, such as Our Hong Kong Foundation and the New Home Association, in order to help the underprivileged groups and contribute to the development of Hong Kong."

3. New term of Nine Dragons Class commenced

"It is a loving care project initiated and continuously held by the Group to provide re-education as well as job and development opportunities for students from underprivileged regions, which is also one of the important channels for reserving and cultivating talents for the Group. Up to June 2019, a total of 14 terms have been held."

4. Various community projects were continuously initiated by all bases of the Group, which contributed to development of local economy and the society

"Each production base of the Group often provides assistance to needy families in its local community, and arranges activities for education and social welfare establishments such as caring lunches, book donations, scholarships and education subsidies, school uniform and equipment donations, visiting the aged and veterans, etc., so as to promote the spirit of positive thinking, proactivity, harmony, care and respect for the aged and teachers.

- Each production base of Nine Dragons provides funding to support education in neighboring areas every year and conduct "School-enterprise Cooperation" with schools nearby."

Visiting poverty-stricken students in Qingyuan Changjiang Primary School

Donating school uniforms to Tangdi Primary School in Longwan town, Luoding county

Launching a student assistance program in Meizhu Hope Primary School in Luoding county, Yunfu city

"Taicang base collaborated with Xiaocheng Da'ai Charity Center to provide subsidies for 40 poverty-stricken children in neighboring areas. The program has been conducted for four years consecutively and benefitted a total of 130 children by now."

"Always committed to caring for the underprivileged groups in neighboring areas, the Group launched a series of caring activities for the underprivileged groups, including the disabled children, old and lonely elderly, single mothers, left-behind children and cleaners."

	Key Performance Indicator	
Aspect A1: Emissions		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	**A1**	✓
The types of emissions and respective emissions data	A1.1	✓
Greenhouse gas emissions in total	A1.2	✓
Total hazardous waste produced and intensity	A1.3	✓
Total non-hazardous waste produced and intensity	A1.4	✓
Measures to mitigate emissions and results achieved	A1.5	✓
How hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	A1.6	✓
Aspect A2: Use of Resources		
Policies on the efficient use of resources, including energy, water and other raw materials	**A2**	✓
Direct and/or indirect energy consumption by type in total and intensity	A2.1	✓
Water consumption in total and intensity	A2.2	✓
Energy use efficiency initiatives and results achieved	A2.3	✓
Whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	A2.4	✓
Total packaging material used for finished products with reference to per unit produced.	A2.5	✓
Aspect A3: The Environment and Natural Resources		
Policies on minimising the issuer's significant impact on the environment and natural resources	**A3**	✓
Significant impacts of activities on the environment and natural resources and actions taken to manage them	A3.1	✓

	Key Performance Indicator	
Aspect B1: Employment		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare Occupational health and safety measures adopted and how they are implemented and monitored	B1	✓
Aspect B2: Health and Safety		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	B2	✓
Aspect B3: Development and Training		
Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities	B3	✓
Aspect B4: Labour Standards		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour Description of measures to review employment practices to avoid child and forced labour	B4	✓
Aspect B5: Supply Chain Management		
Policies on managing environmental and social risks of the supply chain Number of suppliers by geographical region	B5	✓
Aspect B6: Product Responsibility		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. Percentage of total products sold or shipped subject to recalls for safety and health reasons Quality assurance process and recall procedures Consumer data protection and privacy policies, and how they are implemented and monitored	B6	✓

	Key Performance Indicator	
Aspect B7: Anti-corruption		
The policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	**B7**	✓
Aspect B8: Community Investment		
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests Focus areas of contribution Resources contributed to the focus area	**B8**	✓

INVESTOR RELATIONS

ND Paper has been firmly adhering to a high standard of corporate governance and disclosures. Our proactive approach to investor relations has made us highly recognized 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 various investors. ND Paper has also 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 FY2018, ND Paper has organized 5 non-deal roadshows covering Hong Kong and Singapore. It has participated in 19 investor conferences and events in Hong Kong and Mainland China, and 10 group conference calls/video conferences arranged by various financial institutions.

Major Investor Relations Activities in FY2019

Time	Event	Organizer/Arranger	Location
July, 2018	Citi Hong Kong & China Midcap & Industrials Corporate Day	Citi	Hong Kong
August, 2018	BNP Group Luncheon Meeting	BNP	Hong Kong
September, 2018	Annual Results Investor and Analyst Briefing	Nine Dragons Paper	Hong Kong
September, 2018	Post-results non-deal roadshow	Citi	Hong Kong
September, 2018	Post-results non-deal roadshow	Bank of America Merrill Lynch	Hong Kong
September, 2018	Group conference call with Singapore/EU Investors	Macquarie	
September, 2018	Group conference call	UBS	
October, 2018	Group conference call with North & South American Investors	UBS	
October, 2018	Group conference call with Taiwan Investors	Corcord Securities	
October, 2018	Group conference call	President Securities	
November, 2018	Jefferies 8th Annual Greater China Conference	Jefferies	Hong Kong
November, 2018	Bank of America Merrill Lynch 2018 China Conference	Bank of America Merrill Lynch	Beijing
November, 2018	Citi China Investor Conference 2018	Citi	Macau
November, 2018	Group conference call	First Shanghai Securities	
November, 2018	Morgan Stanley Seventeenth Annual Asia Pacific Summit	Morgan Stanley	Singapore
December, 2018	Bank of America Merrill LynchAPAC Resources Conference	Bank of America Merrill Lynch	Hong Kong
January, 2019	Morgan Stanley China Cyclicals Corporate Day	Morgan Stanley	Hong Kong
January, 2019	UBS 19th Greater China Conference	UBS	Shanghai
January, 2019	dbAccess China Conference 2019	Deutsche Bank	Shenzhen
January, 2019	Group meeting	GF Securities	Hong Kong
January, 2019	Group conference call	Orient Securities	
February, 2019	Interim Results Investor and Analyst Briefing	Nine Dragons Paper	Hong Kong
February, 2019	Post-results non-deal roadshow	Citi	Hong Kong
March, 2019	Post-results non-deal roadshow	Bank of America Merrill Lynch	Hong Kong
March, 2019	Post-results non-deal roadshow	Citi	Singapore
March, 2019	Group conference call	Macquarie	
March, 2019	Group conference call	President Securities	
March, 2019	Group meeting	GF Securities	Hong Kong
March, 2019	Credit Suisse 22nd Asian Investment Conference	Credit Suisse	Hong Kong
March, 2019	Morgan Stanley Ninth Annual Hong Kong Investor Summit	Morgan Stanley	Hong Kong
April, 2019	Group conference call	Concord Securities	
May, 2019	HSBC 6th Annual China Conference	HSBC	Shenzhen
May, 2019	Macquarie Greater China Conference 2019	Macquarie	Hong Kong

Time	Event	Organizer/Arranger	Location
June, 2019	Group meeting	Industrial Securities	Hong Kong
June, 2019	Credit Suisse 2019 HK/China Commodities, Industrials and Property Corporate Day	Credit Suisse	Hong Kong
June, 2019	Huatai Basic Materials & Utilities Corporate Day	Huatai Securities	Shenzhen

Currently, Nine Dragons Paper is a constituent of Hang Seng Composite Index and its Sub-indexes, Hang Seng Stock Connect Hong Kong Index, Hang Seng SCHK Mainland China Companies Index, Hang Seng SCHK ex-AH Companies Index, Hang Seng China (Hong Kong-listed) 100 Index, Hang Seng High Dividend Yield Index, Hang Seng Stock Connect Greater Bay Area Index Series and Hang Seng Mainland China Companies High Dividend Yield Index.

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 general meetings, so that shareholders present can have an update about the Group's business in addition to a good understanding of the matters being discussed and resolved, while their questions and opinions are heard by the Board and company management.

The last Annual General Meeting was held at Studio, W Hotel in Hong Kong on 18 December 2018 and a Special General Meeting was held at the Auditorium, Sun Hung Kai Centre in Hong Kong on 14 June 2019. All resolutions proposed in the meeting were duly passed by shareholders by way of poll.

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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 FY2019, 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.

BOARD

As the date of this Annual Report, the Board comprised eleven Directors, including seven executive Directors and four INEDs. During FY2019, the following changes to members of the Board.

(1) Mr. Zhang Lianpeng was re-designated as an executive Director effective 21 August 2018; and

(2) Mr. Chen Kefu was appointed as an INED effective 21 August 2018.

Ms. Cheung Yan is the spouse of Mr. Liu Ming Chung, sister of Mr. Zhang Cheng Fei and the aunt of Mr. Zhang Lianpeng. Mr. Lau Chun Shun and Mr. Ken Liu are the sons of Ms. Cheung Yan and Mr. Liu Ming Chung, nephews of Mr. Zhang Cheng Fei and cousins of Mr. Zhang Lianpeng. Mr. Zhang Lianpeng is the son of Mr. Zhang Cheng Fei, nephew of Ms. Cheung Yan and Mr. Liu Ming Chung and cousin of Mr. Lau Chun Shun and Mr. Ken Liu. Save as disclosed above, the Board members have no financial, business, family or other material/ relevant relationship with each other.

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

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

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

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

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

	Board	Private	Remuneration Committee	Audit Committee	Nomination Committee	Corporate Governance Committee	2018 AGM	2019 SGM
Number of Meetings	5	1	2	4	3	1	1	1
Executive Directors								
Ms. Cheung Yan (Chairlady)	5/5	1/1			3/3	1/1	0/1	1/1
Mr. Liu Ming Chung (Deputy Chairman and Chief Executive Officer)	5/5		2/2				1/1	1/1
Mr. Zhang Cheng Fei (Deputy Chairman and Deputy Chief Executive Officer)	5/5		2/2		3/3	1/1	1/1	0/1
Mr. Lau Chun Shun	5/5						1/1	1/1
Mr. Ken Liu (Deputy Chairman)	4/5						0/1	0/1
Mr. Zhang Yuanfu (Chief Financial Officer)	5/5						1/1	1/1
Mr. Zhang Lianpeng	5/5						1/1	1/1
Independent Non-Executive Directors								
Ms. Tam Wai Chu, Maria	4/5	1/1	2/2	4/4	3/3	1/1	1/1	1/1
Mr. Ng Leung Sing	5/5	1/1	2/2	4/4	3/3	1/1	1/1	1/1
Mr. Lam Yiu Kin	5/5	1/1	2/2	4/4	3/3	1/1	1/1	1/1
Mr. Chen Kefu (Note)	4/4	1/1					1/1	0/1

Note: Mr. Chen Kefu was appointed as an INED effective 21 August 2018.

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 4 INEDs out of the 11-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.

CONTRIBUTIONS OF INEDS

The Company strives to build an effective Board, whose capability is appropriate for the scale, complexity and strategic positioning of our business. With this in mind, the INEDs are highly regarded incumbents with the following expertise and experience present in one or more of them:

— Significant board, financial and general management experience across a range of sectors and knowledge of corporate governance issues;

— In-depth and up-to-date knowledge of the global markets and economic, political and regulatory development;

— Considerable experience and qualification in financial administration, banking, legal and/or compliance;

— Broad experience in government organisations, public bodies and/or regulatory authorities;

— Leadership role in large-scale companies or organizations;

— Deep knowledge of commercial expertise;

— Alert of corporate social responsibility issues.

All of them have a wealth of experience in diverse fields and possess the requisite upright character, integrity and business insight for the proper discharge of their duties as independent directors. In pursuit of the Group's objectives and business endeavors, by offering independent and constructive advice, they provide valuable contributions and insights to the Board and instill integrity into every aspect of our business which is also aligned to our values. Their considerable pool of knowledge, experience, skills and expertise are crucial to the Board's deliberations. They have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through active participation.

In addition, the INED act as custodian of the policies and practices that define and safeguard the reputation of the Company and are well placed to carry out their role. They have devoted time to satisfying themselves that our corporate governance practices and compliance policies accord with latest requirements. Their drive, enthusiasm and commitment, along with their proven ability to build and lead a strong Board, brings significant value to all stakeholders of the Group.

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. To comply with Code Provision A.4.3, Ms. Tam will retire voluntarily and re-elect as Director at the AGM held on 16 December 2019.

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 her independent judgment. There is no evidence that length of tenure is having any adverse impact on her independence. 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.

The Board as well as the Nomination Committee have reviewed the independence of all INEDs and have concluded that all of them are independent within the definition of the Listing Rules. Further, up to the date of this report, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any INEDs has been impaired.

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 FY2019, 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 87 to 91.

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 Yan (Chairlady), Mr. Liu Ming Chung, Mr. Zhang Cheng Fei and Mr. Lau Chun Shun.

REMUNERATION COMMITTEE

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

A separate report prepared by the Remuneration Committee which summarized its works performed during FY2019, and also set out details of the share options to the Directors and the employees on pages 61 to 65 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 is a qualified accountant with extensive experience in financial reporting and controls. Ms. Tam is a barrister and practicing in Hong Kong. Mr. Ng possesses extensive banking, finance and management experience in Hong Kong.

A separate report prepared by the Audit Committee which summarized its works performed during FY2019 is set out on pages 66 to 67 of this Annual Report.

NOMINATION COMMITTEE

Currently, the Nomination Committee comprises three INEDs and two executive Directors, namely, Ms. Cheung Yan (Chairlady), Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing, Mr. Lam Yiu Kin and Mr. Zhang Cheng Fei.

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 FY2019, 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.

The Nomination Committee has set the measurable objectives based on five focused areas: gender, age, length of service, professional experience and skills and knowledge for the implementation of board diversity of the Company.

As at the date of this report, the Board comprises eleven directors. Four of them are INEDs drawn from a diverse background, spanning business management, investment management, public administration, financial services, legal, compliance and accounting, thereby ensuring critical review and control of the management process. The Board has maintained a balanced composition in terms of gender, age, professional experience, skills and knowledge. It has performed effectively by providing sound judgment on strategic issues and effective oversight of and guidance to management. The biographies of the Directors as at the date of this report set out in pages 71 to 73 to this Annual Report demonstrate a diversity of skills, expertise, experience and qualifications.

Having reviewed the implementation of the Board Diversity Policy and the structure, size and composition of the Board, the Nomination Committee of the Board considered that the requirements of the Board Diversity Policy had been met.

During the Year, three 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 Yan and Mr. Zhang Cheng Fei.

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 FY2019, 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.

During FY 2019, the Corporate Governance Committee reviewed Mr. Lam Yiu Kin still be able to devote sufficient time to the Board. Mr. Lam has confirmed to the Board that he had a good track record in attending the Company's meetings. As Mr. Lam is not preoccupied with any full-time work and none of his current commitments as an independent non-executive director of the other listed companies would require his fulltime involvement and he does not participate in the day-to-day operations of those listed companies. The Board believes that Mr. Lam will still be able to devote sufficient time to the Board in the future, notwithstanding he is currently holding seventh or more listed company directorship.

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.

RISK CONTROL COMMITTEE

The Risk Control Committee comprises senior and experienced members of management. 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.

INDUCTION AND PROFESSIONAL DEVELOPMENT

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

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

	Attending briefings/ seminars	Reading materials/ regulatory updates/ management monthly updates
Executive Directors		
Ms. Cheung Yan	✓	✓
Mr. Liu Ming Chung	✓	✓
Mr. Zhang Cheng Fei	✓	✓
Mr. Lau Chun Shun	✓	✓
Mr. Ken Liu	✓	✓
Mr. Zhang Lianpeng	✓	✓
Mr. Zhang Yuanfu	✓	✓
Independent Non-Executive Directors		
Ms. Tam Wai Chu, Maria	✓	✓
Mr. Ng Leung Sing	✓	✓
Mr. Lam Yiu Kin	✓	✓
Mr. Chen Kefu	✓	✓
Company Secretary		
Cheng Wai Chu, Judy	✓	✓

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 FY2019, 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

There was no change in the Bye-Laws during FY2019. If any amendment to the Bye-Laws is necessary, according to the relevant law governing the Company, the Company will propose the amendment for shareholders' approval at a general meeting of the Company.

DIVIDEND POLICY

Pursuant to Code Provision E.1.5, the Company has adopted a policy with regard to the declaration of dividends on 18 December 2018. Such policy aims to allow shareholders to participate in the Company's profits and for the Company to retain adequate reserves for future growth. The Company intends to return surplus cash to the shareholders through the payment of dividends, which is subject to the Company's capacity to pay from accumulated and future earnings, cash availability and future commitments at the time of declaration of dividend. The Company may also consider declaring special dividends from time-to-time, in addition to the semi-annual dividends. The Company's income and its ability to pay dividends are dependent upon, among other things, the dividends received from the Company's subsidiaries, which, in turn, would depend on such subsidiaries' distributable profits, operating results, financial condition, capital expenditure plans and other factors. The payment of dividend is also subject to any restrictions under the Bermuda law and the Bye-Laws.

The Board has complete discretion on whether to pay dividends, subject to the approval of the shareholders of the Company, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

Dividend Policy reflects the Company's view on the financial and cashflow position of the Group prevailing at the time of its adoption. The Board will review the policy from time-to-time and may adopt changes as appropriate at the relevant time.

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 Chairman 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 18 December 2018.

Investor Relations

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

Shareholders' enquiries

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

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

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

Procedure for Shareholders

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

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

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

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

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

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

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

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

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

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

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

REMUNERATION COMMITTEE

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

In addition, the Remuneration Committee supervises and enforces the 2006 Share Option Scheme 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 Ming Chung and Mr. Zhang Cheng Fei.

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 FY2019

During FY2019, 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;
- determined the remuneration packages for Directors appointed in FY2019;
- recommended the Board to approve the fee of the Directors and senior management;
- reviewed and approved the remuneration packages and service contracts of Directors;
- reviewed the movement of the share options under the 2006 Share Option Scheme and 2016 Share Option Scheme;
- reviewed the bonus payments to the Directors and the Bonus Distribution policy; and
- reviewed the terms of reference of the Remuneration Committee.

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 nonrefundable 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 Grant Date shall not exceed 1% of the Shares in issue as at the Grant Date. 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 Grant Date; (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 Grant Date; 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 2019, a total of 303,602,286 shares options were granted under the 2006 Share Option Scheme, representing approximately 6.47% 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	Balance as at 1 July 2018	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Balance as at 30 June 2019	Approximate percentage of shareholding*
	Number of Share options					
Directors (Notes 1 & 2)						
Ms. Cheung	4,500,000	–	4,500,000	–	–	–
Mr. Liu	4,500,000	–	4,500,000	–	–	–
Mr. Zhang	4,500,000	–	4,500,000	–	–	–
Mr. Lau Chun Shun	4,500,000	–	4,500,000	–	–	–
Total:	**18,000,000**	–	**18,000,000**	–	–	–

* The issued share capital of the Company was 4,692,220,811 as at 30 June 2019.

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	Balance as at 1 July 2018	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Balance as at 30 June 2019	Closing price immediately before Grant Date HK$
				Number of shares options					
Ms. Cheung Yan	29 February 2016	5.19	1 September 2016 to 28 February 2019	4,500,000	–	4,500,000	–	–	5.18
Mr. Liu Ming Chung	29 February 2016	5.19	1 September 2016 to 28 February 2019	4,500,000	–	4,500,000	–	–	5.18
Mr. Zhang Cheng Fei	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 Grant Date 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.

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

Value of Share Options

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

Key assumptions of the Model are:

Grant Date	Risk-free rate	Expected dividend yield	Expected volatility of the market price of the Shares	Fair value (approximately) HK$
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 has a term of 10 years and will expire on 3 March 2026. 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 Grant Date shall not exceed 1% of the Shares in issue as at the Grant Date. 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 Grant Date; (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 Grant Date; 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 Share Option 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 2019 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 FY2019

The Audit Committee holds regular meetings and organizes additional meetings if and when necessary. During FY2019, the Committee held four meetings. The following is a summary of the tasks completed by the Audit Committee during FY2019:

- reviewed the financial statements for FY2019 and for the six months ended 31 December 2018 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 FY2019 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 terms of reference of Audit Committee and dividend policy of the Group;
- reviewed and approved loan agreements with covenants relating to specific performance of the controlling shareholders that give rise to a disclosure obligation under section 13.18 of the Listing Rules;
- reviewed the exchange rate risk and hedging policy; and
- reviewed the Company's financial reporting system and internal control system.

REVIEW OF CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Audit Committee also reviewed the terms and conditions of connected transactions and continuing connected transactions of the Group which took place during FY2019. Details of the connected transactions and continuing connected transactions are disclosed in the Director's Report contained in this Annual Report.

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

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor during FY2019. The Audit Committee recommended to the Board that, subject to Shareholders' approval at the 2019 AGM, PricewaterhouseCoopers be re-appointed as the Company's external auditor for FY2020.

For FY2019, the external auditor of the Company received approximately RMB8.6 million for audit services and RMB0.6 million for tax and other services.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognizes and acknowledges that certain aspects of risks are inherent in its businesses and operations and the markets in which the Group operates, and undertakes to determine, evaluate and monitor significant risks ongoingly in pursuit of its corporate initiatives and strategic objectives such that sustainable growth and long term shareholder value are achieved. The Board has established and maintained comprehensive risk management and internal control systems to identify and manage the significant risks of its businesses and operations and the external environment.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Risk Management and Internal Control Framework (the "Framework") is a tool specifically designed by the Group for its risk management and internal control purpose. The Framework comprises an organizational control structure which emphasizes segregation of duties that facilitates the identification, assessment, management and report of significant risks. The Framework encompasses a well-defined internal control structure which focuses on monitoring the efficiency and effectiveness of the Group's operations and activities and compliance with applicable laws and regulations.

The risk management and internal control process is embedded in the Group's daily businesses and operations, which involves understanding the context, identifying potential exposures, assessing the likelihood of consequences, determining the risk level, establishing appropriate mitigating measures followed by appropriate reporting.

The Business Unit leaders organize their risk management and internal controls through constant monitoring and discussion with peers, evaluate the overall operational and business environment for material risks, design appropriate control measures to address the potential exposures, escalate and report the significant risks to the Risk Control Committee, and provide assurance. The Functional Unit heads exercise the risk management and internal controls in their daily businesses, operations and decision making processes, escalate and report material risks to the Business Unit heads. On annual basis, the Business Unit leaders submit material risks assessments to the Risk Control Committee for review and consolidation.

Phase 1 Establish Risk Context ↓	Risk Control Committee establishes risk assessment criteria and risk context for the Group. ↓
Phase 2 Risk Identification ↓	Departments identify the risks that potentially impact the key processes of their operations. ↓
Phase 3 Risk Assessment ↓	Departments assess and score the risks identified along with their impact on the business and the likelihood of their occurrence. ↓
Phase 4 Risk Response ↓	Departments assess effectiveness of existing controls and provide proposals where required. ↓
Phase 5 Risk Reporting & Monitoring	Departments monitor risk mitigating activities. Risks are regularly reported at appropriate management levels within the Group.

The Group's Internal Audit Department takes the responsibility to review and assess the risk management and internal control system, summarizes and presents to the Audit Committee a Risk Assessment Report, and confirms the adequacy and effectiveness of the Group's risk management and internal control system.

RISK CONTROL COMMITTEE

At the top of the risk governance structure is the Board Level Control. The Board oversees the running and ensures adequacy and effectiveness of the Framework. The Executive Committee set up a Risk Control Committee, which comprises senior and experienced members of management, to implement the Framework. The Risk Control Committee supervises the risk management and internal control process, facilitates its implementation with appropriate guidelines and tools, tracks material risks and mitigating activities, and determines significant control failings or weaknesses that have been identified. The Risk Control Committee entrusts the execution of the risk management and internal control process to the Business and Functional Units. Through discussion with the respective Business and Functional Unit leaders on any critical and significant risks and how the risks have been or will be managed, the Risk Control Committee summarizes and compiles a Risk Assessment Report for discussion with the Board.

PRINCIPAL RISKS

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.

ASSESSMENT

The Board has reviewed the report of the Risk Control Committee. In addition, proper whistleblowing arrangement was in place in the Group and across the different business units so that employees can report their concerns, or any misconduct, improper or fraudulent acts committed by other personnel in the Group. All reported whistleblowing concerns were handled and investigated confidentially and independently and followed up by appropriate remedial actions.

The Board has considered and endorsed the assessment of the effectiveness of risk management and controls systems in the Group, namely that throughout FY2019 there were no areas of concern identified which might materially affect the operational, financial reporting and compliance controls of the Group, and that the existing risk management and internal control systems remain effective and adequate. The resources, qualifications, experience, training programmes and budget of the employees of the Group's accounting and financial reporting and internal audit functions were adequate. The Group has complied with the risk management and internal control code provisions in 2019.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company complies with the requirements of Part XIVA of the SFO and the Listing Rules. The Company discloses inside information to the public as soon as reasonably practicable after any inside information has come to its knowledge unless the information falls within any of the "Safe Harbours" as provided for in the SFO. Before the information is fully disclosed to the public, the Company ensures the information is kept strictly confidential. If the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Company would immediately disclose the information to the public. The Company is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact, to provide for equal, timely and effective access by the public to the inside information disclosed.

For the purpose of handling and disseminating inside information in accordance with the SFO and the Listing Rules, the Company has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information with the Company, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, and disseminating information to specified persons on a need-to-know basis.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

PROFILE OF EXECUTIVE DIRECTORS

Ms. Cheung Yan, *JP*, 62, 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 23 years of experience in paper manufacturing and over 33 years of experience in recovered paper recycling and international trade. Ms. Cheung was a member of the National Committee of the Chinese People's Political Consultative Conference. She is currently executive vice chairman of the China Overseas Chinese Entrepreneurs Association, vice president of China Paper Association, vice president of China Paper Industry Chamber of Commerce, Honorary Life 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, Chairman of Hong Kong Federation of Overseas Chinese Associations and President 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 by the Government of the HKSAR as a Justice of the Peace (JP) in July 2016. Ms. Cheung is the wife of Mr. Liu Ming Chung, the sister of Mr. Zhang Cheng Fei, the mother of Mr. Lau Chun Shun and Mr. Ken Liu and the aunt of Mr. Zhang Lianpeng.

Mr. Liu Ming Chung, 57, 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 28 years of experience in international trade and over 20 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 Yan, the brother-in-law of Mr. Zhang Cheng Fei, the father of Mr. Lau Chun Shun and Mr. Ken Liu and the uncle of Mr. Zhang Lianpeng.

Mr. Zhang Cheng Fei, 51, has been an Executive Director and Deputy Chief Executive Officer of the Company since 2006 and was re-designated as an Executive Director, Deputy Chairman and Deputy Chief Executive Officer of the Company since June 2018. 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 25 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 father of Mr. Zhang Lianpeng, the younger brother of Ms. Cheung Yan, Mr. Liu Ming Chung's brother-in-law and the uncle of Mr. Lau Chun Shun and Mr. Ken Liu.

Mr. Lau Chun Shun, 38, 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 10 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 a member of the Chinese People's Political Consultative Conference of Dongguan, Vice Chairman of Dongguan Federation of Industry and Commerce and Vice President of New Home Association. Mr. Lau is the son of Ms. Cheung Yan and Mr. Liu Ming Chung, the nephew of Mr. Zhang Cheng Fei, the elder brother of Mr. Ken Liu and the cousin of Mr. Zhang Lianpeng.

Mr. Ken Liu, 27, has been the Executive Director and Deputy Chairman of the Company since 2018. He is also the Chief Executive Officer (North America) of various subsidiaries of the Company in charge of business in North America. Mr. Ken Liu graduated cum laude in Government from Harvard University. He was previously a consultant at PricewaterhouseCoopers in U.S. where he advised technology, telecom, and banking companies for approximately two years. Since March 2016, Mr. Ken Liu has been the vice chairman of ACN, one of the largest recovered paper suppliers to the Group, where he was responsible for overseeing its corporate development, marketing strategy and general management. Mr. Ken Liu is the son of Ms. Cheung Yan and Mr. Liu Ming Chung, the younger brother of Mr. Lau Chun Shun, the nephew of Mr. Zhang Cheng Fei and the cousin of Mr. Zhang Lianpeng.

Mr. Zhang Lianpeng, 27, joined the Company as a Non-executive Director in 2017 and was re-designated as an Executive Director of the Company in August 2018. Mr. Zhang graduated from The New York University with a Bachelor of Arts Degree. He previously worked in the U.S. and has experience in administration, project management, accounting and corporate financing. Mr. Zhang is the son of Mr. Zhang Cheng Fei, the nephew of Ms. Cheung Yan and Mr. Liu Ming Chung and the cousin of Mr. Lau Chun Shun and Mr. Ken Liu.

Mr. Zhang Yuanfu, 56, 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 33 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*, 73, has been an INED of the Company since 2006. She serves as an independent non-executive director of Sinopec Kantons Holdings Limited, Wing On Company International Limited, Macau Legend Development Limited and China Shenhua Energy Company Limited, all are listed on The Stock Exchange of Hong Kong Limited. Ms. Tam was a deputy to the National People's Congress of The People's Republic of China. She is the Deputy Director of the Hong Kong Basic Law Committee and a Director of the Joint Committee for the Promotion of The Basic Law of Hong Kong. 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*, 70, has been appointed as an INED of the Company since March 2013. Mr. Ng is the chairman of Bank of China (Hong Kong) Trustees Limited and a director of BOCHK Charitable Foundation Limited. Mr. Ng is a Hong Kong Deputy to the 10th, 11th, 12th and 13th National People's Congress, People's Republic of China. He is also an independent non-executive director of SmarTone Telecommunications Holdings Limited, Hanhua Financial Holding Company Limited and Grand Brilliance Group Holdings 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 Legislative Council of the Hong Kong Special Administrative Region, an independent non-executive director of MTR Corporation Limited and 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 64, has been appointed as an INED 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 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 Royal Century Resources Holdings Limited (formerly known as Kate China Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange and from 2015 to 2017, Mr Lam was an independent non-executive director of Mason Group Holdings Limited (formerly known as Mason Financial Holdings Limited). 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 Asset Management Limited as the manager of Spring Real Estate Investment Trust; Vital Innovations Holdings Limited; Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.; Shougang Concord Century Holdings Limited; COSCO Shipping Ports Limited; WWPKG Holdings Company Limited; CITIC Telecom International Holdings Limited; Bestway Global Holding Inc. and Topsports International Holdings Limited.

Mr. Chen Kefu, aged 77, has been appointed as an INED of the Company since 2018. He graduated from the Mathematics Department of Fudan University majoring in Mechanics in 1967. He was promoted to Professor by Tianjin Municipal Science and Technology Commission in 1991 and was elected as a member of the Chinese Academy of Engineering in 2003. Member of the Chinese Academy of Engineering is the highest academic title in engineering technology established in the PRC, which is a lifelong honor. Mr. Chen has served South China University of Technology in PRC since December 1992, and is currently the Director of the Academic Committee of the State Key Laboratory of Pulp and Paper Engineering of South China University of Technology and Professor of School of Light Industry and Engineering. Mr. Chen has devoted himself to the research and teaching of light industry, pulp and paper engineering for a long time, won various national science and technology awards, and has made contribution to the paper industry.

PROFILE OF SENIOR MANAGEMENT

Mr. Zhang Yian, 45, joined the Group in June 2001. He has served as the General Manager of Nine Dragons Paper Industries (Dongguan) Co., Ltd. since June 2018 and has worked for the Group for over 18 years. Prior to joining the Group, Mr. Zhang worked for Hunan Taoyuan textile printing and dyeing company for over 6 years and was responsible for equipment's management. He graduated from Hunan Province Changde College (currently renamed as Hunan University of Arts and Science) and Hunan University (major in Industrial Economy Management).

Mr. Meng Feng, 47, 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 26 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. Yin Xianwen, 51, joined the Group in 2002 and has served as the General Manager of Nine Dragons Paper Industries (Tianjin) Co., Ltd. since November 2017. Mr. Yin has over 27 years' experience in management in paper manufacturing industry. Prior to joining the Group, he worked for Shandong Huazhong Paper Manufacturing Co., Ltd. He graduated from East China Normal University (major in Electronic Science and Technology) and is an engineer in automatic control.

Mr. Sun Zuohua, 45, 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 24 years of experience in paper manufacturing management. Mr. Sun was graduated from Shandong Weifang University of Science and Technology, major in Economic Management.

Mr. Xin Gang, 45, 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 23 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. Liao Banghong, 46, joined the Group in July 1996 and has served as the General Manager of Nine Dragons Paper Industries (Shenyang) Co., Ltd. since May 2019. Mr. Liao has over 23 years of experience in paper manufacturing marketing and management. He graduated from Hubei Industries College (currently renamed as Hubei University of Technology) with a bachelor degree in Pulp and Paper engineering.

Mr. Li Dengzheng, 45, joined the Group in 2016 and has served as the General Manager of Nine Dragons Paper Industries (Hebei) Co., Ltd. since November 2017. Mr. Li has over 24 years' experience in management in paper manufacturing industry. Prior to joining the Group, Mr. Li worked for Shandong Chenming Paper Co., Ltd. He graduated from Shandong University of Technology (major in Electric Engineering and Automation specialty).

Mr. Ye Jian, 44, 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 24 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. Yao Jifei, 51, joined the Group in 2015. He has served as the General Manager of the Vietnam base of Nine Dragons Group since 2018. He has over 30 years of paper manufacturing, technology and management experience. Prior to joining the group, he served in Anhui Shanying Paper, Zhangjiagang Huaxing Paper Co., Ltd. He graduated from Tianjin University of Science and Technology with a bachelor's degree.

Mr. Shi Rongjiu, 39, joined the Group in 1999 and has served as the General Manager of ND Paper (Malaysia) Sdn. Bhd. in charge of operation and management since July 2019. Mr. Shi has 20 years of experience in production, technology and management in the paper manufacturing industry. He graduated from GuangXi Light Industry College.

Mr. Paul Einarson, 44, joined the Group in July 2018 and has served as Senior Vice President, Management and Technology of ND Paper Inc. in the USA since that time. Mr. Einarson has over 22 years' experience in the paper manufacturing industry. Prior to joining the group, he worked at Catalyst Paper Inc. and its predecessor companies in functions including technology, human resources, finance and strategy. He graduated from the University of Victoria, Canada (major in Commerce) in 1997 and received his Masters of Business Administration from Western University, Canada in 2012.

Mr. Zhang Duling, 49, 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 23 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. Chu Yiu Kuen, Ricky, 48, has served as the Group's Deputy Chief Financial Officer in charge of financial operation since October 2008. Mr. Chu has more than 25 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 Hong Kong Institute of Certified Public Accountants.

Mr. Zhong Hongxiang, 51, 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 29 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.

Ms. Wan Ho Yi, 37, has served as Director of Investor Relations for the Group in charge of investor relations and corporate administration since May 2019. Prior to that, Ms. Wan had worked as an auditor in one of the Big Four accounting firms. She also gained extensive experience in investor relations and corporate communications by working in an international financial communications consulting firm and a Hong Kong listed company. She graduated from the Chinese University of Hong Kong with a degree in Business Administration (majors in Finance and Marketing).

DIRECTORS' REPORT

The Directors are pleased to present the audited consolidated financial statements of ND Holdings for FY2019.

PRINCIPAL BUSINESSES

The Group is engaged in the production and sale of a broad variety of quality packaging paperboard products, including linberboard (kraftlinerboard, testlinerboard, white top linerboard and coated duplex board), high performance corrugating medium, recycled printing & writing paper (including uncoated woodfree paper, copy paper, coated and uncoated freesheet, etc.), specialty paper and 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";

(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 Auditor's 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".

The above sections form part of the Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for FY2019 are set out in the accompanying financial statements on page 94.

An interim dividend of RMB10.0 cents per share for the six months ended 31 December 2018 (six months ended 31 December 2017: RMB10.0 cents) was paid to shareholders on 8 August 2019.

The Board has resolved to recommend the payment of a final dividend of RMB18.0 cents (equivalent to approximately HK19.9 cents) per share for FY2019, which are expected to be paid on Friday, 10 January 2020 subject to the approval of 2019 AGM. The final dividend will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 27 December 2019. The translation of RMB into HKD is made at the exchange rate of HK$1.00 = RMB0.90255 as at 24 September 2019 for illustration purpose only. The actual translation rate for the purpose of dividend payment in HKD 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 2019 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 2019, the Company's reserve available for cash distribution and/or distribution in specie, representing the retained earnings, amounted to approximately RMB10,805,000 (30 June 2018: RMB94,806,000). In addition, the Company's share premium account and contributed surplus of approximately RMB3,884,720,000 and RMB3,522,874,000, respectively, as at 30 June 2019 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 59.8% of the Group's total purchases and the purchase attributable to the Group's largest supplier was about 31.8% of the Group's total purchases. The aggregate amount of turnover attributable to the Group's five largest customers was approximately 4.9% 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 Yan and Mr. Liu Ming Chung. ACN Tianjin is a company indirectly owned as to 70% by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng. Ms. Cheung Yan is the wife of Mr. Liu Ming Chung, the sister of Mr. Zhang Cheng Fei, the mother of Mr. Lau Chun Shun and Mr. Ken Liu and the aunt of Mr. Zhang Lianpeng. Mr. Liu Ming Chung is the husband of Ms. Cheung Yan, the brother-in-law of Mr. Zhang Cheng Fei, the father of Mr. Lau Chun Shun and Mr. Ken Liu and the uncle of Mr. Zhang Lianpeng.

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 Yan
Mr. Liu Ming Chung
Mr. Zhang Cheng Fei
Mr. Lau Chun Shun
Mr. Ken Liu
Mr. Zhang Lianpeng
Mr. Zhang Yuanfu

INEDs

Ms. Tam Wai Chu, Maria
Mr. Ng Leung Sing
Mr. Lam Yiu Kin
Mr. Chen Kefu

In accordance with Bye-laws of the Company, Mr. Liu Ming Chung, Mr. Zhang Lianpeng, Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing and Mr. Lam Yiu Kin will retire from office by rotation and, being eligible, offer themselves for re-election at the 2019 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 2019, 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 2019.

Name of Directors	Long Position/ Short Position	Number of Shares: Personal Interests	Number of Shares: Family Interests	Number of Shares: Corporate Interests (Note 1)	Total	Approximate percentage of shareholdings
Ms. Cheung Yan	Long Position	90,097,758	31,594,184	2,992,120,000	3,113,811,942	66.36%
Mr. Liu Ming Chung	Long Position	31,594,184	90,097,758	2,992,120,000	3,113,811,942	66.36%
Mr. Zhang Cheng Fei	Long Position	34,399,821	–	–	34,399,821	0.73%
Mr. Lau Chun Shun	Long Position	14,149,000	–	2,992,120,000	3,006,269,000	64.07%
Mr. Ken Liu	Long Position	1,382,000	–	2,992,120,000	2,993,502,000	63.80%
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 Yan	Long Position	Founder of The Cheung Family Trust	37,073	37.073%
	Long Position	Interest of spouse	37,053	37.053%
Mr. Liu Ming Chung	Long Position	Founder of The Liu Family Trust	37,053	37.053%
	Long Position	Interest of spouse	37,073	37.073%
Mr. Zhang Cheng Fei	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)	90,000	90.000%
Mr. Ken Liu	Long Position	Beneficiary of trusts (Note 4)	90,000	90.000%
Mr. Zhang Lianpeng	Long Position	Beneficiary of trusts (Note 5)	25,874	25.874%

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 YC 2013 Company Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Cheung Family Trust, (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 an irrevocable trust. The Cheung Family Trust, The Liu Family Trust and The Golden Nest Trust are revocable discretionary trusts.

(3) Ms. Cheung Yan and Mr. Liu Ming Chung are the Founder of The Cheung Family Trust and The Liu Family Trust respectively. Ms. Cheung Yan is the spouse of Mr. Liu Ming Chung. Each of Ms. Cheung Yan and Mr. Liu Ming Chung 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 and Mr. Ken Liu are two of the beneficiaries of each of The Cheung Family Trust, The Liu Family Trust and The Golden Nest Trust. They are therefore deemed to be interested in the Shares held by Best Result pursuant to Part XV of the SFO.

(5) Mr. Zhang Lianpeng is a beneficiary of each of The Zhang Family Trust and The Golden Nest Trust.

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 the 30 June 2019, 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 2019, 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	64.01%
YC 2013 Company Limited	Long Position	Interest of controlled corporation	2,992,120,000	64.01%
Goldnew Limited	Long Position	Interest of controlled corporation	2,992,120,000	64.01%
BNP Paribas Jersey Trust Corporation Limited	Long Position	Trustee of The Cheung Family Trust and The Liu Family Trust	2,992,120,000	64.01%

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 YC 2013 Company Limited which was held by BNP Paribas Jersey Trust Corporation Limited as the trustee of The Cheung Family Trust; (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 2019, 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 30 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 RMB45,918,000 (2018: RMB43,475,000).

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 August 2018, the Company has a facility agreement with China Development Bank, Hong Kong Branch in an aggregate amount of USD145 million for a term of 3 years. It would constitute an event of default if (i) any one of Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei (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 Yan, 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.

In June 2019, ND Paper (U.S.) Limited as borrower, the Company and Nine Dragons Paper (BVI) Group Limited as guarantors entered into a facility agreement with Bank of China (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch as lenders for a facility up to HKD3,900 million for a term of 3 years. Under the terms of the facility agreement, if Ms. Cheung Yan and her family members (including and not limited to Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Ken Liu and Mr. Zhang Liangpeng), in aggregate, ceases to hold and control 51% or more equity interest of the Company, or ceases to maintain management control over the Company, the facility will become immediately due and repayable.

In July 2019, the Company and Bank of China (Hong Kong) Limited, Ho Chi Minh City Branch entered into a guarantee pursuant to which the Company agreed to guarantee the obligations of Cheng Yang Paper Mill Co., Ltd., a non-wholly owned subsidiary of the Company, for a 3-year loan up to EUR140 million. Under the terms of the facility agreement, if Ms. Cheung Yan, and her families (including and not limited to Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Ken Liu and Mr. Zhang Lianpeng), in aggregate, ceases to hold and control 51% or more equity interest of the Company, or ceases to maintain management control over the Company, the Facility 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 FY2019.

RELATED PARTY TRANSACTIONS

During FY2019, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards. Related party transactions are disclosed in note 30 to the financial statements. The transactions listed under note 30(b) to the consolidated financial statements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Further details in respect of such transactions are set out below and such transactions have been conducted by the Company in compliance with the requirements of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During FY2019 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 for the Company under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the following continuing connected transactions.

(a) Come Sure Raw Paper Materials Supply Agreement

On 6 March 2019, 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 2019 to 31 March 2022. For details of the Come Sure Raw Paper Materials Supply Agreement, please refer to the Company's announcement dated 6 March 2019.

During FY2019, the joint venture was held as to 40% by Mr. Zhang Cheng Fei, an executive Director, and the joint venture was an associate of Mr. Zhang Cheng Fei where 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 2018 to 31 March 2019, the actual amount of transactions under the Come Sure Raw Paper Materials Supply Agreement was RMB389 million and was within the annual cap of RMB500 million. During the period from 1 April 2019 to 30 June 2019, the actual amount of transactions was RMB81 million. The annual cap for the period from 1 April 2019 to 31 March 2020 is RMB550 million.

(b) Longteng Packaging Materials and Chemicals Purchase Agreement

Dongguan Longteng is a company wholly-owned by Mr. Zhang Cheng Ming and his family members. Mr. Zhang Cheng Ming is a brother of Mr. Zhang Cheng Fei and Ms. Cheung Yan, the uncle of Mr. Lau Chun Shun, Mr. Liu Ken and Mr. Zhang Liangpeng. On 8 May 2017, 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 2017 to 30 June 2020.

During FY2019, the actual amount of transactions under the Longteng Packaging Materials and Chemicals Purchase Agreement was RMB29 million and was within the annual cap of RMB100 million. The Longteng Packaging Materials and Chemicals Purchase Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

(c) Cheng Ming Group Chemicals Purchase Agreement (formerly known as Hong Kong International Paper Chemicals Purchase Agreement)

Cheng Ming Group (H.K.) Limited ("Cheng Ming Group") (formerly known as Hong Kong International Paper Manufacturing Chemical Technology Limited) is a company wholly-owned by Mr. Zhang Cheng Ming and his family members. On 8 May 2017, Cheng Ming Group and the Company entered into a purchase agreement (the "Cheng Ming Group Chemicals Purchase Agreement"), pursuant to which the Group agreed to purchase packaging materials and chemicals from Cheng Ming Group for the Group's production requirements from 1 July 2017 to 30 June 2020.

During FY2019, the actual amount of transactions under Chengming Group Chemicals Purchase Agreement was RMB448 million and was within the annual cap of RMB1,350 million. Chengming Group Chemicals Purchase Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

(d) Longteng Packaging Paperboard Supply Agreement

On 8 May 2017, 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 2017 to 30 June 2020.

During FY2019, the actual amount of transactions under the Longteng Packaging Paperboard Supply Agreement was RMB348 million and was within the annual cap of RMB1,000 million. The Longteng Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

(e) Taicang Packaging Paperboard Supply Agreement

Taicang Packaging is a company which is held as to 100% by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei indirectly during FY2019. On 8 May 2017, 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 2017 to 30 June 2020.

During FY2019, the actual amount of transactions under the Taicang Packaging Paperboard Supply Agreement was RMB586 million and was within the annual cap of RMB1,200 million. The Taicang Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

(f) Dongguan Zhangmutou Packaging Paperboard Supply Agreement (formerly known as Honglong Packaging Paperboard Supply Agreement)

Dongguan Zhangmutou Nine Dragons Packaging Co. Ltd. ("Dongguan Zhangmutou") (formerly known as Honglong Packaging Co., Ltd.) is beneficially held as to 80% by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei indirectly during FY2019. On 8 May 2017, Dongguan Zhangmutou and the Company entered into a supply agreement (the "Dongguan Zhangmutou Packaging Paperboard Supply Agreement"), pursuant to which the Group agreed to supply packaging paperboard products to Dongguan Zhangmutou from 1 July 2017 to 30 June 2020.

During FY2019, the actual amount of transactions under the Dongguan Zhangmutou Packaging Paperboard Supply Agreement was RMB192 million and was within the annual cap of RMB300 million. The Dongguan Zhangmutou Packaging Paperboard Supply Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

(g) ACN Recovered Paper Purchase Agreement

ACN is indirectly wholly owned by Ms. Cheung Yan and Mr. Liu Ming Chung. On 8 May 2017, 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 2017 to 30 June 2020.

During FY2019, the actual amount of transactions under the ACN Recovered Paper Purchase Agreement was RMB7,626 million and was within the annual cap of RMB21,000 million. The ACN Recovered Paper Purchase Agreement was approved by the independent shareholders at the special general meeting held on 29 June 2017.

(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 Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Lianpeng. On 8 May 2017, 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 2017 to 30 June 2020.

As it is reasonably expect that the annual caps in relation to the transactions under the Tianjin ACN Wastepaper Purchase Agreement will be exceeded for the years ended 30 June 2019 and 2020. On 6 March 2019, Tianjin ACN and the Company entered into a supplemental agreement to revise the annual caps ("Tianjin ACN Supplemental Wastepaper Purchase Agreement"). Pursuant to the Tianjin ACN Supplemental Wastepaper Purchase Agreement, the annual caps for the purchases of wastepaper from Tianjin ACN was increased from RMB14,000 million to RMB30,000 million for FY2019 and approved by the independent shareholders at the special general meeting held on 14 June 2019. For details of the revision of annual caps for Tianjin ACN Wastepaper Purchase Agreement should refer to the Company's announcement and circular dated 6 March 2019 and 30 April 2019 respectively.

During FY2019, the actual amount of transactions under the Tianjin ACN Wastepaper Purchase Agreement was RMB15,239 million and was within the annual cap of RMB30,000 million.

Save as disclosed above, there were no other non-exempted connected transaction or non-exempted continuing connected transaction discloseable under the Listing Rules during FY2019 and up to the date of this report.

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.

SUBSEQUENT EVENT

On 26 July 2019, the Company announced that the Group entered into several agreements to acquire the equity capital of the packaging companies held by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr Zhang Cheng Fei and companies controlled by them, for an aggregated consideration of approximately RMB628 million (the "Acquisition"). For details of the Acquisition, please refer to the announcement of the Company dated 26 July 2019.

Completion of the Acquisition took place on 25 September 2019 and as a result, transactions under the following agreements ceased to be continuing connected transaction of the Company:

(i) Come Sure Raw Paper Materials Supply Agreement, as the 40% interest held by Mr. Zhang Cheng Fai in the Joint Venture has been acquired by the Group under the Acquisition;

(ii) Taicang Packaging Paperboard Supply Agreement, as Taicang Packaging became an indirect wholly-owned subsidiary of the Company; and

(iii) Dongguan Zhangmutou Packaging Paperboard Supply Agreement, as Dongguan Zhangmoutou became an indirect wholly-owned subsidiary of the Company.

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.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-Laws, every director shall be indemnified and held 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.

The Company has 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 FY2019 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 2019 AGM.

On behalf of the Board

Cheung Yan
Chairlady

Hong Kong, 24 September 2019

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)

OPINION

What we have audited

The consolidated financial statements of Nine Dragons Paper (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 92 to 155, which comprise:

- the consolidated balance sheet as at 30 June 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matter identified in our audit is revenue recognition on sales of goods.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition on sales of goods Refer to note 2.23(a) to the consolidated financial statements. During the year ended 30 June 2019, the Group has recognised revenue from sales of goods of RMB54,647,446,000. Revenue is recognised at the point in time when the control of the goods is transferred to the customer, which generally coincides with delivery and acceptance of the goods sold. We focused on this area due to the huge volume of revenue transactions generated in various locations and from many customers, and thus significant time and resource were devoted in this area.	We understood, evaluated and validated management's key controls in respect of the Group's revenue transactions from sales contracts, sales orders, sales invoices, through to recording of sales based on the goods delivery notes accepted by customers. In addition, we tested the general control environment of the Group's information technology systems and the specific automatic controls that were related to revenue recording to assess the completeness and accuracy of the revenue entries being recorded in the accounting system. We checked the sales contract template prepared by the Group, and analysed and evaluated the Group's accounting policies on the revenue recognition of sales of goods based on the interview with management, understanding of the Group's business and our audit experience. We selected sales contracts entered into by the Group and its customers on a sample basis and compared the key contract terms with the sales contract template; we also examined the sales orders, sales invoices and goods delivery notes accepted by customers relevant to those selected sales contracts. We circulated confirmations to selected customers to confirm the balances of trade receivables as at the balance sheet date and transaction amounts of revenue for the year. The items tested were selected on a sample basis by considering the amount, nature and characteristics of the customers through the whole year. Furthermore, we tested revenue transactions that took place shortly before and after the balance sheet date by inspecting the goods delivery notes to assess whether revenue was recognised in the correct reporting periods. Based on the work performed, we found the Group's revenue from sales of goods being tested were recognised in a manner consistent with the Group's accounting policy of revenue recognition.

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

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 September 2019

CONSOLIDATED BALANCE SHEET

	Note	30 June 2019 RMB'000	30 June 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**55,318,009**	51,121,444
Land use rights	7	**1,578,985**	1,482,967
Intangible assets	8	**271,082**	231,382
Investments in an associate and a joint venture	10	**89,687**	176,188
Other receivables and prepayments	12	**21,029**	21,305
Deferred income tax assets	17	**89,579**	85,249
		57,368,371	53,118,535
Current assets			
Inventories	11	**7,609,111**	6,691,091
Trade and bills receivables	12	**3,984,294**	5,998,275
Other receivables and prepayments	12	**3,348,794**	2,979,699
Financial assets at fair value through profit or loss		**60,565**	—
Tax recoverable		**23,663**	9,950
Restricted cash		**156,615**	—
Short-term bank deposits		**26,077**	—
Cash and cash equivalents	13	**8,186,379**	9,044,707
		23,395,498	24,723,722
Total assets		**80,763,869**	77,842,257
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	**480,531**	478,977
Share premium	14	**3,884,720**	3,765,002
Other reserves	15	**5,283,011**	6,457,327
Retained earnings		**27,943,012**	25,278,150
		37,591,274	35,979,456
Non-controlling interests		**310,250**	286,131
Total equity		**37,901,524**	36,265,587

	Note	30 June 2019 RMB'000	30 June 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	16	16,620,263	14,571,089
Deferred income tax liabilities	17	3,187,971	2,772,576
Other payables	18	106,521	90,767
		19,914,755	17,434,432
Current liabilities			
Borrowings	16	14,381,962	18,141,114
Trade and bills payables	18	5,585,508	3,172,672
Other payables and contract liabilities	18	2,509,931	—
Other payables and advance from customers	18	—	2,122,238
Current income tax liabilities		470,189	706,214
		22,947,590	24,142,238
Total liabilities		42,862,345	41,576,670
Total equity and liabilities		80,763,869	77,842,257

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 92 to 155 were approved by the board of directors of the Company on 24 September 2019 and were signed on its behalf.

Ms. Cheung Yan
Chairlady

Mr. Liu Ming Chung
Deputy Chairman and Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

	Note	For the year ended 30 June 2019 RMB'000	2018 RMB'000
Sales	19	54,647,446	52,781,754
Cost of goods sold	21	(46,208,286)	(41,196,507)
Gross profit		8,439,160	11,585,247
Other income, other expenses and other gains/(losses) — net	20	702,923	1,101,681
Exchange (losses)/gains on operating activities — net		(82,887)	89,408
Selling and marketing costs	21	(1,564,156)	(1,115,105)
Administrative expenses	21	(1,705,209)	(1,226,499)
Operating profit		5,789,831	10,434,732
Finance costs — net		(931,226)	(921,423)
— Finance income	23	135,373	102,876
— Finance costs	23	(1,066,599)	(1,024,299)
Exchange losses on financing activities — net		(91,605)	(98,620)
Share of results of an associate and a joint venture	10	59,269	136,603
Profit before income tax		4,826,269	9,551,292
Income tax expense	24	(944,547)	(1,690,041)
Profit for the year		3,881,722	7,861,251
Profit attributable to:			
— Equity holders of the Company		3,859,668	7,848,075
— Non-controlling interests		22,054	13,176
		3,881,722	7,861,251
Basic earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*	25	0.82	1.68
Diluted earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*	25	0.82	1.68

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June 2019 RMB'000	2018 RMB'000
Profit for the year	3,881,722	7,861,251
Other comprehensive income		
(Items that may be reclassified to profit or loss)		
Currency translation differences	11,420	(7,098)
Total comprehensive income for the year	3,893,142	7,854,153
Attributable to:		
— Equity holders of the Company	3,869,023	7,845,928
— Non-controlling interests	24,119	8,225
	3,893,142	7,854,153

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 14)	Share premium RMB'000 (Note 14)	Other reserves RMB'000 (Note 15)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2017	478,977	8,765,002	1,539,236	18,965,490	29,748,705	336,084	30,084,789
Comprehensive income							
Profit for the year	–	–	–	7,848,075	7,848,075	13,176	7,861,251
Other comprehensive income							
Currency translation differences	–	–	(2,147)	–	(2,147)	(4,951)	(7,098)
Total comprehensive income	–	–	(2,147)	7,848,075	7,845,928	8,225	7,854,153
Transactions with owners							
2017 final and 2018 interim dividends to equity holders of the Company	–	–	(1,168,555)	(467,422)	(1,635,977)	–	(1,635,977)
Acquisition of non-controlling interests in subsidiaries	–	–	20,800	–	20,800	(58,178)	(37,378)
Reduction of share premium and transfer to contributed surplus (Note 14(a))	–	(5,000,000)	5,000,000	–	–	–	–
Total transactions with owners	–	(5,000,000)	3,852,245	(467,422)	(1,615,177)	(58,178)	(1,673,355)
Appropriation to statutory reserve and enterprise expansion fund	–	–	1,067,993	(1,067,993)	–	–	–
Balance at 30 June 2018	478,977	3,765,002	6,457,327	25,278,150	35,979,456	286,131	36,265,587

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 14)	Share premium RMB'000 (Note 14)	Other reserves RMB'000 (Note 15)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2018	478,977	3,765,002	6,457,327	25,278,150	35,979,456	286,131	36,265,587
Comprehensive income							
Profit for the year	–	–	–	3,859,668	3,859,668	22,054	3,881,722
Other comprehensive income							
Currency translation differences	–	–	9,355	–	9,355	2,065	11,420
Total comprehensive income	–	–	9,355	3,859,668	3,869,023	24,119	3,893,142
Transactions with owners							
2018 final and 2019 interim dividends to equity holders of the Company	–	–	(1,869,688)	(467,422)	(2,337,110)	–	(2,337,110)
Exercise of share options	1,554	119,718	(41,367)	–	79,905	–	79,905
Total transactions with owners	1,554	119,718	(1,911,055)	(467,422)	(2,257,205)	–	(2,257,205)
Appropriation to statutory reserve and enterprise expansion fund	–	–	727,384	(727,384)	–	–	–
Balance at 30 June 2019	480,531	3,884,720	5,283,011	27,943,012	37,591,274	310,250	37,901,524

The above consolidated statement of changes of equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended 30 June 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	27(a)	10,750,534	10,791,159
Income tax paid		(783,379)	(1,252,842)
Interest paid		(1,329,869)	(1,138,026)
Net cash generated from operating activities		8,637,286	8,400,291
Cash flows from investing activities			
Payments for property, plant and equipment		(5,814,937)	(6,386,586)
Payments for business combination	29	(436,027)	(1,185,631)
Interest received		135,373	102,876
Dividends received from an associate		145,338	80,351
Proceeds from disposals of property, plant and equipment		146,324	27,923
Others — net		(21,068)	(14,778)
Net cash used in investing activities		(5,844,997)	(7,375,845)
Cash flows from financing activities			
Proceeds from borrowings		31,164,089	33,201,110
Repayments of borrowings		(32,901,839)	(29,727,843)
Dividends paid to equity holders of the Company		(1,869,619)	(1,869,061)
Changes in restricted cash		(156,615)	24,000
Exercise of share options		79,905	—
Others — net		—	(45,359)
Net cash (used in)/generated from financing activities		(3,684,079)	1,582,847
Net (decrease)/increase in cash and cash equivalents		(891,790)	2,607,293
Cash and cash equivalents at beginning of the year		9,044,707	6,472,756
Exchange gains/(losses) on cash and cash equivalents		33,462	(35,342)
Cash and cash equivalents at end of the year	13	8,186,379	9,044,707

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nine Dragons Paper (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacture and sales of packaging paper, printing and writing paper, high value specialty paper products and pulp.

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 consolidated financial statements are presented in Renminbi thousand, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors of the Company (the "BoD") on 24 September 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and applicable disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss which are measured at fair value.

(c) New standards, amendments and interpretations to standards adopted by the Group

The following new standards, amendments and interpretations to standards are relevant and mandatory for the Group's financial year beginning on 1 July 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration

Save for the impact of adoption of HKFRS 9 and HKFRS 15 disclosed in Note 2.2 below, the adoption of other amendments and interpretations to standards does not have any significant impact to the results and financial position of the Group.

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

2.1 Basis of preparation *(continued)*

(d) New standards, amendments and interpretations to standards relevant to the Group have been issued but are not effective

The following new standards, interpretations and amendments to standards relevant to the Group have been issued but are not effective for the financial year beginning on 1 July 2018 and have not been early adopted by the Group:

HKAS 19 (Amendments)	Employee Benefits [1]
HKAS 28 (Amendments)	Long-term Interests in an Associate or Joint Venture [1]
HKFRS 16	Leases [1]
HK(IFRIC) 23	Uncertainty over Income Tax Treatments [1]
Annual Improvements to 2015–2017 Cycle	Improvements to HKFRS [1]
HKAS 1 and HKAS 8 (Amendments)	Definition of material [2]
HKFRS 3 (Amendments)	Definition of business [2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture [3]

1 Effective for annual periods beginning on or after 1 July 2019.

2 Effective for annual periods beginning on or after 1 July 2020.

3 Effective date to be determined.

The Group's assessment of the impact about HKFRS 16 that is expected to be applicable to the Group is as follows. There are no other standards or interpretations and amendments to standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

HKFRS 16, *Lease*

Nature of change

It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases and the reclassification of land use rights to right-of-use assets. As at 30 June 2019, the Group has non-cancellable operating lease commitments of RMB23,102,000 and land use rights of RMB1,578,985,000.

The Group does not expect any other significant impact on the financial statements. However, some additional disclosures will be required from next year.

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

2.1 Basis of preparation *(continued)*

(d) New standards, amendments and interpretations to standards relevant to the Group have been issued but are not effective *(continued)*

HKFRS 16, *Lease (continued)*

Mandatory application date by the Group

HKFRS 16 is mandatory for financial years commencing on or after 1 July 2019 for the Group. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

Consolidated balance sheet (extract)	**30 June 2018 As originally presented** RMB'000	**HKFRS 15** RMB'000	**1 July 2018 Restated** RMB'000
Current liabilities			
Advance from customers	342,508	(342,508)	—
Contract liabilities	—	342,508	342,508

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

2.2 Changes in accounting policies *(continued)*

(b) HKFRS 9 *Financial Instruments* — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 by the Group resulted in changes in accounting policies. The new accounting policies are set out in Note 2.12 below.

(i) Classification and measurement

On 1 July 2018 (the date of initial application of HKFRS 9), the Group has financial assets mainly in the category of loans and receivables, which are measured at amortised cost. Accordingly, the new standard does not affect the classification and measurement of these financial assets. There is also no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

(ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The Group has two types of financial assets measured at amortised cost that are subject to HKFRS 9's new expected credit loss model:

- trade and bills receivables; and
- other receivables

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for trade and bills receivables and other receivables is measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has reviewed its financial assets and has not identified any significant impact as at 1 July 2018 from the adoption of ECL model.

While cash and cash equivalents, short-term bank deposits and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

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

2.2 Changes in accounting policies *(continued)*

(c) HKFRS 15 *Revenue from Contracts with Customers* — Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service under HKFRS 15. Based on the Group's assessment, there was no material impact to the consolidated income statements of the Group upon the adoption of HKFRS 15. The new accounting policies are set out in Note 2.23 below.

The effects of the adoption of HKFRS 15 are the presentation of contract liabilities. Deposits received from customers in advance which were previously presented as advance from customers are reclassified as contract liabilities, as set out in Note (a) above. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules modified retrospectively and the comparative figures have not been restated.

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.4).

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(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 capacities 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.

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

2.3 Principles of consolidation and equity accounting *(continued)*

(c) Disposal of subsidiaries

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

(e) Equity method

Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the result of the investee after the date of acquisition. The Group's investment in an associate or a joint venture includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate or a 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 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 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 results of an associate and a joint venture" in the consolidated income statement.

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

2.3 Principles of consolidation and equity accounting *(continued)*

(e) Equity method *(continued)*

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.

(f) Associates

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

(g) 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 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

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

2.4 Business combinations *(continued)*

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.5 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.

2.6 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"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or 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 on financing activities — net". All other foreign exchange gains and losses are presented in the consolidated income statement within "exchange (losses)/gains on operating activities — net".

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

2.6 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.

2.7 Property, plant and equipment

Freehold land is stated at cost less impairment. Other 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.

Freehold land is not depreciated. Depreciation on other 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	20–35 years
Plant and machinery	12–35 years
Furniture, fixtures and equipment	5–12 years
Motor vehicles, transportation and logistics equipment	8–15 years

The assets' residual values mainly 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 2.11).

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

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

2.8 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.

2.9 Land use rights

Land use rights in the consolidated 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.

2.10 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 not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is 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 CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose.

(b) Other intangible assets

(i) Trademark

Separately acquired trademark represents the using rights of "Xuesha" brand which delivers an earning stream and generates value for the Group. The trademark can be reregistered 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 register 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 2.11.

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

2.10 Intangible assets *(continued)*

(b) Other intangible assets *(continued)*

(ii) Patent

The patent represents the using rights of odor treatment equipment which can solve the environment pollution problems caused by odor emission during the production process and other technical rights used during the production process. Patent acquired in a business combination are recognised at fair value at the acquisition date. The patent is carried at costs less accumulated amortisation and 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.

2.11 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, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 (CGU). Non-financial assets other than goodwill and trademark that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

2.12 Financial assets

(a) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

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

2.12 Financial assets *(continued)*

(d) Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other receivables, the Group applies either 12-month or lifetime expected losses method to assess the expected credit losses depending on whether there has been a significant increase in credit risk since initial recognition.

(e) Accounting policies applied until 30 June 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) 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. As at 30 June 2018, the Group's financial assets were mainly loans and receivables.

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.

(ii) Recognition and measurement

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

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

2.12 Financial assets *(continued)*

(e) Accounting policies applied until 30 June 2018 *(continued)*

(iii) Impairment

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

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

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

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 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 the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 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)*

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

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". Restricted cash and short-term bank deposits are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.17 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.

2.18 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 payables 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.

2.19 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 reporting period.

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 the consolidated income statement 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)*

2.20 Current and deferred income tax

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

(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. 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 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)*

2.21 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to relevant employees. These plans are generally funded through payments to schemes established by governments or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

(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 hold shares for a specific period of time).

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

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

2.21 Employee benefits *(continued)*

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

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.

(d) Share-based compensation granted among group companies

The grant by the Company of options over its equity instruments to the employees of its subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the Company's balance sheet.

2.22 Provisions

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

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

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

2.23 Revenue and other income recognition

Under HKFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. This may be at a single point in time or over time.

Upon the adoption of HKFRS 15, the Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- when the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

2.23 Revenue and other income recognition *(continued)*

If none of the above conditions are met, the Group recognises revenue at a single point in time at which the performance obligation is satisfied for the sale of that good or service when control has been passed.

If control of the product or service transfers over time, revenue is recognised over the period of the contract by measuring the progress towards complete satisfaction of that performance obligation.

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 ("VAT"), return, rebate and discount after eliminating sales within the group companies.

(a) Revenue from sales of goods

Revenue from sales of goods are recognised at the point in time when the control of the goods is transferred to the customer, which generally coincides with delivery and acceptance of the goods sold.

(b) Other income from sales of electricity

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

(c) Other income from rendering of transportation services

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

2.24 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Leases (as the lessee for operating leases)

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

2.26 Government grants

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

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

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

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

2.27 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

The Group mainly operates in mainland China, Hong Kong, Macau and Socialist Republic of Vietnam ("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 2019, 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 2019 would have been RMB699,934,000 lower/higher (2018: RMB488,920,000) and other reserves would have been RMB79,820,000 lower/higher (2018: RMB4,444,000), respectively, mainly as a result of unrealised foreign exchange losses/gains on translation of foreign currency-denominated financial instruments (including cash and cash equivalents, short-term bank deposits, restricted cash, trade and other receivables, trade and other payables and borrowings) 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 2019, 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 RMB28,709,000 lower/higher (2018: RMB39,828,000), 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 reputations.

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 the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period by considering actual or expected significant changes in the operating results of the debtor, default or significant delay in payments and other available forward-looking information. Specifically for the Group's trade and bills 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 applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance. Other receivables is measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. The Group established ECL model based on historical settlement records, past experience and available forward-looking information. 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 credit losses of the debtors as at 30 June 2019.

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. 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 (Note 13) and short-term bank deposits on the basis of expected cash flow.

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
At 30 June 2019						
Borrowings (including interests) (Note)	**15,216,358**	**10,805,489**	**6,312,251**	**50,584**	**32,384,682**	**31,002,225**
Trade, bills and other payables	**7,460,077**	**–**	**–**	**–**	**7,460,077**	**7,460,077**
Financial guarantee contracts provided to a joint venture	**–**	**–**	**–**	**33,440**	**33,440**	**33,440**
At 30 June 2018						
Borrowings (including interests) (Note)	18,933,312	7,762,461	6,814,743	638,151	34,148,667	32,712,203
Trade, bills and other payables	4,455,566	–	–	–	4,455,566	4,455,566
Financial guarantee contracts provided to a joint venture	–	–	–	34,061	34,061	34,061

Note: Interest on borrowings is calculated on borrowings held as at 30 June 2019 (2018: same). Floating-rate interest is estimated using the current interest rate as at 30 June 2019 (2018: same).

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

The gearing ratio is calculated as follows:

	30 June 2019 RMB'000	30 June 2018 RMB'000
Total borrowings (Note 16)	**31,002,225**	32,712,203
Less: cash and cash equivalents, restricted cash and short-term bank deposits	**(8,369,071)**	(9,044,707)
Net debt	**22,633,154**	23,667,496
Total equity	**37,901,524**	36,265,587
Gearing ratio	**59.7%**	65.3%

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).

The following table presents the Group's financial assets measured and recognised at fair value at 30 June 2019 on a recurring basis (2018: not applicable):

	30 June 2019 Level 1 RMB'000
Financial assets at fair value through profit or loss	60,565

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 5% shorter/longer from management's estimate, the carrying amount of the plant and machinery as at 30 June 2019 would be RMB705,008,000 lower (2018: RMB611,202,000) or RMB637,864,000 higher (2018: RMB552,992,000).

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

(b) Income taxes

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the amount of the provision for taxation and timing of payment of the related taxations. 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, printing and writing paper, high value specialty paper products and pulp. 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 People's Republic of China (the "PRC"). The revenue from external customers attributable to the PRC for the year ended 30 June 2019 is RMB48,554,455,000 (2018: RMB51,205,010,000), and the total of its revenue from external customers from other countries is RMB6,092,991,000 (2018: RMB1,576,744,000). The breakdown of the major products of the total sales is disclosed in Note 19.

As at 30 June 2019, the total of non-current assets other than deferred income tax assets located in the PRC is RMB53,596,110,000 (2018: RMB50,438,136,000), and the total of these non-current assets located in other countries is RMB3,682,682,000 (2018: RMB2,595,150,000).

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles, transportation, and logistics equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 July 2017						
Cost	8,488,934	46,189,238	1,034,496	839,377	3,947,951	60,499,996
Accumulated depreciation	(2,798,584)	(10,283,419)	(596,739)	(406,110)	—	(14,084,852)
Net book amount	5,690,350	35,905,819	437,757	433,267	3,947,951	46,415,144
Year ended 30 June 2018						
Opening net book amount	5,690,350	35,905,819	437,757	433,267	3,947,951	46,415,144
Additions	—	38,258	55,075	71,062	6,010,625	6,175,020
Business combination	250,187	541,909	2,442	—	13,802	808,340
Transfer	558,559	2,751,902	58,199	—	(3,368,660)	—
Disposals	(14,277)	(136,831)	(2,079)	(50,389)	—	(203,576)
Depreciation (Notes 21 and (b))	(356,942)	(1,503,569)	(111,210)	(72,766)	—	(2,044,487)
Exchange differences	4,238	13,088	(25)	(116)	(46,182)	(28,997)
Closing net book amount	6,132,115	37,610,576	440,159	381,058	6,557,536	51,121,444
At 30 June 2018						
Cost	9,313,095	49,437,257	1,137,317	735,596	6,557,536	67,180,801
Accumulated depreciation	(3,180,980)	(11,826,681)	(697,158)	(354,538)	—	(16,059,357)
Net book amount	6,132,115	37,610,576	440,159	381,058	6,557,536	51,121,444
Year ended 30 June 2019						
Opening net book amount	**6,132,115**	**37,610,576**	**440,159**	**381,058**	**6,557,536**	**51,121,444**
Additions	**4,981**	**184,572**	**32,068**	**41,955**	**5,794,775**	**6,058,351**
Business combination (Note 29)	**128,253**	**254,161**	**2,853**	**—**	**—**	**385,267**
Transfer	**666,451**	**764,749**	**53,372**	**267**	**(1,484,839)**	**—**
Disposals	**(80,680)**	**(63,094)**	**(1,536)**	**(3,194)**	**—**	**(148,504)**
Depreciation (Notes 21 and (b))	**(403,016)**	**(1,571,537)**	**(101,454)**	**(71,227)**	**—**	**(2,147,234)**
Exchange differences	**10,946**	**30,837**	**166**	**30**	**6,706**	**48,685**
Closing net book amount	**6,459,050**	**37,210,264**	**425,628**	**348,889**	**10,874,178**	**55,318,009**
At 30 June 2019						
Cost	**10,024,276**	**50,605,417**	**1,205,404**	**721,911**	**10,874,178**	**73,431,186**
Accumulated depreciation	**(3,565,226)**	**(13,395,153)**	**(779,776)**	**(373,022)**	**—**	**(18,113,177)**
Net book amount	**6,459,050**	**37,210,264**	**425,628**	**348,889**	**10,874,178**	**55,318,009**

(a) Certain property, plant and equipment of the Group with carrying values of approximately RMB254,636,000 as at 30 June 2019 (2018: RMB265,067,000) had been pledged for the borrowings of the Group (Note 16).

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

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

	For the year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cost of goods sold	**1,843,269**	1,754,199
Administrative expenses	**232,452**	224,113
Selling and marketing costs	**67,438**	62,100
Other expenses	**4,075**	4,075
	2,147,234	2,044,487

7. LAND USE RIGHTS

	RMB'000
At 1 July 2017	
Cost	1,893,756
Accumulated amortisation	(372,964)
Net book amount	1,520,792
Year ended 30 June 2018	
Opening net book amount	1,520,792
Amortisation (Note 21 and (b))	(37,581)
Exchange differences	(244)
Closing net book amount	1,482,967
At 30 June 2018	
Cost	1,893,419
Accumulated amortisation	(410,452)
Net book amount	1,482,967
Year ended 30 June 2019	
Opening net book amount	**1,482,967**
Additions	**135,611**
Amortisation (Note 21 and (b))	**(39,700)**
Exchange differences	**107**
Closing net book amount	**1,578,985**
At 30 June 2019	
Cost	**2,029,154**
Accumulated amortisation	**(450,169)**
Net book amount	**1,578,985**

(a) The land is outside Hong Kong and held on leases of between 30 years to 50 years.

(b) Amortisation of RMB37,686,000 and RMB2,014,000 (2018: RMB37,581,000 and nil) are charged to the "cost of goods sold" of the consolidated income statement and capitalised in construction in progress included in "property, plant and equipment", respectively.

8. INTANGIBLE ASSETS

	Goodwill RMB'000 (Note (b))	Others RMB'000 (Note (c))	Total RMB'000
At 1 July 2017			
Cost	146,694	145,433	292,127
Accumulated amortisation	—	(61,463)	(61,463)
Net book amount	146,694	83,970	230,664
Year ended 30 June 2018			
Opening net book amount	146,694	83,970	230,664
Additions	—	6,926	6,926
Business combination	—	1,330	1,330
Amortisation (Notes 21 and (a))	—	(7,538)	(7,538)
Closing net book amount	146,694	84,688	231,382
At 30 June 2018			
Cost	146,694	153,847	300,541
Accumulated amortisation	—	(69,159)	(69,159)
Net book amount	146,694	84,688	231,382
Year ended 30 June 2019			
Opening net book amount	**146,694**	**84,688**	**231,382**
Additions	**—**	**55,016**	**55,016**
Amortisation (Notes 21 and (a))	**—**	**(15,483)**	**(15,483)**
Exchange differences	**—**	**167**	**167**
Closing net book amount	**146,694**	**124,388**	**271,082**
At 30 June 2019			
Cost	**146,694**	**209,253**	**355,947**
Accumulated amortisation	**—**	**(84,865)**	**(84,865)**
Net book amount	**146,694**	**124,388**	**271,082**

(a) Amortisation of RMB14,761,000 and RMB722,000 (2018: RMB6,816,000 and RMB722,000) are charged to the "administrative expenses" and capitalised in construction in progress included in "property, plant and equipment", respectively.

(b) 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. Based on the impairment test, management of the Group was of the view there was no impairment of goodwill as at 30 June 2019 (2018: nil).

(c) As at 30 June 2019, other intangible assets mainly represent patent, trademark, computer software and sea use right (2018: trademark, computer software and sea use right).

9. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2019:

	Place of incorporation and kind of legal entity	Principal activities/place of operation	Issued and fully paid share capital/paid-in capital	Attributable equity interest held
Directly held:				
Nine Dragons Paper (BVI) Group Limited	British Virgin Islands (the "BVI"), limited liability company	Investment holdings/BVI	US$10,000	100.00%
Indirectly held:				
Nine Dragons Worldwide Investment Limited	Hong Kong, limited liability company	Investment holdings/ Hong Kong	HK$1	100.00%
Nine Dragons Worldwide (China) Investment Group Co., Ltd.	PRC, limited liability company	Investment holdings/PRC	US$3,217,491,000	100.00%
Nine Dragons Paper Industries (Dongguan) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$863,181,000	100.00%
Nine Dragons Paper Industries (Taicang) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$480,720,000	100.00%
Nine Dragons Paper Industries (Chongqing) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$621,540,000	100.00%
Nine Dragons Paper Industries (Tianjin) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$756,468,000	100.00%
Nine Dragons Paper Industries (Quanzhou) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$302,644,000	100.00%
Nine Dragons Paper Industries (Leshan) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	RMB462,210,000	100.00%
Nine Dragons Paper Industries (Shenyang) Co. Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$275,333,000	100.00%
Nine Dragons Paper Industries (Hebei) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$163,193,000	100.00%
Cheng Yang Paper Mill Co., Ltd. (Note (a))	Vietnam, limited liability company	Manufacture of paper/ Vietnam	US$100,000,000	67.00%
ND Paper Inc.	The United States of America (the "USA"), limited liability company	Manufacture of paper/USA	US$627	100%

9. SUBSIDIARIES *(continued)*

(a) The Group holds controlling interests in this subsidiary. In the opinion of the directors, the non-controlling interest is individually not material to the Group's consolidated financial statements. Therefore, no separate disclosure on this subsidiary is presented.

(b) 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.

10. INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

There was no associate nor joint venture of the Group as at 30 June 2019 which, in the opinion of the executive directors, are material to the Group. For those individually immaterial associate and joint venture that are accounted for using the equity method, amounts recognised in the consolidated balance sheet and the consolidated income statement are set out as below:

	Associate RMB'000 (Note (a))	**Joint venture** RMB'000 (Note (b))	**Total** RMB'000
At 1 July 2017	85,126	34,623	119,749
Share of results	139,878	(3,275)	136,603
Dividends declared	(80,351)	—	(80,351)
Exchange differences	—	187	187
At 30 June 2018	144,653	31,535	176,188
At 1 July 2018	**144,653**	**31,535**	**176,188**
Share of results	**59,966**	**(697)**	**59,269**
Dividends declared	**(145,338)**	**—**	**(145,338)**
Exchange differences	**—**	**(432)**	**(432)**
At 30 June 2019	**59,281**	**30,406**	**89,687**

(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) 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	Leasing

11. INVENTORIES

	30 June 2019 RMB'000	30 June 2018 RMB'000
At cost:		
Raw materials	**3,723,791**	3,619,336
Finished goods	**3,885,320**	3,071,755
	7,609,111	6,691,091

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB46,208,286,000 for the year ended 30 June 2019 (2018: RMB41,196,507,000).

12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2019 RMB'000	30 June 2018 RMB'000
Trade receivables		
— third parties	**2,714,195**	3,951,285
— related parties (Note 30(d))	**76,655**	120,287
	2,790,850	4,071,572
Bills receivables		
— third parties	**1,097,471**	1,846,080
— related parties (Note 30(d))	**95,973**	80,623
	1,193,444	1,926,703
	3,984,294	5,998,275
VAT recoverable	**1,437,525**	758,644
Other receivables and deposits		
— third parties	**325,219**	848,111
— related parties (Note 30(d))	**47,900**	42,272
	373,119	890,383
Prepayments		
— third parties	**581,404**	594,176
— related parties (Note 30(d))	**977,775**	757,801
	1,559,179	1,351,977
Less: other receivables and prepayments included in non-current assets	**(21,029)**	(21,305)
	3,348,794	2,979,699

(a) As at 30 June 2019, 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 not more than 60 days.

As at 30 June 2019, the ageing analysis of trade receivables based on invoice date is as follows:

	30 June 2019 RMB'000	30 June 2018 RMB'000
0–30 days	**2,217,195**	3,333,571
31–60 days	**495,793**	652,995
Over 60 days	**77,862**	85,006
	2,790,850	4,071,572

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.

(c) Management reviews its trade receivables for the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period by considering actual or expected significant changes in the operating results of the debtor, default or significant delay in payments and other available forward-looking information. Management does not expect any credit losses of trade receivables as at 30 June 2019 (2018: same).

Trade receivables are analysed below:

	30 June 2019 RMB'000	30 June 2018 RMB'000
Fully performing under credit term (Note (i))	**2,698,017**	4,031,991
Past due but not impaired (Note (ii))	**92,833**	39,581
Total trade receivables	**2,790,850**	4,071,572

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

(ii) Trade receivables that are past due but not impaired relate to customers for whom there are no recent history of default.

(d) Bills receivables are mainly with maturity period of 90 to 180 days (2018: 90 to 180 days). Bills receivables as at 30 June 2019 represents the bank acceptance notes and commercial bills (2018: same).

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

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

	30 June 2019 RMB'000	30 June 2018 RMB'000
RMB	3,536,021	5,722,576
US$	508,524	748,003
HK$	83,250	109,500
Others	229,618	308,579
	4,357,413	6,888,658

(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. No impairment provision was provided for the trade, bills and other receivables and deposits during the year ended 30 June 2019 (2018: same).

(g) Prepayments mainly represent advance to suppliers for purchase of raw materials and prepaid expenditures.

13. CASH AND CASH EQUIVALENTS

	30 June 2019 RMB'000	30 June 2018 RMB'000
Cash and cash equivalents		
— Cash at banks (Note (c))	8,184,824	9,042,977
— Cash in hand	1,555	1,730
	8,186,379	9,044,707
Cash and cash equivalents denominated in:		
— RMB	6,633,343	7,063,072
— US$	885,537	599,090
— HK$	500,413	411,576
— EURO	58,076	837,317
— Others	109,010	133,652
	8,186,379	9,044,707

(a) As at 30 June 2019, the maximum exposure to credit risk is the carrying amount of cash at banks of RMB8,184,824,000 (2018: RMB9,042,977,000).

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

(c) Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 30 June 2019, the weighted average effective interest rate of these deposits was 0.29% (2018: 0.44%).

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					
Year ended 30 June 2018					
Balance as at 1 July 2017	4,674,220,811	467,422	478,977	8,765,002	9,243,979
Reduction of share premium and transfer to contributed surplus (Note (a))	—	—	—	(5,000,000)	(5,000,000)
Balance as at 30 June 2018	4,674,220,811	467,422	478,977	3,765,002	4,243,979
Year ended 30 June 2019					
Balance as at 1 July 2018	**4,674,220,811**	**467,422**	**478,977**	**3,765,002**	**4,243,979**
Issuance of shares upon the exercise of share options	**18,000,000**	**1,800**	**1,554**	**119,718**	**121,272**
Balance as at 30 June 2019	**4,692,220,811**	**469,222**	**480,531**	**3,884,720**	**4,365,251**

(a) A reduction of RMB5,000,000,000 standing to the credit of the share premium account of the Company and the transfer such amount to the contributed surplus account was approved by the shareholders at the annual general meeting on 18 December 2017.

15. OTHER RESERVES

	Contributed surplus	Capital reserve	Share option reserve	Statutory reserve and enterprise expansion fund	Currency translation reserve	Total
	RMB'000 (Note (a))	RMB'000	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000	RMB'000
At 1 July 2017	146,959	230,606	41,367	1,165,200	(44,896)	1,539,236
Reduction of share premium and transfer to contributed surplus (Note 14(a))	5,000,000	—	—	—	—	5,000,000
Acquisition of non-controlling interests in subsidiaries	—	20,800	—	—	—	20,800
Appropriation to statutory reserve and enterprise expansion fund	—	—	—	1,067,993	—	1,067,993
Dividends	(1,168,555)	—	—	—	—	(1,168,555)
Currency translation differences	—	—	—	—	(2,147)	(2,147)
At 30 June 2018	3,978,404	251,406	41,367	2,233,193	(47,043)	6,457,327

	Contributed surplus	Capital reserve	Share option reserve	Statutory reserve and enterprise expansion fund	Currency translation reserve	Total
	RMB'000 (Note (a))	RMB'000	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000	RMB'000
At 1 July 2018	3,978,404	251,406	41,367	2,233,193	(47,043)	6,457,327
Appropriation to statutory reserve and enterprise expansion fund	—	—	—	727,384	—	727,384
Dividends	(1,869,688)	—	—	—	—	(1,869,688)
Exercise of share options	—	—	(41,367)	—	—	(41,367)
Currency translation differences	—	—	—	—	9,355	9,355
At 30 June 2019	2,108,716	251,406	—	2,960,577	(37,688)	5,283,011

(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.

15. OTHER RESERVES *(continued)*

(b) Share options reserve

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

Details of the share options are as follows:

			Number of share options			
Grant date	Exercise price in HK$ per share	Exercisable period	As at 1 July 2018	Granted	Exercised	As at 30 June 2019
29 February 2016	5.19	1 September 2016 to 28 February 2019	18,000,000	–	18,000,000	–

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$
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 2019 RMB'000	30 June 2018 RMB'000
Non-current		
— Long-term bank and other borrowings	**16,620,263**	14,571,089
Current		
— Short-term bank borrowings	**11,210,493**	14,841,529
— Current portion of long-term bank and other borrowings	**3,171,469**	3,299,585
	14,381,962	18,141,114
	31,002,225	32,712,203

(a) As at 30 June 2019, borrowings of RMB50,313,000 (2018: RMB98,419,000) are secured by certain property, plant and equipment (Note 6) of the Group; borrowings of RMB26,780,744,000 (2018: RMB26,399,964,000) are guaranteed by the Company.

(b) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity dates whichever is earlier is as follows:

	30 June 2019 RMB'000	30 June 2018 RMB'000
6 months or less	**19,789,190**	23,138,906
6 –12 months	**4,829,094**	5,057,617
1–5 years	**6,335,819**	4,515,680
Over 5 years	**48,122**	—
	31,002,225	32,712,203

(c) At 30 June, the Group's borrowings were repayable as follows:

	30 June 2019 RMB'000	30 June 2018 RMB'000
Within 1 year	**14,381,962**	18,141,114
Between 1 and 2 years	**10,430,371**	7,397,162
Between 2 and 5 years	**6,141,770**	6,547,829
Over 5 years	**48,122**	626,098
	31,002,225	32,712,203

16. BORROWINGS *(continued)*

(d) The effective interest rates of borrowings were mainly as follows:

	30 June 2019 RMB	30 June 2019 US$	30 June 2019 EURO
Long-term bank borrowings	**4.29%**	**4.62%**	**1.03%**
Short-term bank and other borrowings	**3.90%**	**3.77%**	**0.66%**

	30 June 2018 RMB	30 June 2018 US$	30 June 2018 EURO
Long-term bank and other borrowings	4.43%	3.65%	1.12%
Short-term bank borrowings	4.27%	2.28%	0.62%

(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. The carrying amounts of non-current borrowings approximate their fair values as at 30 June 2019 as the Group's non-current borrowings are mainly carried at floating rates (2018: same).

(f) The Group's borrowings were denominated:

	30 June 2019 RMB'000	30 June 2018 RMB'000
RMB	**16,183,711**	18,110,574
US$	**5,059,301**	5,499,059
EURO	**4,883,807**	6,715,024
HK$	**4,708,958**	2,081,810
VND	**166,448**	305,736
	31,002,225	32,712,203

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

	30 June 2019 RMB'000	30 June 2018 RMB'000
At floating rates:		
— expiring within one year	**40,790,996**	23,888,674
— expiring beyond one year	**11,393,622**	8,432,658
	52,184,618	32,321,332

17. DEFERRED INCOME TAX

	30 June 2019 RMB'000	30 June 2018 RMB'000
Deferred income tax assets	(89,579)	(85,249)
Deferred income tax liabilities	3,187,971	2,772,576
Deferred income tax liabilities, net	3,098,392	2,687,327

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

	For the year ended 30 June	
	2019 RMB'000	2018 RMB'000
Beginning of the year	2,687,327	2,430,747
Charged to the consolidated income statement (Note 24)	410,797	256,687
Exchange differences	268	(107)
End of the year	3,098,392	2,687,327

(b) 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 assets RMB'000	Deferred income tax liabilities RMB'000
At 1 July 2017	(73,319)	2,504,066
(Credited)/charged to the consolidated income statement	(102,052)	358,739
Exchange difference	—	(107)
At 30 June 2018	(175,371)	2,862,698
At 1 July 2018	(175,371)	2,862,698
(Credited)/charged to the consolidated income statement	(169,751)	580,548
Exchange difference	(1,597)	1,865
At 30 June 2019	(346,719)	3,445,111

As at 30 June 2019, deferred income tax assets were mainly recognised in respect of temporary differences arising from tax losses and deferred income tax liabilities were mainly provided in respect of temporary differences arising from accelerated tax depreciation.

Pursuant to the relevant corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Group's certain subsidiaries. Deferred income tax liabilities of approximately RMB1,167,731,000 (2018: approximately RMB1,020,050,000) have not been provided for in these consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Group's certain subsidiaries as the Group controls the dividend policy of these subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

18. TRADE, BILLS AND OTHER PAYABLES AND CONTRACT LIABILITIES/ADVANCE FROM CUSTOMERS

	30 June 2019 RMB'000	30 June 2018 RMB'000
Trade payables		
— third parties	**1,584,853**	1,948,948
— related parties (Note 30(d))	**625,392**	969,896
	2,210,245	2,918,844
Bills payables		
— third parties	**3,375,263**	253,828
	5,585,508	3,172,672
Advance from customers		
— third parties	**—**	342,508
Contract liabilities		
— third parties	**223,382**	—
— related parties (Note 30(d))	**2,637**	—
	226,019	—
Other payables		
— other third parties	**1,916,829**	1,495,536
— staff welfare benefits payable	**473,604**	374,961
Less: staff welfare benefits payable included in non-current liabilities	**(106,521)**	(90,767)
	2,509,931	2,122,238

(a) Trade payables are settled in accordance with agreed terms with suppliers.

The ageing analysis of trade payables based on invoice date as at 30 June 2019 is as follows:

	30 June 2019 RMB'000	30 June 2018 RMB'000
0–90 days	**1,875,637**	1,913,973
Over 90 days	**334,608**	1,004,871
	2,210,245	2,918,844

(b) Bills payables are mainly with maturity period of 90 to 180 days (2018: same).

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

19. SALES

Revenue recognised from sales of goods for the year is as follows:

	For the year ended 30 June 2019 RMB'000	2018 RMB'000
Sales of packaging paper	**46,943,713**	49,741,364
Sales of printing and writing paper	**6,481,141**	2,706,576
Sales of high value specialty paper products	**994,297**	333,814
Sales of pulp	**228,295**	—
	54,647,446	52,781,754

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

	For the year ended 30 June 2019 RMB'000	2018 RMB'000
Other income		
— VAT refund (Note (a))	**451,623**	914,350
— subsidy income	**178,617**	257,964
— sales of electricity	**74,269**	112,450
— income from transportation services	**22,803**	15,486
Other expenses		
— cost of sales of electricity	**(52,488)**	(71,019)
— cost of transportation services	**(15,289)**	(9,613)
Other gains/(losses) — net		
— losses on disposal of property, plant and equipment	**(4,571)**	(172,690)
— Others	**47,959**	54,753
	702,923	1,101,681

(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	
	2019	2018
	RMB'000	RMB'000
Raw materials and consumables used	**42,591,563**	38,587,323
Changes in finished goods	**(813,565)**	(1,044,913)
Employee benefit expenses (Note 22)	**2,922,217**	1,808,421
Depreciation (Note 6)	**2,147,234**	2,044,487
Less: amounts charged to other expenses	**(4,075)**	(4,075)
	2,143,159	2,040,412
Repairs and maintenance expenses	**970,332**	946,451
Transportation expenses	**708,053**	190,322
Other taxes	**187,168**	315,996
Amortisation of land use rights (Note 7)	**37,686**	37,581
Non-deductible VAT for indirect export sales	**18,955**	28,137
Amortisation of intangible assets (Note 8)	**14,761**	6,816
Auditor's remuneration	**8,570**	8,570
Operating lease expenses	**2,740**	3,033
Others	**686,012**	609,962
	49,477,651	43,538,111

22. EMPLOYEE BENEFIT EXPENSES

	For the year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Wages and salaries	**2,641,655**	1,537,003
Allowances and benefits	**280,562**	271,418
	2,922,217	1,808,421

(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	
	2019	2018
	RMB'000	RMB'000
Gross scheme contributions	**95,769**	82,371

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

(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 2019 is set out below:

Name of director	Fees RMB'000	Allowance RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Share options RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors							
Ms. Cheung Yan	7,728	–	–	2,500	–	–	10,228
Mr. Liu Ming Chung (i)	7,176	–	–	2,700	–	–	9,876
Mr. Zhang Cheng Fei (i)	6,900	–	–	2,100	–	–	9,000
Mr. Zhang Yuan Fu	878	–	5,157	–	–	16	6,051
Mr. Lau Chun Shun	3,600	–	–	600	–	16	4,216
Mr. Ken Liu	687	–	2,061	–	–	–	2,748
Mr. Zhang Lianpeng (ii)	1,160	–	–	500	–	–	1,660
Independent non-executive directors							
Ms. Tam Wai Chu, Maria	464	–	–	130	–	–	594
Mr. Lam Yiu Kin	464	–	–	130	–	–	594
Mr. Ng Leung Sing	464	–	–	130	–	–	594
Mr. Chen Kefu (iii)	364	–	–	37	–	–	401
	29,885	–	7,218	8,827	–	32	45,962

The remuneration of each of the directors and chief executive officer of the Company for the year ended 30 June 2018 is set out below:

Name of director	Fees RMB'000	Allowance RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Share options RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors							
Ms. Cheung Yan	5,643	1,227	–	1,612	–	–	8,482
Mr. Liu Ming Chung (i)	5,305	1,073	–	1,497	–	–	7,875
Mr. Zhang Cheng Fei (i)	5,060	1,073	–	1,439	–	–	7,572
Mr. Zhang Yuan Fu	834	–	4,635	–	–	15	5,484
Mr. Lau Chun Shun	3,311	–	–	902	–	15	4,228
Mr. Ken Liu	28	–	83	–	–	–	111
Non-executive director							
Mr. Zhang Lianpeng (ii)	660	–	–	152	–	–	812
Independent non-executive directors							
Ms. Tam Wai Chu, Maria	440	–	–	126	–	–	566
Mr. Lam Yiu Kin	440	–	–	126	–	–	566
Mr. Ng Leung Sing	440	–	–	126	–	–	566
	22,161	3,373	4,718	5,980	–	30	36,262

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

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

Notes

(i) Mr. Liu Ming Chung and Mr. Zhang Cheng Fei are also the chief executive officer and deputy chief executive officer of the Group, respectively.

(ii) Appointed as non-executive director on 1 August 2017 and re-designated as executive director on 21 August 2018.

(iii) Appointed on 21 August 2018.

During the year ended 30 June 2019, 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 (2018: same).

During the year ended 30 June 2019, no director waived or has agreed to waive any emoluments during the years presented (2018: same).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2019 include five (2018: five) directors whose emoluments are reflected in the analysis presented above.

23. FINANCE INCOME AND FINANCE COSTS

	For the year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Finance income:		
Interest income	**135,373**	102,876
Finance costs:		
Interest on borrowings	**(1,176,747)**	(1,036,451)
Other incidental borrowing costs	**(112,889)**	(122,463)
Less: amounts capitalised on property, plant and equipment (Note (a))	**274,274**	135,934
	(1,015,362)	(1,022,980)
Bills discount charge	**(51,237)**	(1,319)
	(1,066,599)	(1,024,299)

(a) The capitalisation interest rate is 3.88% for the year ended 30 June 2019 (2018: 3.83%).

24. INCOME TAX EXPENSE

	For the year ended 30 June 2019 RMB'000	2018 RMB'000
Current income tax		
— PRC corporate income tax and withholding income tax (Notes (a) and (b))	**516,470**	1,433,354
— USA income tax (Note (c))	**11,422**	—
— Vietnam income tax (Note (d))	**5,858**	—
— Hong Kong profits tax (Note (e))	**—**	—
	533,750	1,433,354
Deferred income tax (Note 17)		
— PRC corporate income tax and withholding income tax	**379,568**	256,687
— USA income tax	**24,058**	—
— Vietnam income tax	**7,171**	—
	410,797	256,687
	944,547	1,690,041

(a) PRC corporate income tax

The Group's subsidiaries in the mainland China 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 2019 as those subsidiaries fulfil the requirements of High and New Technology Enterprise ("HNTE") according to relevant rules and regulations (2018: 15%). The HNTE designation should be reassessed every three years according to relevant rules and regulations.

(b) PRC withholding income tax

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the mainland China 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 mainland China 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 mainland China subsidiaries for the year ended 30 June 2019 was 5% (2018: 5%).

(c) USA income tax

USA income tax has been provided at the federal corporate income tax rate and state income tax rate on the estimated assessable profit for the year ended 30 June 2019 in respect of operations in USA (2018: nil).

24. INCOME TAX EXPENSE *(continued)*

(d) Vietnam income tax

Vietnam income tax has been provided at the income tax rate on the estimated assessable profit for the year ended 30 June 2019 in respect of operations in Vietnam (2018: nil).

(e) 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 2019 (2018: nil).

(f) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates of the group entities as follows:

	For the year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**4,826,269**	9,551,292
Less: share of results of an associate and a joint venture	**(59,269)**	(136,603)
	4,767,000	9,414,689
Tax calculated at applicable tax rates of the group entities	**1,231,029**	2,578,560
Effect of preferential tax rates	**(337,565)**	(938,323)
Tax losses for which no deferred income tax asset was recognised	**7,327**	13,849
Expenses not deductible	**50,683**	40,962
Utilisation of previously unrecognised tax losses	**(6,927)**	(5,007)
Income tax expense	**944,547**	1,690,041

25. EARNINGS PER SHARE

— Basic

	For the year ended 30 June 2019	2018
Profit attributable to equity holders of the Company (RMB'000)	**3,859,668**	7,848,075
Weighted average number of ordinary shares in issue (shares in thousands)	**4,681,076**	4,674,221
Basic earnings per share (RMB per share)	**0.82**	1.68

— 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 2019, 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 monetary value of the subscription rights attached to 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 (2018: same).

	For the year ended 30 June 2019	2018
Profit attributable to equity holders of the Company (RMB'000)	**3,859,668**	7,848,075
Weighted average number of ordinary shares for basic earnings per share (shares in thousands)	**4,681,076**	4,674,221
Adjustment for share options (shares in thousands)	**4,204**	10,694
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	**4,685,280**	4,684,915
Diluted earnings per share (RMB per share)	**0.82**	1.68

26. DIVIDENDS

	For the year ended 30 June 2019 RMB'000	2018 RMB'000
Interim dividend, paid, of RMB10.0 cents (2018: RMB10.0 cents) per ordinary share (Note (a))	**467,422**	467,422
Final dividend, proposed, of RMB18.0 cents (2018: RMB40.0 cents) per ordinary share (Note (b))	**844,600**	1,869,688
	1,312,022	2,337,110

(a) An interim dividend for the six months ended 31 December 2018 of RMB10.0 cents per ordinary share, totaling approximately RMB467,422,000 (six months ended 31 December 2017: RMB467,422,000) has been approved in a meeting held by the BoD on 26 February 2019.

(b) At a meeting held on 24 September 2019, the BoD proposed a final dividend of RMB18.0 cents per ordinary share. The proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 30 June 2020.

27. NOTES OF CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	For the year ended 30 June 2019 RMB'000	2018 RMB'000
Profit for the year	**3,881,722**	7,861,251
Adjustments for		
Income tax expense (Note 24)	**944,547**	1,690,041
Depreciation (Note 6)	**2,147,234**	2,044,487
Amortisation (Notes 7 and 8)	**52,447**	44,397
Fair value gains on financial assets at fair value through profit or loss	**(7,949)**	—
Dividend income	**(5,212)**	—
Losses on disposal of property, plant and equipment (Note 20)	**4,571**	172,690
Share of results of an associate and a joint venture (Note 10)	**(59,269)**	(136,603)
Finance income (Note 23)	**(135,373)**	(102,876)
Finance costs (Note 23)	**1,066,599**	1,024,299
Exchange losses on financing activities — net	**91,605**	98,620
Exchange losses/(gains) on operating activities — net	**82,887**	(89,408)
	8,063,809	12,606,898
Changes in working capital		
Inventories	**(862,980)**	(1,486,162)
Trade, bills and other receivables, and prepayments	**1,225,674**	(1,367,182)
Trade, bills and other payables and contract liabilities/ advance from customers	**2,324,031**	1,037,605
Cash generated from operations	**10,750,534**	10,791,159

(b) Reconciliation of liabilities arising from financing activities

	1 July 2018 RMB'000	**Financing cash outflows — net** RMB'000	**Non-cash items** RMB'000	**30 June 2019 RMB'000**
Borrowings	32,712,203	(1,737,750)	27,772	**31,002,225**

	1 July 2017 RMB'000	Financing cash inflows — net RMB'000	Non-cash items RMB'000	30 June 2018 RMB'000
Borrowings	28,949,122	3,473,267	289,814	32,712,203

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 2019 RMB'000	30 June 2018 RMB'000
Not later than one year	**1,663,590**	3,976,565
Later than one year and not later than five years	**391,850**	515,504
	2,055,440	4,492,069

(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 2019 RMB'000	30 June 2018 RMB'000
Not later than one year	**3,417**	3,271
Later than one year and not later than five years	**4,776**	7,323
Later than five years	**14,909**	14,932
	23,102	25,526

29. BUSINESS COMBINATION

The Group acquired a pulp mill in Fairmont, West Virginia, USA, from an independent third party during the year ended 30 June 2019 (the "Acquisition"). The Acquisition was completed on 31 October 2018 (the "Acquisition Date").

Set out below are the summarised information of the Acquisition.

	RMB'000
Purchase considerations — cash	436,027

The assets and liabilities recognised as a result of the acquisition on the Acquisition Date are as follows:

	Fair value RMB'000
Property, plant and equipment	385,267
Inventories	55,040
Other receivables and prepayments	735
Other payables	(5,015)
Total identifiable net assets	436,027
Goodwill	—

(i) The acquired businesses did not contribute material revenue or profit to the Group for the period from the Acquisition Date to 30 June 2019. Had the business combination been completed at 1 July 2018, the impact to the consolidated pro-forma revenue and profit for the year ended 30 June 2019 not have been material.

(ii) Acquisition-related costs of above business combination were charged to the administrative expenses and were not individually material to the Group.

30. SIGNIFICANT 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 Zhangmutou Nine Dragons Packaging Co., Ltd. ("Zhangmutou Packaging") (Formerly known as Dongguan Honglong Packaging Co., Ltd)	A company with 80%'s equity interests beneficially owned by Ms. Cheung Yan, Mr Liu Ming Chung and Mr. Zhang Cheng Fei, executive directors of the Company

(b) Significant 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 2019. These transactions are conducted in the normal course of the Group's business:

	For the year ended 30 June	
	2019	2018
	RMB'000	RMB'000
Sales of goods:		
Taicang Packaging	**585,982**	588,581
Zhangmutou Packaging	**192,170**	209,672
	778,152	798,253
Purchase of recovered paper:		
ACN Tianjin	**15,238,746**	11,148,012
ACN	**7,625,931**	10,094,108
Taicang Packaging	**26,982**	28,257
	22,891,659	21,270,377

All the above transactions constitute continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange and are entered into with the relevant related parties at mutually agreed terms.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

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

	For the year ended 30 June 2019 RMB'000	2018 RMB'000
Salaries, allowance and benefits	**35,181**	33,993

(d) Balances with related parties

	30 June 2019 RMB'000	30 June 2018 RMB'000
Balances due from:		
— ACN	**861,440**	690,021
— Taicang Packaging	**131,785**	133,241
— ACN Tianjin	**116,335**	67,780
— Global Fame	**44,642**	40,258
— Zhangmutou Packaging	**40,843**	67,669
— Longen International Limited	**3,258**	2,014
	1,198,303	1,000,983

	30 June 2019 RMB'000	30 June 2018 RMB'000
Balances due to:		
— ACN	**502,470**	931,171
— ACN Tianjin	**122,922**	38,725
— Taicang Packaging	**2,637**	—
	628,029	969,896

Balances with related parties as at 30 June 2019 were unsecured, interest free and repayable in accordance with agreed terms with related parties (2018: same)

(e) Provision of guarantee to the joint venture

As at 30 June 2019, the Group has provided guarantee of RMB33,440,000 to Global Fame related to its borrowings (2018: RMB34,061,000).

31. ULTIMATE HOLDING COMPANY

The directors of the Company regard Best Result Holdings Limited, a company incorporated in the BVI, to be the ultimate holding company of the Company.

32. BALANCE SHEET OF THE COMPANY STANDING ALONE

	Note	30 June 2019 RMB'000	30 June 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		154	154
Interests in subsidiaries		10,978,572	10,978,572
		10,978,726	10,978,726
Current assets			
Other receivables and prepayments		4,686	6,372
Amounts due from subsidiaries		2,506,384	5,258,922
Cash and cash equivalents		85,295	44,325
		2,596,365	5,309,619
Total assets		13,575,091	16,288,345
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		480,531	478,977
Share premium		3,884,720	3,765,002
Other reserves	(a)	3,522,874	5,433,929
Retained earnings	(b)	10,805	94,806
Total equity		7,898,930	9,772,714
LIABILITIES			
Non-current liabilities			
Borrowings		1,240,662	1,743,633
Current liabilities			
Amounts due to subsidiaries		1,012,021	648,707
Other payables		478,583	17,562
Borrowings		2,944,895	4,105,729
		4,435,499	4,771,998
Total liabilities		5,676,161	6,515,631
Total equity and liabilities		13,575,091	16,288,345

32. BALANCE SHEET OF THE COMPANY STANDING ALONE *(continued)*

(a) Movement of other reserves

	Contributed surplus RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 July 2017	1,561,117	41,367	1,602,484
Reduction of share premium and transfer to contributed surplus	5,000,000	—	5,000,000
2017 final dividends	(1,168,555)	—	(1,168,555)
At 30 June 2018	5,392,562	41,367	5,433,929
At 1 July 2018	**5,392,562**	**41,367**	**5,433,929**
2018 final dividends	**(1,869,688)**	**—**	**(1,869,688)**
Exercise of share options	**—**	**(41,367)**	**(41,367)**
At 30 June 2019	**3,522,874**	**—**	**3,522,874**

(b) Movement of retained earnings

	RMB'000
At 1 July 2017	62,388
Profit of the year	499,840
2018 interim dividends	(467,422)
At 30 June 2018	94,806
At 1 July 2018	**94,806**
Profit of the year	**383,421**
2019 interim dividends	**(467,422)**
At 30 June 2019	**10,805**

33. SUBSEQUENT EVENT

In July 2019, the Company announced that the Group has entered into several agreements to acquire nine companies at a cash consideration of RMB628,000,000, which were principally engaged in the production and sale of paper packaging in the PRC and were controlled by Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei who are executive directors of the Company.

OTHER INFORMATION

SHAREHOLDERS

As at 30 June 2019, the Group had over 2,900 non-institutional shareholders.

FINANCIAL CALENDAR

FY2019 interim results Announcement	published on 26 February 2019
FY2019 annual results Announcement	published on 24 September 2019
Closure of register of members for determining the entitlement of the attendance of the 2019 AGM	11 December 2019 to 16 December 2019 (both dates inclusive)
2019 AGM	16 December 2019
Ex-dividend date for final dividend	18 December 2019
Latest time to lodge transfer with the Share Registrar for entitlement of the final dividend	4:30 p.m. on 19 December 2019
Closure of register of members for determining the entitlement of the final dividend	20 December 2019 to 24 December 2019 (both dates inclusive)
Distribution of FY2019 final dividend#	10 January 2020

subject to Shareholders' approval of the final dividend at the 2019 AGM

ANNUAL GENERAL MEETING

The 2019 AGM will be held on Monday, 16 December 2019. The notice of the 2019 AGM which constitutes part of the circular to Shareholders will be sent together with this Annual Report. The notice of 2019 AGM and the proxy form will also be available on the website of HKExnews at www.hkexnews.hk under Listing Company Information and the website of the Company at www.ndpaper.com.

SHARE INFORMATION

Share Information as at 30 June 2019

Market capitalization:	HK$32.5 billion
Number of issued shares:	4,692,220,811 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 2019

— Interim Dividend:	RMB10 cents per Share
— Final Dividend:	RMB18 cents per Share

Share registrar and transfer office

Principal:

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

Hong Kong branch:

Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1333
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Email: info_hk@ndpaper.com

Stock Code

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

Website

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

DEFINITION

2006 Share Option Scheme	the share option scheme adopted by the Company on 12 February 2006
2016 Share Option Scheme	the share options scheme adopted by the Company on 11 December 2015
2019 AGM	Annual General Meeting to be held on 16 December 2019
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 Yan and Mr. Liu Ming Chung
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
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
NBHK	Northern bleached hardwood kraft pulp
NBSK	Northern bleached softwood kraft pulp
PM	a prefix referring to the Group's paper machines. For example, PM1 refers to the Group's first paper machine
PRC	People's Republic of China
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) Co., Ltd (玖龍智能包裝(太倉)有限公司) (前稱：「玖龍包裝(太倉)有限公司」), a wholly foreign-owned enterprise established in the PRC on 9 April 2002
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 2019
%	per cent

This 2018/19 Annual Report ("Annual Report") (in both English and Chinese versions) has been posted on the Company's website at www.ndpaper.com and on the website of HKExnews at www.hkexnews.hk.

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

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

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

Shareholders may request for printed copy of the Annual Report or change of their choice of means of receipt and language of the Corporate Communications by sending reasonable notice in writing to the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to ndpaper-ecom@hk.tricorglobal.com.

玖龍紙業(控股)有限公司*
NINE DRAGONS PAPER (HOLDINGS) LIMITED