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玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2015**

FINANCIAL HIGHLIGHTS

- Sales increased by 4.0% to RMB30,092.5 million.
- Gross profit dropped by 0.7% to RMB4,716.4 million.
- Gross margin decreased from 16.4% to 15.7%.
- Profit for the year decreased by 18.5% to RMB1,456.3 million.
- Basic and diluted earnings per share decreased by 19.6% to RMB0.3025.
- Proposed final dividend per share of RMB5.0 cents (equivalent to approximately HK6.1 cents).

FINANCIAL RESULTS

The board of directors (“Board”) of Nine Dragons Paper (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group” or “ND Paper”) for the year ended 30 June 2015 (“FY2015” or the “Year”), together with the comparative figures for the last financial year (“FY2014”).

* for identification purpose only

CONSOLIDATED INCOME STATEMENT

		For the year ended 30 June	
		2015	2014
	Note	RMB'000	RMB'000
Sales	2	30,092,546	28,928,740
Cost of goods sold	3	<u>(25,376,141)</u>	<u>(24,177,648)</u>
Gross profit		4,716,405	4,751,092
Other income/(expenses) and other (losses)/gains, net		147,514	218,117
Loss arising from disposal of a subsidiary		(26,640)	—
Selling and marketing costs	3	(679,147)	(525,666)
Administrative expenses	3	(917,743)	<u>(820,670)</u>
Operating profit		3,240,389	3,622,873
Finance income	4	130,164	70,355
Finance costs	4	(1,454,567)	<u>(1,573,484)</u>
Finance costs, net		(1,324,403)	(1,503,129)
Share of profit of an associate and a joint venture, net		39,487	<u>37,509</u>
Profit before income tax		1,955,473	2,157,253
Income tax expense	5	(499,184)	<u>(370,303)</u>
Profit for the year		<u>1,456,289</u>	<u>1,786,950</u>
Profit attributable to:			
— Equity holders of the Company		1,411,520	1,755,172
— Non-controlling interests		44,769	<u>31,778</u>
		<u>1,456,289</u>	<u>1,786,950</u>
Basic and diluted earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)	6	<u>0.3025</u>	<u>0.3762</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	30 June 2015 <i>RMB'000</i>	30 June 2014 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	8	45,010,861	45,599,196
Land use rights	8	1,472,399	1,479,774
Intangible assets	9	251,528	223,245
Investments in an associate and a joint venture		64,240	52,739
Deferred income tax assets		6,750	24,284
		46,805,778	47,379,238
Current assets			
Inventories	10	3,553,245	4,523,339
Trade and bills receivables	11	5,351,488	4,894,602
Other receivables and prepayments	11	1,397,598	2,230,970
Tax recoverable		28,007	12,990
Derivate financial instruments		—	3,460
Restricted cash		23,100	36,759
Short-term bank deposits		563,617	—
Cash and cash equivalents		7,310,840	7,901,644
		18,227,895	19,603,764
Total assets		65,033,673	66,983,002
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	9,208,587	9,208,587
Other reserves		1,240,359	1,174,678
Retained earnings			
— Proposed final dividend		233,311	279,973
— Unappropriated retained earnings		14,544,482	13,409,347
		25,226,739	24,072,585
Non-controlling interests		298,790	526,891
Total equity		25,525,529	24,599,476

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	30 June 2015 <i>RMB'000</i>	30 June 2014 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>13</i>	19,802,381	23,124,364
Deferred income tax liabilities		1,912,311	1,628,329
Other payables		34,529	31,457
		<u>21,749,221</u>	<u>24,784,150</u>
Current liabilities			
Trade and bills payables	<i>14</i>	3,963,649	3,243,183
Other payables and deposits received		1,181,424	1,649,556
Current income tax liabilities		423,195	354,311
Borrowings	<i>13</i>	12,188,128	12,349,656
Derivative financial instruments		2,527	2,670
		<u>17,758,923</u>	<u>17,599,376</u>
Total liabilities		<u>39,508,144</u>	<u>42,383,526</u>
Total equity and liabilities		<u>65,033,673</u>	<u>66,983,002</u>
Net current assets		<u>468,972</u>	<u>2,004,388</u>
Total assets less current liabilities		<u>47,274,750</u>	<u>49,383,626</u>

CASH FLOWS INFORMATION

	For the year ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	1,456,289	1,786,950
Adjustments for non-cash items/income tax/finance costs	3,685,895	3,574,136
Changes in working capital	2,059,472	10,027
	<hr/>	<hr/>
Cash generated from operations	7,201,656	5,371,113
Income tax paid	(149,876)	(110,072)
Interest paid	(1,445,407)	(1,778,613)
	<hr/>	<hr/>
Net cash generated from operating activities	5,606,373	3,482,428
Net cash used in investing activities	(2,187,911)	(2,480,142)
Net cash (used in)/generated from financing activities	(4,007,403)	890,667
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(588,941)	1,892,953
Cash and cash equivalents at beginning of the year	7,901,644	6,015,451
Exchange losses on cash and cash equivalents	(1,863)	(6,760)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	7,310,840	7,901,644
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1. GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The financial statements are presented in Renminbi, unless otherwise stated. These financial statements have been approved for issue by the Board on 23 September 2015.

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

(a) Effect of adopting amendments to standards and interpretation

The following amendments to standards and interpretation are mandatory for the Group's financial year beginning on 1 July 2014.

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

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

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

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

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

1. Effective for the Group for annual period beginning on 1 July 2016.
2. Effective for the Group for annual period beginning on 1 July 2017.
3. Effective for the Group for annual period beginning on 1 July 2018.

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

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

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

2. SALES AND SEGMENT INFORMATION

Sales recognised during the Year are as follows:

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

Segment information

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

3. OPERATING PROFIT

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

	For the year ended 30 June	
	2015	2014
	RMB'000	RMB'000
Depreciation (<i>Note 8</i>)	1,799,316	1,735,002
Less: amount charged to other expenses	(3,654)	(4,226)
	1,795,662	1,730,776
Amortisation of intangible assets (<i>Note 9</i>)	5,078	4,651
Employee benefit expenses	1,231,937	1,230,745
Changes in finished goods	698,926	(509,630)
Raw materials and consumables used (net of claims)	22,089,574	22,235,759
Operating leases		
— Land use rights (<i>Note 8</i>)	33,771	31,249
— Buildings	1,315	1,314

4. FINANCE INCOME AND FINANCE COSTS

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

5. INCOME TAX EXPENSE

For the year ended 30 June
2015 2014
RMB'000 **RMB'000**

Current tax		
— Hong Kong profits tax (<i>Note (a)</i>)	—	—
— PRC corporate income tax (<i>Note (b)</i>)	<u>197,637</u>	<u>98,547</u>
	197,637	98,547
Deferred income tax	<u>301,547</u>	<u>271,756</u>
	<u>499,184</u>	<u>370,303</u>

(a) Hong Kong profits tax

Hong Kong profits tax has not been provided as the Group did not have any assessable profits for the Year (2014: Nil).

(b) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to corporate income tax at the rate of 25% except that certain of these subsidiaries are entitled to preferential rate of 15% for the Group's financial year ended 30 June 2015 (2014: 15%).

6. EARNINGS PER SHARE

— Basic

For the year ended 30 June
2015 2014

Profit attributable to equity holders of the Company (<i>RMB'000</i>)	<u>1,411,520</u>	<u>1,755,172</u>
Weighted average number of ordinary shares in issue (<i>shares in thousands</i>)	<u>4,666,221</u>	<u>4,665,866</u>
Basic earnings per share (<i>RMB per share</i>)	<u>0.3025</u>	<u>0.3762</u>

— Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. As the exercise price of the share options is higher than the average market price of the Company's shares during the year ended 30 June 2015 and 2014, respectively, there is no potential dilutive impact of the share options for the year ended 30 June 2015 and 2014.

7. DIVIDENDS

For the year ended 30 June
2015 2014
RMB'000 *RMB'000*

Interim dividend, approved, of RMB2.0 cents (2014: RMB2.0 cents) per ordinary share	93,324	93,324
Final dividend, proposed, of RMB5.0 cents (2014: RMB6.0 cents) per ordinary share	<u>233,311</u>	<u>279,973</u>
	<u>326,635</u>	<u>373,297</u>

At a meeting held on 23 September 2015, the Board proposed a final dividend of RMB5.0 cents per ordinary share totaling approximately RMB233,311,000 for the Year. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 30 June 2016.

8. LAND USE RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

Land **Property, plant**
use rights **and equipment**
RMB'000 *RMB'000*

Year ended 30 June 2014		
Opening net book amount	1,522,704	44,690,831
Additions	—	2,656,150
Disposals	(11,114)	(11,324)
Amortisation/depreciation (<i>Note 3</i>)	(31,249)	(1,735,002)
Exchange differences	(567)	(1,459)
	<u>1,479,774</u>	<u>45,599,196</u>
Year ended 30 June 2015		
Opening net book amount	1,479,774	45,599,196
Additions	69,298	1,525,178
Disposals	—	(63,252)
Disposal of a subsidiary	(41,918)	(245,905)
Amortisation/depreciation (<i>Note 3</i>)	(33,771)	(1,799,316)
Exchange differences	(984)	(5,040)
	<u>1,472,399</u>	<u>45,010,861</u>

9. INTANGIBLE ASSETS

RMB'000

Year ended 30 June 2014

Opening net book amount as at 1 July 2013	225,747
Addition	2,149
Amortisation (<i>Note 3</i>)	(4,651)
	<u>223,245</u>
Closing net book amount as at 30 June 2014	<u>223,245</u>

Year ended 30 June 2015

Opening net book amount as at 1 July 2014	223,245
Addition	33,728
Amortisation (<i>Note 3</i>)	(5,445)
	<u>251,528</u>
Closing net book amount as at 30 June 2015	<u>251,528</u>

Amortisation of RMB5,078,000 and RMB367,000 (2014 : RMB4,651,000 and nil) are charged to the “administrative expense” of the consolidated income statement and capitalised in “construction in progress” of the balance sheets, respectively.

10. INVENTORIES

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

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

11. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2015 RMB'000	30 June 2014 RMB'000
Trade receivables (<i>Note (a)</i>)	2,094,915	2,116,397
Bills receivables (<i>Note (b)</i>)	3,256,573	2,778,205
	<u>5,351,488</u>	<u>4,894,602</u>
Value-added tax receivables	776,620	1,279,857
Other receivables and prepayments	620,978	951,113
	<u>1,397,598</u>	<u>2,230,970</u>
	<u>6,749,086</u>	<u>7,125,572</u>

(a) As at 30 June 2015, the ageing analysis of trade receivables is as follows:

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

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

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

(b) Bills receivable issued by banks are normally with maturity period of 90 to 180 days.

12. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Issued and fully paid					
At 1 July 2013	4,664,620,811	466,462	478,145	8,726,836	9,204,981
Exercise of share options	<u>1,600,000</u>	<u>160</u>	<u>127</u>	<u>3,479</u>	<u>3,606</u>
At 30 June 2014	<u>4,666,220,811</u>	<u>466,622</u>	<u>478,272</u>	<u>8,730,315</u>	<u>9,208,587</u>
At 1 July 2014 and 30 June 2015	<u>4,666,220,811</u>	<u>466,622</u>	<u>478,272</u>	<u>8,730,315</u>	<u>9,208,587</u>

13. BORROWINGS

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

- (a) The Group issued a medium-term notes totaling RMB397,400,000 during the Year which will be redeemed within three years.
- (b) The Group issued a short-term commercial papers totaling RMB300,000,000 during the Year which will be redeemed within one year.
- (c) The maturity of the borrowings is as follows:

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

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

14. TRADE AND BILLS PAYABLES

	30 June 2015 <i>RMB'000</i>	30 June 2014 <i>RMB'000</i>
Trade payables (<i>Note (a)</i>)	1,753,506	1,672,379
Bills payable	2,210,143	1,570,804
	3,963,649	3,243,183

- (a) As at 30 June 2015, the ageing analysis of trade payables is as follows:

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

15. COMMITMENTS

(a) Capital commitments

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS

Review of Operations

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

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

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

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

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

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

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

(Distribution by location)

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

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

(Distribution by location)

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

The Group attaches great importance to environmental protection and energy conservation. All implementation of government policies and regulations have been conducted conscientiously and comprehensively to keep abreast of the latest standards. The Group continually steps up its efforts on environmental protection by employing international state-of-the-art equipment and technology,

so that it can meet or even exceed government requirements in various environmental and energy consumption indices. The Group's production bases have been named "Environmental Credible Enterprise" by local environmental authorities for consecutive years, establishing itself as an environmentally friendly role model in the paper-making industry. The Group's bases also continued to obtain ISO14001 certification for environmental management systems and certification for clean production.

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

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

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

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

Business Strategy and Development Plan

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

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

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

FINANCIAL REVIEW

Sales

The Group achieved a revenue of approximately RMB30,092.5 million for FY2015, representing an increase of approximately 4.0% as compared with the last financial year. The major contributor of the Group's revenue was still its packaging paper business, including linerboard, high performance corrugating medium and coated duplex board, which accounted for approximately 92.6% of the revenue, with the remaining revenue of 7.4% generated from its recycled printing and writing paper, pulp and high value specialty paper products business.

The Group's revenue for FY2015 increased by approximately 4.0% as compared with the last financial year, mainly driven by approximately 10.1% increase in sales volume, while drop in average selling price of approximately 5.6% for FY2015 as compared with the last financial year. Revenue of linerboard, high performance corrugating medium, coated duplex board and recycled printing and writing paper for FY2015 accounted for 45.7%, 23.2%, 23.8% and 6.5% respectively of the total revenue, compared to 47.3%, 22.5%, 22.4% and 6.7% respectively in the last financial year.

The Group's annual design production capacity in packaging paperboard and recycled printing and writing paper as at 30 June 2015 was 13.33 million tpa, comprising 6.88 million tpa of linerboard, 3.40 million tpa of high performance corrugating medium, 2.60 million tpa of coated duplex board and 0.45 million tpa of recycled printing and writing paper. In FY2015, the Group's total sales volume of packaging paperboard products and recycled printing and writing paper reached approximately 12.2 million tonnes, representing an increase of approximately 10.1% as compared to the last financial year. The increase of sales volume of packaging paperboard and recycled printing and writing paper was supported by the contribution from the newly introduced PM38 in Leshan, which commenced its commercial operation in November 2014, and the full year operation of PM35 and PM36 in Quanzhou, which commenced their commercial operation in March 2014.

The sales volume of linerboard, high performance corrugating medium, coated duplex board and recycled printing and writing paper for FY2015 increased by approximately 7.6%, 12.9%, 15.0% and 2.6% respectively.

The majority of the Group's sales continued to be realised from the domestic market, in particular from the linerboard and high performance corrugating medium sectors. For FY2015, revenue related to domestic consumption represented 92.4% of the Group's total revenue, while the remaining revenue of 7.6% are sales denominated in foreign currencies which primarily represented sales made to foreign invested processing enterprises.

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

Gross profit

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

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

Loss arising from disposal of a subsidiary

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

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

Selling and marketing costs

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

Administrative expenses

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

Operating profit

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

Finance costs

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

Income tax expense

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

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

Net profit

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

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

Dividend

In FY2015, the Group paid an interim dividend of RMB2.0 cents per share, which amounted to RMB93.3 million. The directors have proposed a final dividend of RMB5.0 cents per share, which will aggregate to approximately RMB233.3 million. The total dividend for the FY2015 amounted to

RMB7.0 cents per share, representing a decrease of RMB1.0 cents per share as compared with the last financial year. The pay out ratio was increased from 21.3% in the last financial year to 23.1% in FY2015.

Working capital

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

The raw materials decreased by 7.9% to approximately RMB2,559.3 million in FY2015 from RMB2,779.1 million in the last financial year. The decrease in raw materials balances was mainly due to the decrease in the storage of spare parts of PMs.

The finished goods decreased by approximately 43.0% to approximately RMB993.9 million in FY2015 from RMB1,744.2 million in the last financial year.

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

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

Trade and bills payables were approximately RMB3,963.6 million, increased by 22.2% from approximately RMB3,243.2 million in FY2014. The turnover days of trade and bills payable were approximately 57 days for FY2015 which was in line with the credit period granted by most suppliers.

Liquidity and financial resources

The working capital and long-term funding required by the Group in FY2015 primarily comes from its operating cash flows and borrowings, while the Group's financial resources are used in its capital expenditures, operating activities and repayment of borrowings.

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

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

Debts Management

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

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

Treasury policies

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

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

The treasury policies followed by the Group aim to:

(a) Minimise interest risk

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

(b) Minimise currency risk

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

Cost of borrowing

The effective interest rate as at 30 June 2015 were approximately 3.3% and 2.9% per annum as compared to 4.2% and 3.3% per annum as at 30 June 2014 for long-term borrowings and short-term borrowings respectively. The gross interest and finance charges (including interest capitalised but before interest income and impact from derivative financial instruments) decreased to approximately RMB1,491.2 million in FY2015 from RMB1,721.7 million in FY2014.

Capital expenditures

The Group's payments for the construction of factory buildings, purchase of plants, machineries and equipments and land use rights during FY2015 were approximately RMB1,762.8 million. These capital expenditures were fully financed by internal resources and borrowings.

Capital commitments

The Group made capital expenditure commitments mainly for machineries of approximately RMB2,630.7 million which were contracted or authorised but not provided for in the financial statement. These commitments were mainly related to the construction of PM39 and PM2(Vietnam) for the expansion of the Group's production capacity and improvement of certain existing production lines for a better cost control and enhancement of their profitability.

Contingencies

As at FY2015, the Group had no material contingent liabilities.

FUTURE OUTLOOK

Looking ahead, the Group remains fully confident on China's economy. The consumption power of an immense population and the rising living standards in China will be generating more room for packaging paper demand. With the government vigorously implementing its environmental policies, a large amount of outdated production capacities will be terminated while the approval barriers for new paper-making projects will be more stringent, both of which are favourable for the sustainable long-term development of the packaging paper industry. Meanwhile, China's economy has shifted its focus to sustainable growth with an emphasis on quality, progressively migrating to informatization, automation and intelligentization with more dependence on human resources excellence and technological innovation, thus providing more competitive advantages to the large-scale enterprises. ND Paper will keep abreast of the market changes and directions arising in the economic transformation process, adjusting and optimising its production, sales, procurement, logistics and financial management based on the market conditions, so as to produce products that can best fit the needs of its customers. It will also exercise stringent control on costs and risk, with a view to bringing the economies of scale of the existing platform into full play, striving to lay a solid foundation for the Group's sustainable business development in the future.

DIVIDEND

An interim dividend of RMB2.0 cents (equivalent to approximately HK2.53 cents) (six months ended 31 December 2013: RMB2.0 cents) per share for the six months ended 31 December 2014 was paid to shareholders on 20 July 2015.

The Board has resolved to recommend the payment of a final dividend of RMB5.0 cents (equivalent to approximately HK6.1 cents) per share for FY2015, which is expected to be paid on Friday, 15 January 2016 subject to the approval of the forthcoming annual general meeting ("2015 AGM"). The final dividend will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on Monday, 28 December 2015. The translation of RMB into

Hong Kong dollars is made at the exchange rate of HK\$1.00 = RMB0.82288 as at 23 September 2015 for illustration purpose only. The actual translation rate for the purpose of dividend payment in Hong Kong dollars will be subject to exchange rate at the remittance date.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) from Tuesday, 8 December 2015 to Friday, 11 December 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2015 AGM. In order to be eligible to attend and vote at the 2015 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 7 December 2015; and
- (ii) from Tuesday, 22 December 2015 to Monday, 28 December 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 21 December 2015.

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

ANNUAL GENERAL MEETING

The 2015 AGM will be held on Friday, 11 December 2015 and the Notice of 2015 AGM will be published and despatched in the manner as required by the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

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

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

AUDIT COMMITTEE REVIEW

The audit committee, which comprises three independent non-executive directors, has reviewed with Company's management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters of the Group for the Year.

The consolidated financial statements of the Group for FY2015 has been reviewed by the audit committee, with the directors and the Company's auditor, PricewaterhouseCoopers.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During FY2015, the Group has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Specific enquiries have been made to all directors, who have confirmed that, during FY2015, they were in compliance with provisions of the Model Code.

APPRECIATION

In addition to my gratitude to our management and staff, I would like to express my sincere appreciation to governments of various levels for providing a business-friendly environment that has allowed us to prosper and positively influence the lives of our employees while contributing to the success of our industry. I would also like to thank our shareholders, investors, bankers, customers and business partners for their support and look forward to sharing our continued success.

By Order of the Board
Cheung Yan
Chairlady

Hong Kong, 23 September 2015

As at the date of this announcement, the executive directors are Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun and Mr. Zhang Yuanfu; the independent non-executive directors are Ms. Tam Wai Chu, Maria, Mr. Ng Leung Sing and Dr. Cheng Chi Pang.

* *For identification purposes only*