IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum (the "Offering Memorandum") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Company (as defined in the Offering Memorandum) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES DESCRIBED HEREIN (THE "SECURITIES") HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTION, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM.

Confirmation of your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the Securities, investors must be purchasing the Securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing the attached Offering Memorandum, you shall be deemed to have represented to the Sole Manager (as defined in the Offering Memorandum) and the Company (1) that you are not in the United States and, to the extent you purchase the Securities described in the Offering Memorandum, you will be doing so pursuant to Regulation S under the Securities Act; (2) you and any customers you represent are not, and that the electronic mail address that you gave to the Company and to which this e-mail has been delivered is not, located in the United States, its territories or possessions and (3) that you consent to delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Memorandum to any other person.

The materials relating to any offering of securities described in the Offering Memorandum do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Company, or the Sole Manager in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Sole Manager or any affiliate of the Sole Manager is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Sole Manager or such affiliate on behalf of the Company in such jurisdiction.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company nor Citigroup Global Markets Limited (the "Sole Manager") or any person who controls the Sole Manager nor any director, officer, employee, representative, adviser, agent, affiliate or any person who controls any of them of the Company or the Sole Manager or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Sole Manager.

Prohibition of sales to EEA Retail Investors — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or (ii) a customer within the meaning of 2016/97/EU (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "EU PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

Prohibition of sales to UK Retail Investors — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Offering Memorandum is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Memorandum.

Actions that you may not take: If you receive this notice by e-mail, you should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

玖龍紙業(控股)有限公司*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

US$400,000,000

Senior Perpetual Capital Securities

Issue Price: 100.00 per cent.

The US$400,000,000 14.00 per cent. in aggregate principal amount of senior perpetual capital securities (the "Securities") will be issued by Nine Dragons Paper (Holdings) Limited (the "Company"). The Securities confer a right to receive distribution (each, a "Distribution") from and including 11 June 2024 (the "Issue Date") at the applicable rate described below.

Subject to the provisions of the Securities relating to deferral of distributions (see "*Terms and Conditions of the Securities — Distributions — Distribution Deferral*"), Distribution will be payable semi-annually in equal instalments in arrear on 11 June and 11 December of each year (each, a "Distribution Payment Date"). Subject to increase in distribution rate following a Change of Control (as defined in the terms and conditions of the Securities (the "Terms and Conditions of the Securities")), the applicable rate of distribution (the "Distribution Rate"): (i) in respect of the period from, and including, the Issue Date, to, but excluding, 11 June 2027 (the "First Reset Date"), shall be 14.00 per cent. per annum; and (ii) thereafter, in respect of the period from, and including, the First Reset Date and each Reset Date (as defined in the Terms and Conditions of the Securities) falling thereafter, to, but excluding, the immediately following Reset Date (each, a "Reset Period"), shall, in respect of any respective Reset Period, be equal to the sum of: (1) the Comparable Treasury Rate (as defined in the Terms and Conditions of the Securities) in relation to that Reset Period, (2) 9.332 per cent. (the "Initial Spread") and (3) 5.00 per cent. (the "Step-Up Margin").

The Securities constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future, unsecured and unsubordinated obligations of the Company (including Parity Obligations (as defined in Terms and Conditions of the Securities)), save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Company may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the holders of the Securities (the "Holders", and each, a "Holder"), the Trustee and the Principal Paying Agent (each as defined in the Terms and Conditions of the Securities) not more than 10 Business Bays (as defined in the Terms and Conditions of the Securities) nor less than five Business Days prior to a scheduled Distribution Payment Date unless during the three months ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event (as defined in the Terms and Conditions of the Securities) has occurred. Any Distribution so deferred shall constitute "Arrears of Distribution". Each amount of Arrears of Distribution shall bear interest at the prevailing Distribution Rate as if it constituted the principal of the Securities (the amount of such distribution, the "Additional Distribution Amount"). Save for certain restrictions, the Company may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the notice requirement applicable to any deferral of an accrued Distribution and is not subject to any limit as to the number of times any Distributions and/or Arrears of Distribution may be deferred (see further "*Terms and Conditions of the Securities — Distributions — Distribution Deferral*").

If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Company shall not (a) declare, pay or make any discretionary dividends, discretionary distributions or other discretionary payments on, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is declared, paid or made on any of its Junior Obligations (as defined in the Terms and Conditions of the Securities) or its Parity Obligations (except in relation to Parity Obligations, on a pro-rata basis), save that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or (b) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a pro-rata basis), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants, in each case, unless and until the Company (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution (as defined in the Terms and Conditions of the Securities) of the Holders.

The Securities are perpetual securities in respect of which there is no fixed redemption date. However, the Company may, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent, redeem all but not some of the Securities: (i) upon the occurrence of certain changes affecting the taxes of Bermuda, Hong Kong or the PRC at their principal amount, together with Distribution accrued and unpaid to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount, if any); (ii) upon the occurrence of an Accounting Event (as defined in the Terms and Conditions of the Securities) at their principal amount, together with Distribution accrued and unpaid to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount, if any); (iii) on the First Reset Date or on any Distribution Payment Date thereafter at their principal amount plus Distribution accrued and unpaid to such date (including any Arrears of Distribution and any Additional Distribution Amount, if any); or (iv) if at least 90 per cent. in principal amount of the Securities originally issued (including any further Securities issued pursuant to the Terms and Conditions of the Securities and consolidated and forming a single series with the Securities) has already been redeemed or purchased and cancelled, at their principal amount together with Distribution accrued and unpaid to such date (including any Arrears of Distribution and any Additional Distribution Amount, if any). Upon the occurrence of a Change in Control, the Company shall give notice not later than 21 days following the first day on which it becomes aware of the occurrence of such Change of Control to the Holders and to the Trustee and the Principal Paying Agent, stipulating that a Change in Control has occurred and whether or not it will redeem the Securities pursuant to the Terms and Conditions of the Securities. A notice given by the Company stipulating that it will redeem the Securities shall be irrevocable and oblige the Company to redeem the Securities on a date not less than 30 nor more than 60 days from the date of such notice (the "Change of Control Call Date") at (i) (if the Change of Control Call Date falls prior to the First Reset Date), 101 per cent. of the principal amount of the Securities for the time being outstanding and (ii) (if the Change of Control Call Date falls on or after the First Reset Date), the principal amount of the Securities for the time being outstanding, together with Distribution accrued and unpaid to such date (including any Arrears of Distribution and any Additional Distribution Amount, if any).

Payments on the Securities will be made free and clear of, and without withholding or deduction for or on account of, taxes of Bermuda, Hong Kong or the PRC to the extent described in "*Terms and Conditions of the Securities — Taxation*".

Investing in the Securities involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Memorandum and the merits and risks of investing in the Securities in the context of their financial condition and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in the Securities. Investors should not purchase the Securities unless they understand and are able to bear risks associated with the Securities. See *"Risk Factors"* for a discussion of certain factors to be considered in connection with an investment in the Securities.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Securities on the official list of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle from the SGX-ST, admission of the Securities to the official list of the SGX-ST and quotation of the Securities on the SGX-ST are not to be taken as indications of the merits of the offering, the Company, any other subsidiary or associated company of the Company or the Securities.

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The Securities will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Securities will not be issued in exchange for interests in the Global Certificate. The provisions governing the exchange of interests in the Global Certificate for individual certificates for the Securities are described in the section entitled "*Summary of Provisions Relating to the Securities in Global Form*" of this Offering Memorandum.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Securities and the distribution of this Offering Memorandum, see "*Subscription and Sale*."

Sole Global Coordinator, Sole Lead Manager and Bookrunner

Citigroup

The date of this Offering Memorandum is 3 June 2024.

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NOTICE TO INVESTORS

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

Each of the Company and the Group (the Company and its subsidiaries), having made all reasonable enquiries, confirms that (i) this Offering Memorandum contains all information with respect to the Company, the Group and to the Securities which is material in the context of the issue and offering of the Securities, including all information which, according to the particular nature of the Company, the Group and of the Securities, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company, the Group and of the rights attaching to the Securities; (ii) this Offering Memorandum does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iii) the statements of fact contained in this Offering Memorandum, at the date of its publication were, and are in every material particular true and accurate and not misleading, and there are no other facts in relation to the Company, the Group and the Securities the omission of which would in the context of the issue of the Securities make any statement in this Offering Memorandum misleading; (iv) the statements of intention, opinion, belief or expectation contained in this Offering Memorandum are honestly and reasonably made or held and have been reached after considering all relevant circumstances; and (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such statements.

The Company has prepared this Offering Memorandum solely for use in connection with the proposed offering of the Securities described in this Offering Memorandum. This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of Citigroup Global Markets Limited (the "Sole Manager") or the Company to subscribe for or purchase, any of the Securities. The distribution of this Offering Memorandum and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Company and the Sole Manager to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Securities or the distribution of this Offering Memorandum in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Securities, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Securities, and distribution of this Offering Memorandum, see "*Subscription and Sale*".

By purchasing the Securities, investors are deemed to have represented and agreed to all of those provisions contained in that section of this Offering Memorandum. This Offering Memorandum is personal to the prospective investors to whom it has been delivered by the Sole Manager and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Securities. Distribution of this Offering Memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Memorandum, is deemed to have agreed to the foregoing and to make no photocopies or other reproduction of this Offering Memorandum or any documents referred to in this Offering Memorandum.

No person has been or is authorised in connection with the issue, offer or sale of the Securities to give any information or to make any representation concerning the Company, the Group or the Securities other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Group, the Sole Manager, the Trustee or the Agents (as defined in "*Terms and Conditions of the Securities*" below) or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them. Neither the delivery of this Offering Memorandum nor any offering, sale or delivery made in connection with the issue of the Securities shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Company or the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of, the Company, the Group, the Sole Manager, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them to subscribe for or purchase any of the Securities and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Memorandum is being furnished by the Company in connection with the offering of the Securities and is exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Securities. Investors must not use this Offering Memorandum for any other purpose, make copies of any part of this Offering Memorandum or give a copy of it to any other person, or disclose any information in this Offering Memorandum to any other person. The information contained in this Offering Memorandum has been provided by the Company and other sources identified in this Offering Memorandum. Any reproduction or distribution of this Offering Memorandum, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than the consideration of an investment in the Securities offered by this Offering Memorandum is prohibited. By accepting delivery of this Offering Memorandum, each investor is deemed to have agreed to these restrictions.

None of the Sole Manager, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them has independently verified the information contained in this Offering Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Sole Manager, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Offering Memorandum or any other information supplied in connection with the Securities. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise, representation or warranty by the Sole Manager, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them.

Neither this Offering Memorandum nor any other information supplied in connection with the offering of the Securities (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Company, the Sole Manager, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them that any recipient of this Offering Memorandum, or any other information supplied in connection with the offering of the Securities, should purchase the Securities. In making an investment decision, investors must rely on their own independent examination of the Company, the Group and the terms of the offering, including the merits and risks involved.

Each person receiving this Offering Memorandum acknowledges that such person has not relied on the Sole Manager, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Company and the Group, and the terms of the offering and the merits and risks involved in investing in the Securities. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Securities.

To the fullest extent permitted by law, none of the Sole Manager, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them accepts any responsibility for the contents of this Offering Memorandum and none of them assumes any responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by any of the Sole Manager, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them or on their behalf in connection with the Company, the Group, the issue and offering of the Securities. Each of the Sole Manager, the Trustee and the Agents and their respective directors, officers, employees, representatives, advisers, agents and affiliates and any person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Memorandum or any such statement. None of the Sole Manager or any Agent or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Company or the Group after the date of this Offering Memorandum nor to advise any investor or potential investor in the Securities of any information coming to the attention of the Sole Manager, the Trustee or any Agent or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them.

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IN CONNECTION WITH THE ISSUE OF THE SECURITIES, THE SOLE MANAGER APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER"), OR ANY PERSON ACTING ON ITS BEHALF, MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE SECURITIES AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

None of the Company, the Sole Manager, the Trustee, the Agents, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them is or are making any representation to investors regarding the legality of an investment in the Securities by them under any legal, investment or similar laws or regulations.

In connection with the offering of the Securities, the Sole Manager and/or its affiliates, or affiliates of the Company may act as investors and place orders, receive allocations and trade the Securities for their own account and such orders, allocations or trading of the Securities may be material. These entities may hold or sell such Securities or purchase further Securities for their own account in the secondary market or deal in any other securities of the Company, and therefore, they may offer or sell the Securities or other securities otherwise than in connection with the offering of the Securities. Accordingly, references herein to the offering of the Securities should be read as including any offering of the Securities to the Sole Manager and/or its affiliates, or affiliates of the Company, as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Securities may be impacted.

The Sole Manager and its affiliates may purchase the Securities for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of the Company or its subsidiaries or associates at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this Offering Memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Securities). Furthermore, investors in the Securities may include entities affiliated with the Group.

Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Memorandum and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Securities under applicable laws or regulations, in making an investment decision, investors must rely on their own examination of the Company and the terms of the offering, including the merits and risks involved.

The contents of this Offering Memorandum have not been reviewed by any regulatory authority in the PRC, Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Securities. If any investor is in any doubt about any of the contents of this Offering Memorandum, that investor should obtain independent professional advice.

Industry and Market Data

Market data and certain industry forecasts and statistics used throughout this Offering Memorandum have been obtained from both public and private sources, including market research, internal surveys, publicly available information and industry publications. Although the Company believes such information to be reliable, such information has not been independently verified by the Company, the Sole Manager, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them and none of the Company, the Sole Manager, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Company, the Group, the terms of the offering and the Securities, including the merits and risks involved. Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and that, as far as the Company is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Singapore SFA Product Classification: *In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Securities, including the Sole Manager, are "capital market intermediaries" (together, "CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "SFC Code"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (together, "OCs") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the SFC Code as having an association (an "Association") with the Company, the relevant CMI or the relevant group company. Prospective investors associated with the Company, or any CMI (including its group companies) should specifically disclose this when placing an order for the Securities and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with the Sole Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Sole Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with the Sole Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the Sole Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Sole Manager and/or any other third parties as may be required by the SFC Code, including to the Company, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Offering Memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company", the "Issuer", the "Group" and words of similar import, we are referring to Nine Dragons Paper (Holdings) Limited itself, or to Nine Dragons Paper (Holdings) Limited and its consolidated subsidiaries, as the context requires.

The statistics set forth in this Offering Memorandum relating to the PRC and the packaging paperboard industry in the PRC were taken or derived from various government and private publications. The Sole Manager does not make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

In this Offering Memorandum, all references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."); all references to "HK$" and "Hong Kong dollars" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong" or "HK"); and all references to "RMB" or "Renminbi" are to the Renminbi, the official currency of the People's Republic of China (the "PRC").

We record and publish our financial statements in Renminbi. Unless otherwise stated in this Offering Memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB7.0999 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 29 December 2023, and all translations from Hong Kong dollars into U.S. dollars were made at the rate of HK$7.8109 to US$1.00, the noon buying rate in New York City for cable transfers payable in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York on 29 December 2023. All such translations in this Offering Memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or Hong Kong dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "*Exchange Rates*."

References to "fiscal year" in this Offering Memorandum refer to the Company's fiscal year ending on 30 June of each relevant year. References to "associate" or "associates" in this section are to associates as defined in HKFRS.

References to "the PRC" and "China," for the purposes of this Offering Memorandum, except where the context requires, do not include Hong Kong, Macau Special Administrative Region of the PRC ("Macau") or Taiwan. "PRC government" or "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them. References to "Hong Kong" are to the Hong Kong Special Administrative Region of the PRC. References to "Macau" are to the Macao Special Administrative Region of the PRC. References to "United Kingdom" are to the United Kingdom of Great Britain and Northern Ireland. References to "Singapore" are to the Republic of Singapore.

References to "commencement of operations" or "date of commencement" indicate the date on which the referenced paper machine or other article of equipment was successfully installed and brought online for testing. Typically, our paper machines undergo several months of testing following the date of commencement of operations. The commencement of commercial operations occurs after the conclusion of the initial testing period, when the paper machine begins operating at a commercially viable level.

References to our "Controlling Shareholders" are to Best Result Holdings Limited, Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei.

References to "ACN" are to America Chung Nam, Inc.

References to "Tianjin ACN" are to ACN (Tianjin) Resources Co., Ltd. (中南(天津)再生資源有限公司).

References to "Hainan ACN" are to Hainan ACN Resources Co., Ltd. (海南中南再生資源有限公司) ("Hainan ACN").

References to "design production capacity" refers to management's estimate of the amount of product or material that a production base or paper machine is capable of producing on an annual basis, and is based on factors which affect normal operating limits such as the capacity of equipment to process material, the type and basis weight of the product being produced, the variability of and availability of raw materials, energy and water and regular and periodic maintenance. Design production capacity estimates assume utilisation rates of 100%. The actual utilisation rates, and therefore our actual production volumes, may be above or below our estimates. Estimates of design production capacity are based on the assumption that paper machines will only be producing the designated primary product, at assumed basis weights.

In this Offering Memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes "forward-looking statements." All statements other than statements of historical fact contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "aim," "intend," "will," "may," "anticipate," "seek," "should," "estimate" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- our capital expenditure plans and estimates;
- various business opportunities, strategies and acquisitions that we may pursue;
- our ability to expand our design production capacity and introduce new products;
- our ability to manage our existing production bases and establish new production bases in the PRC and abroad;
- our relationships with our suppliers, customers, employees and various governmental and regulatory authorities;
- our dividend policy;
- our operations, utilisation rates and business prospects;
- our financial condition and results of operations;
- demand for our products, our competitive position and the industry outlook generally; and
- changes in political, economic, legal and social conditions in the PRC.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*" and elsewhere in this Offering Memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this Offering Memorandum. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Memorandum might not occur.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Securities. You should read the entire Offering Memorandum, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

Overview

We are one of the largest vertically integrated producers of packaging paper products in the world, in terms of worldwide annual design production capacity. We manufacture a broad range of packaging paper products, including linerboard, high-performance corrugating medium, coated duplex board, greyboard, printing and writing paper and packaging products. Our U.S. division also offers packaging paper products, including containerboard, kraft paper, printing and specialty papers, pulp and packaging products. We believe the level of integration and scale of our operations enables us to efficiently produce a broad range of high-quality packaging paper products at a low cost.

Our Group's operations have grown significantly since our inception in 1995. Our current aggregate design production capacity is approximately 25.8 mtpa. We now operate 56 technologically advanced paper machines, which are located in our ten production bases in China, one production base in Malaysia, one production base in Vietnam and five mills in the United States. Despite the challenging operating environment, leveraging our consistent product quality and product diversification strategy, our sales volume increased by approximately 16.3% to 10.0 million tonnes during the six months ended 31 December 2023, as compared to 8.6 million tonnes during the six months ended 31 December 2022, and increased by approximately 3.4% to 16.6 million tonnes in fiscal year 2023, as compared to 16.0 million tonnes in fiscal year 2022. We recorded revenue of RMB61.6 billion, RMB64.5 billion, RMB56.7 billion, RMB31.2 billion and RMB30.6 billion in fiscal years 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023, respectively. We recorded net profit of RMB7.2 billion, RMB3.3 billion and RMB0.3 billion in fiscal years 2021 and 2022 and the six months ended 31 December 2023, respectively, and net loss of RMB2.4 billion and RMB1.4 billion in fiscal year 2023 and the six months ended 31 December 2022, respectively.

We are in the process of further increasing our design production capacity and, based on existing commitments and negotiations with equipment suppliers, have plans to increase our design production capacity by approximately 4.9 mtpa by the end of calendar year 2025, consisting of approximately 2.6 mtpa for paper and approximately 2.3 mtpa for wood pulp and wood fibre. We are planning on adding four new paper machines and six new pulp and fibre production lines across our Beihai, Hubei and Malaysia bases. We believe our expansion plans will enable us to enhance our vertical integration by increasing our capacity of wood fibre and wood pulp and strengthen our product portfolio by adding high-end products such as bleached folding boxboard, sack kraft paper and printing and writing paper to capture greater market share. Based on existing commitments and current negotiations, we estimate that our aggregate capital expenditures for the two fiscal years ended in 2025 will be RMB16.1 billion, representing approximately RMB12.1 billion in fiscal year 2024 and RMB4.0 billion in fiscal year 2025.

We believe that our increasingly integrated operations have enhanced our competitive position and profitability in the paper product market. We own and operate extensive facilities to support our manufacturing operations, including coal- and solid waste-fired power plants with an aggregate installed capacity of 2,949 MW, water treatment systems, eight packaging bases with aggregate design production capacity of 2.8 billion square metres as of 31 December 2023, shipping piers capable of accommodating oceangoing vessels of up to 114,000 dwt, truck fleets, warehouses and raw materials yards and other supporting infrastructure.

Competitive Strengths

- We are well-positioned to capture the increasing demand for packaging paper in China continuously stimulated by China's consumption recovery and favourable policies
- Our production bases are strategically located with broad and extensive geological presence to capture the market demand across China
- We are one of the largest vertically integrated producers of paper products in the world with clear synergies and cost advantage
- We have developed a large, diversified and stable base of customers, owing to our full-spectrum product portfolio tailored to our customer's demands
- We have a reached a stable financial performance after the COVID-19 pandemic and have strong financial flexibility with sufficient cross-border financing sources and longstanding support from Chinese state-owned banks
- We have strong ESG proposition, are committed to recycling practice and have become a model of resource-saving enterprise
- We are led by an experienced and dedicated management team with solid track record of operation management

Business Strategies

We aim to remain punctilious and diligent as we develop strengths and improve weaknesses, with the determination to provide our customers with "a piece of exemplary quality paper" sustainably. We will continue to seek opportunities to realise sustainable growth of our business. To achieve this, we plan to focus on the following strategies:

- Continue to build a fully-integrated production chain
- Further diversify our product portfolio
- Enhance environmental-protection measures
- Increase cost efficiency, mitigate risk exposure, and maintain disciplined financial policies

General Information

The Company was incorporated in Bermuda on 17 August 2005 as an exempted company with limited liability, with the registered number 37208. Our principal place of business in the PRC is at No. 12, Xincheng Road, Songshan Lake High-Tech Industrial Development Zone, Dongguan, PRC. Our place of business in Hong Kong is at Unit 1, 22/F., One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. Our registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Our website address is http://www.ndpaper.com. Information contained on our website does not constitute part of this Offering Memorandum.

THE OFFERING

The following summary contains some basic information about the Securities. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Securities" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Securities, see "Terms and Conditions of the Securities" in this Offering Memorandum.

Company . . . . Nine Dragons Paper (Holdings) Limited

The Securities . . . . US$400,000,000 14.00 per cent. senior perpetual capital securities.

Status of the Securities The Securities will constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Company which shall at all times rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future, unsecured and unsubordinated obligations of the Company, including Parity Obligations (as defined in the Terms and Conditions of the Securities), save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Issue Price . . . . 100.00 per cent. of the principal amount of the Securities.

Form and Denomination The Securities will be registered and issued in the denomination of US$200,000 and integral multiples of US $1,000 in excess thereof.

Issue Date . . . . 11 June 2024.

Distributions. . . . . Subject to Condition 4(e) (*Distributions — Distribution Deferral*), the Securities confer a right to receive distributions (each, a "Distribution") from, and including, the Issue Date at the applicable rate of distribution ("Distribution Rate") which:

(i) in respect of the period from, and including, the Issue Date to, but excluding, 11 June 2027 (the "First Reset Date"), shall be 14.00 per cent. per annum; and

(ii) thereafter, in respect of the period from, and including, the First Reset Date and each Reset Date falling thereafter, to, but excluding, the immediately following Reset Date (each, a "Reset Period"), shall, in respect of any respective Reset Period, be equal to the sum of:

(1) the Comparable Treasury Rate (as defined in the Terms and Conditions of the Securities) in relation to that Reset Period;

(2) 9.332 per cent. (the "Initial Spread"); and

(3) 5.00 per cent. (the "Step-Up Margin").

Subject to Condition 4(e) (*Distribution — Distribution Deferral*), Distributions shall be payable semi-annually in equal instalments in arrear on each Distribution Payment Date.

"Reset Date" means the First Reset Date and each date that falls three, or a multiple of three, years following the First Reset Date.

Distribution Payment Date	11 June and 11 December of each year
Increase in Distribution Rate following Change of Control	Upon the occurrence of a Change of Control, unless an irrevocable notice in writing to redeem the Securities has been given by the Company to Holders (in accordance with Condition 15 (*Notices*)) and to the Trustee and the Principal Paying Agent pursuant to Condition 5 (*Redemption and Purchase*) by the 30th day following the occurrence of such Change of Control, the Distribution Rate will increase by 5.00 per cent. per annum with effect from: (i) the next Distribution Payment Date immediately following the occurrence of such Change of Control; or (ii) if the date on which the Change of Control occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date. Any increase in the Distribution Rate pursuant to Condition 4(c) (*Distributions — Increase in Distribution Rate following Change of Control*) is separate from and in addition to any increase in the Distribution Rate pursuant to sub-paragraph (b)(ii) (*Rate of Distributions*) of Condition 4 (*Distributions*) and the maximum aggregate increase in the Distribution Rate pursuant to Condition 4(c) (*Distributions — Increase in Distribution Rate following Change of Control*) shall be 5.00 per cent. per annum. Any increase in the Distribution Rate pursuant to Condition 4(c) (*Distributions — Increase in Distribution Rate following Change of Control*) shall be notified by the Company to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Agents in writing no later than the 14th day following the occurrence of such Change of Control.

"Change of Control" means the occurrence of one or more of the following events:

(a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries (as defined in the Terms and Conditions of the Securities), taken as a whole, to any "person" (within the meaning of Section 13(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than one or more Permitted Holders (as defined in the Terms and Conditions of the Securities);

(b) the Company consolidates with, or merges with or into, any Person (as defined in the Terms and Conditions of the Securities), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock (as defined in the Terms and Conditions of the Securities) of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Voting Stock of the Company outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person immediately after giving effect to such transaction;

(c) the Permitted Holders are collectively the beneficial owners of less than 50.1 per cent. of the total voting power of the Voting Stock of the Company;

(d) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(e) the first day on which the majority of the members of the board of directors of the Company cease to be Continuing Directors (as defined in the Terms and Conditions of the Securities); or

(f) the adoption of a plan relating to the liquidation or dissolution of the Company.

Distribution Deferral . .	The Company may, at its sole discretion, elect to defer (in whole or in part) any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent not more than 10 nor less than five Business Days (as defined in the Terms and Conditions of the Securities) prior to a scheduled Distribution Payment Date unless during the three months ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred.
Compulsory Distribution Payment Event	A Compulsory Distribution Payment Event occurs if either or both of the following criteria are met: (A) a discretionary dividend, discretionary distribution or other discretionary payment is declared, paid or made on any Junior Obligations (as defined in the Terms and Conditions of the Securities) or (except on a *pro-rata* basis) Parity Obligations (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or (B) the Company, at its discretion, redeems, reduces, cancels, buys-back or acquires for any consideration any of its Junior Obligations or Parity Obligations (except for (x) an exchange by the Company of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a *pro-rata* basis, or (y) for a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants). "Junior Obligation" means (a) any class of the Company's share capital (including preference shares) qualifying as equity under the Relevant Accounting Standard (as defined below), (b) any instrument or security issued or entered into by or other obligation of the Company which ranks or is expressed to rank junior to the Company's obligations under the Securities, and (c) any security or other obligation Guaranteed (as defined in the Terms and Conditions of the Securities) by the Company where the Company's obligations under the relevant Guarantee rank or are expressed to rank junior to the Company's obligations under the Securities, in each case where the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Company; and

	"Parity Obligation" means any instrument or security issued, entered into or Guaranteed by the Company (i) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities and (ii) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Company.
Cumulative Deferral . .	Any Distribution deferred pursuant to Condition 4(e) (*Distributions — Distribution Deferral*) shall constitute "Arrears of Distribution". The Company may, at its sole discretion, elect (in the circumstances set out in Condition 4(e)(i) (*Distributions — Distribution Deferral — Optional Deferral*)) to further defer (in whole or in part) any Arrears of Distribution by complying with the notice requirements in Condition 4(e)(i) (*Distributions — Distribution Deferral — Optional Deferral*) applicable to any deferral of an accrued Distribution. The Company is not subject to any limit as to the number of times any Distribution and/or Arrears of Distribution may be deferred pursuant to Condition 4(e) (*Distributions — Distribution Deferral*) except that Condition 4(e)(iv) (*Distributions — Distribution Deferral — Cumulative Deferral*) shall be complied with until all outstanding Arrears of Distribution and Additional Distribution Amount have been paid in full. Each amount of Arrears of Distribution shall bear interest at the prevailing Distribution Rate as if it constituted the principal of the Securities and the amount of such distribution (the "Additional Distribution Amount") with respect to Arrears of Distribution shall be due and payable pursuant to Condition 4 (*Distributions*) and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the provisions of Condition 4 (*Distributions*). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that such Additional Distribution Amount will itself become Arrears of Distribution.
Restrictions in the case of an Optional Deferral	If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Condition 4(e)(i) (*Distributions — Distribution Deferral — Optional Deferral*), the Company shall not:

(A) declare, pay or make any discretionary dividends, discretionary distributions or other discretionary payments on, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is declared, paid or made on any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(B) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants,

in each case, unless and until the Company (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution (as defined in the Terms and Conditions of the Securities) of the Holders.

Maturity Date . . . . . . The Securities are perpetual securities in respect of which there is no fixed redemption date.

Redemption for Tax Reasons. . . . . The Securities may be redeemed at the option of the Company in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15 (*Notices*)) to the Holders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent at their principal amount, together with Distribution accrued and unpaid to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount, if any), in the event of certain changes or amendments affecting the tax laws or regulations of Bermuda, Hong Kong or the PRC. See "*Terms and Conditions of the Securities — Redemption and Purchase — Redemption for tax reasons.*"

Redemption upon an Accounting Event . . .	The Securities may be redeemed at the option of the Company in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15 (*Notices*)) to the Holders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent at their principal amount, together with Distribution accrued and unpaid to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount, if any), in the event of changes or amendments to HKFRS or any other accounting standards that may replace HKFRS for the purposes of the consolidated financial statements of the Company (the "Relevant Accounting Standard") as a result of which, the Securities must not or must no longer be recorded as "equity" of the Company. See "*Terms and Conditions of the Securities — Redemption and Purchase — Redemption upon an Accounting Event*."
Redemption at the Option of the Company	The Securities may be redeemed at the option of the Company in whole, but not in part, on the First Reset Date or on any Distribution Payment Date thereafter (each, a "Call Date") on the Company's giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15 (*Notices*)) to the Holders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent at their principal amount plus Distribution accrued and unpaid to the Call Date (including any Arrears of Distribution and any Additional Distribution Amount, if any). See "*Terms and Conditions of the Securities — Redemption and Purchase — Redemption at the option of the Issuer.*"
Redemption for Change of Control	Upon the occurrence of a Change of Control, the Company shall give notice to Holders in accordance with Condition 15 (*Notices*) and to the Trustee and the Principal Paying Agent by not later than 21 days following the first day on which it becomes aware of the occurrence of such Change of Control, stipulating that a Change of Control has occurred and whether or not it will redeem the Securities pursuant to Condition 5(e) (*Redemption and Purchase — Redemption for a Change of Control*). See "*Terms and Conditions of the Securities — Redemption and Purchase — Redemption for a Change of Control.*"

Redemption for Minimum Outstanding Amount	The Securities may be redeemed at the option of the Company in whole, but not in part only, at any time, on the Company giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15 (*Notices*)) to the Holders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent at their principal amount together with Distribution accrued and unpaid to such date (including any Arrears of Distribution and any Additional Distribution Amount, if any), if prior to the date of such notice at least 90 per cent. in principal amount of the Securities originally issued (including any further Securities issued pursuant to Condition 13 (*Further Issues*) and consolidated and forming a single series with the Securities) has already been redeemed or purchased and cancelled. See "*Terms and Conditions of the Securities — Redemption and Purchase — Redemption for minimum outstanding amount.*"
Taxation	All payments of principal and Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities will be made free and clear of withholding taxes of Bermuda, Hong Kong or the PRC, subject to customary exceptions, all as described in "*Terms and Conditions of the Securities — Taxation.*"
Substitution or Variation.	If a Special Event has occurred and is continuing, then the Company may, on giving not less than 30 nor more than 60 days' irrevocable notice in writing to the Trustee and the Principal Paying Agent and to the Holders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities which have terms not materially less favourable to an investor than the terms of the Securities, as further described in Condition 13 of the Terms and Conditions of the Securities (*Substitution or Variation*).
Proceedings for Winding-Up	Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Company or (ii) the Company failing to make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Company shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 8(d) (*Non-payment — Entitlement of Trustee*), institute proceedings for the Winding-Up of the Company and/or (without prejudice to Condition 4(a)(ii) (*Distributions — Accrual of Distributions*)) prove and/or claim in the Winding-Up of the Company for the principal amount of the Securities together with Distributions, Arrears of Distribution and any Additional Distribution Amount accrued to the day prior to the commencement of the Winding-Up.

Limited Rights to Institute Proceedings.	The right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Company has elected to defer that Distribution in accordance with Condition 4(e) (*Distributions — Distribution Deferral*). No holder of the Securities may proceed directly against the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.
Further Issues	The Company may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first Distribution Payment Date) so as to form a single series with the Securities.
Governing Law	English law
Trustee	Citicorp International Limited
Principal Paying Agent, Paying Agent and Transfer Agent.	Citibank, N.A., London Branch
Registrar	Citicorp International Limited
Clearing Systems.	The Securities will be represented by beneficial interests in the Global Certificate in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Securities will not be issued in exchange for interests in the Global Certificate.
Clearance and Settlement	The Securities have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2825539450 Common Code: 282553945

Selling Restriction	The Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Securities may be sold in other jurisdictions (including the United Kingdom, European Economic Area, Hong Kong, Singapore, Japan and Bermuda) only in compliance with applicable laws and regulations. See "*Subscription and Sale*."
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Securities on the official list of the SGX-ST. The Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 or its equivalent in foreign currencies, for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require. Accordingly, for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Certificate is exchanged for definitive Certificates, we will appoint and maintain a paying agent in Singapore, where the definitive certificates may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.
Use of Proceeds	See "*Use of Proceeds*".

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected financial data as of and for each of the fiscal years ended 30 June 2021, 2022 and 2023 (except for EBITDA data) is derived from our consolidated financial statements for those fiscal years and as of the dates indicated. Our consolidated financial statements as of and for each of the fiscal years ended 30 June 2021, 2022 and 2023 were prepared in accordance with the HKFRS, and have been audited by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The selected consolidated financial data as of 31 December 2023 and for the six months ended 31 December 2022 and 2023 included elsewhere in this Offering Memorandum is derived from our unaudited condensed consolidated financial statements for the six months ended 31 December 2023, which have been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable PricewaterhouseCoopers to obtain assurance that they would become aware of all significant matters that might be identified in an audit. They do not express an audit opinion. These unaudited financial statements include all adjustments, consisting of normal recurring items, which we consider necessary for a fair presentation of our financial position and results of operations. Our financial condition and results of operations as of and for the six months ended 31 December 2023 should not be taken as an indication of our expected financial condition and results of operations as of and for the full fiscal year ending 30 June 2024. The selected financial data below should be read in conjunction with the consolidated financial statements and the notes to those statements included elsewhere in this Offering Memorandum.

Consolidated Income Statement Information

	Year ended 30 June			Six months ended 31 December	
	2021	2022	2023	2022	2023
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(in millions, except percentage data)				
Revenue	61,574.1	64,538.1	56,739.4	31,198.0	30,611.2
Cost of goods sold	(49,883.1)	(57,546.2)	(55,209.2)	(30,511.9)	(27,905.6)
Gross profit	11,691.0	6,991.9	1,530.2	686.1	2,705.6
Other income, other expenses and other gains — net	755.2	968.1	1,403.1	815.1	741.5
Exchange (losses)/gains on operating activities — net	(27.3)	(94.9)	172.8	(12.0)	(12.8)
Selling and marketing costs	(1,811.6)	(1,955.4)	(2,124.4)	(1,125.2)	(1,111.5)
Administrative expenses	(2,065.6)	(2,322.6)	(2,576.9)	(1,225.6)	(1,031.4)
Net impairment losses on financial assets	—	—	—	—	(48.0)
Operating profit/(loss)	8,541.7	3,587.1	(1,595.2)	(861.6)	1,243.4
Finance costs — net	(636.0)	(711.3)	(1,126.8)	(560.2)	(603.7)
Exchange gains/(losses) on financing activities — net	383.7	380.7	27.8	(39.4)	(45.6)
Share of results of associates and a joint venture — net	186.1	116.5	(31.8)	19.3	3.8
Profit/(loss) before income tax	8,475.5	3,373.0	(2,726.0)	(1,441.9)	597.9
Income tax (expense)/credit	(1,307.5)	(62.5)	355.2	43.0	(295.4)
Profit/(loss) for the year/period	7,168.0	3,310.5	(2,370.8)	(1,398.9)	302.5
Profit/(loss) attributable to:					
Equity holders of the Company	7,101.1	3,275.4	(2,383.3)	(1,388.8)	292.4
Non-controlling interests	66.9	35.1	12.5	(10.1)	10.1
OTHER FINANCIAL DATA					
EBITDA[1]	11,477.8	6,717.6	2,156.3	773.5	2,908.8
EBITDA Margin[2]	18.6%	10.4%	3.8%	2.5%	9.5%

(1) EBITDA for any period primarily consists of operating profit before extraordinary gains and expenditures plus depreciation and amortisation expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

Consolidated Balance Sheet Information

	As of 30 June			As of 31 December
	2021	2022	2023	2023
	(RMB)	(RMB)	(RMB)	(RMB)
	(audited)	(audited)	(audited)	(unaudited)
	(in millions)			
ASSETS				
Non-current assets				
Property, plant and equipment	60,198.5	70,669.7	86,557.2	91,601.7
Right-of-use assets	1,650.5	2,155.6	3,019.3	4,562.3
Intangible assets	313.1	312.3	300.2	291.7
Investments in associates and a joint venture	199.1	270.8	175.4	188.0
Prepayments	1,012.2	896.9	1,013.4	502.1
Deferred income tax assets	80.5	154.1	131.0	143.6
	63,453.9	74,459.4	91,196.5	97,289.4
Current assets				
Inventories	8,214.5	12,170.1	8,855.7	9,410.9
Trade and bill receivables	6,365.5	4,951.1	4,460.1	8,608.2
Other receivables and prepayments	3,889.2	5,418.9	5,556.1	6,069.8
Financial assets at fair value through profit or loss	77.6	79.5	87.4	85.8
Tax recoverable	26.4	237.2	32.3	12.7
Restricted cash	76.4	67.8	113.3	105.0
Short-term bank deposits	37.8	42.5	32.1	45.2
Cash and cash equivalents	10,031.1	9,654.3	10,317.5	7,285.3
	28,718.5	32,621.4	29,454.5	31,622.9
Total assets	92,172.4	107,080.8	120,651.0	128,912.3
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	480.5	480.5	480.5	480.5
Share premium	3,884.7	1,084.7	1,084.7	1,084.7
Other reserves	4,593.4	6,403.8	6,812.5	6,632.8
Retained earnings	36,969.8	39,085.8	36,274.2	36,541.6
	45,928.4	47,054.8	44,651.9	44,739.6
Non-controlling interests	467.2	450.5	484.5	469.9
Total equity	46,395.6	47,505.3	45,136.4	45,209.5

	As of 30 June			As of 31 December
	2021	2022	2023	2023
	(RMB)	(RMB)	(RMB)	(RMB)
	(audited)	(audited)	(audited)	(unaudited)
	(in millions)			
LIABILITIES				
Non-current liabilities				
Borrowings	17,523.3	36,861.7	43,180.7	47,750.7
Other payables and lease liabilities.	122.3	107.5	105.3	1,146.1
Deferred income tax liabilities . .	4,199.5	4,414.8	4,157.6	4,358.3
	21,845.1	41,384.0	47,443.6	53,255.1
Current liabilities				
Borrowings	16,587.6	7,379.3	13,592.5	13,275.8
Trade and bill payables	4,349.6	6,667.9	9,648.3	12,221.2
Contract liabilities	361.1	374.1	454.4	448.4
Other payables and lease liabilities.	2,253.0	3,516.9	4,353.6	4,450.9
Current income tax liabilities . . .	380.4	253.3	22.2	51.4
	23,931.7	18,191.5	28,071.0	30,447.7
Total liabilities	45,776.8	59,575.5	75,514.6	83,702.8
Total equity and liabilities	92,172.4	107,080.8	120,651.0	128,912.3
Net current assets	4,786.8	14,429.9	1,383.5	1,175.2
Total assets less current liabilities	68,240.7	88,889.3	92,580.0	98,464.6

Consolidated Cash Flow Information

	Year ended 30 June			Six months ended 31 December	
	2021	2022	2023	2022	2023
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
			(in millions)		
Cash flows from operating activities					
Net cash generated from/ (used in) operating activities	2,516.8	3,030.5	6,924.5	2,718.1	(2,512.8)
Cash flows from investing activities					
Net cash used in investing activities	(5,635.6)	(12,321.6)	(17,424.0)	(10,565.2)	(6,502.0)
Cash flows from financing activities					
Net cash generated from financing activities	7,629.5	8,920.6	11,136.5	6,492.6	5,982.1
Net increase/(decrease) in cash and cash equivalents	4,510.7	(370.5)	637.0	(1,354.5)	(3,032.7)
Cash and cash equivalents at the end of the year/period . .	10,031.1	9,654.3	10,317.5	8,305.6	7,285.3

RISK FACTORS

An investment in the Securities is subject to a number of risks. You should carefully consider the following risk factors, together with all other information contained in this Offering Memorandum, before purchasing the Securities. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Securities, and you could lose all or part of your investment.

Risks Relating to Our Business

We rely on the PRC market.

During the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023, our sales to external customers in the PRC accounted for approximately 92.0%, 90.1%, 89.0%, 88.1% and 89.3%, respectively, of our Group's revenue. The Company expects that the PRC will continue to be a significant production and sales base for our Group and the customer base in the PRC will continue to generate a significant part of the income of our Group in the near future. As such, the economic conditions of the PRC, and in particular the performance of the PRC consumer market, will have a significant impact on the future performance of the Group. In the event that there are major changes in the political or economic climate in the PRC and such changes directly or indirectly affect the demand for paper products in the PRC market, the Group's revenue and profitability could be adversely affected. For details, please refer to *"— Risks Relating the PRC — We are subject to risks relating to the PRC's economic, political and social conditions, government policies, as well as the global economy"*.

We may be unable to complete our expansion projects on schedule, within budget or at all.

We are in the process of further increasing our design production capacity and, based on existing commitments and negotiations with equipment suppliers, have plans to increase our aggregate design production capacity of paper, wood pulp, recycled pulp and wood fibre to approximately 30.7 mtpa by the end of calendar year 2025. Specifically, we plan to instal four new paper machines and six new pulp and fibre production lines for our Beihai, Hubei and Malaysia bases and renovate existing paper machines and ancillary facilities in various bases. We anticipate that these expansion projects will increase our aggregate design production capacity of paper, wood pulp, recycled pulp and wood fibre by approximately 4.9 mtpa.

Our expansion projects involve engineering, construction, regulatory and other significant risks that may delay or prevent the successful completion or operation of these projects or significantly increase our costs. Potential risks and uncertainties relating to our expansion projects include, but are not limited to, the following risks:

- delays in the delivery and installation of manufacturing equipment;
- shortages of, and price increases with respect to, energy supplies, materials, construction equipment and skilled labour;

- low utilisation rates before the new paper machines commence commercial production;
- labour disputes or work stoppages or disputes with or defaults by contractors and subcontractors;
- design or construction changes, costs or requirements related to compliance with environmental or other laws and regulations;
- changes in environmental or other laws or policies applicable to power plants, shipping piers, construction projects, wastewater treatment facilities or our industry in general;
- engineering or equipment problems or defective plans and specifications for our production facilities;
- fire, typhoons, earthquakes and other natural disasters;
- a downturn in the economy; and
- changes to plans and specifications for additional facilities necessitated by changes in market conditions.

Our ability to successfully complete our expansion plans on schedule is also subject to our ability to access the capital resources we need to support such plans. See *"— We may not have adequate capital resources to provide for the substantial capital requirements required to implement our business strategies, including our planned expansion projects."* We cannot assure you that we will be able to successfully complete the installation of the new paper machines and the commencement of commercial operations according to our schedule, or at all. We may also have difficulty establishing or integrating our new product lines into our existing business model.

Any delays or difficulties in implementing our expansion plans could result in increased financing and other costs associated with our expansion projects and the loss or delayed receipt of revenue or a failure to meet profit and earnings projections, any of which could have a material adverse effect on our business, financial condition and results of operations.

We may not have adequate capital resources to provide for the substantial capital requirements required to implement our business strategies, including our planned expansion projects.

Our operations are capital intensive, and we regularly make capital expenditures to expand our operations, maintain our equipment, increase our operating efficiency and comply with environmental laws and regulations. Our total additions of property, plant and equipment and right-of-use assets were approximately RMB20.0 billion in fiscal year 2023 and were used for the construction of factory buildings, purchase of machinery, equipment and acquisition of right-of-use assets.

We currently have plans for significant capacity expansion projects and diversification of our product line, which will involve significant capital expenditures. See *"Business — Integrated Operations."* Based on existing commitments and current negotiations, we estimate that our aggregate capital expenditures for the fiscal years 2024 and 2025 will be

RMB16.1 billion, representing approximately RMB12.1 billion in fiscal year 2024 and RMB4.0 billion in fiscal year 2025. Depending on market conditions and opportunities, we may seek to further expand our design production capacity and product lines in the future.

We may not be able to raise funds that are required to implement our business strategies and expansion plans on commercially acceptable terms, or at all. If we cannot obtain additional funds when required, we may not be able to fund the necessary capital expenditures, including to upgrade or purchase additional plants and equipment, or to implement our business strategies and expansion plans fully or at all. In addition, our operations require substantial working capital, including payment for purchases of raw materials and manufacturing overhead and our working capital requirements will increase along with our expansion. If we are unable to satisfy our working capital needs or to repay our debt obligations as they become due when we seek to fund the necessary capital expenditures or implement our business strategies, we may be subject to creditors' actions or be forced to adopt an alternative strategy that may include reducing production, delaying capital expenditures, selling assets, refinancing our indebtedness or seeking equity capital. Moreover, if we incur additional debt to cover the cost of implementing our business strategies and expansion plans, risks related to our indebtedness would intensify. Any of the above could impede the implementation of our business strategies and expansion plans or prevent us from entering into transactions that would otherwise benefit our business on commercially reasonable terms or at all and adversely affect our business, financial condition and results of operations.

We may experience difficulties managing our growth.

We have grown rapidly and intend to further expand our design production capacity in the future. See *"Business — Integrated Operations."* These expansion plans have presented, and continue to present, significant challenges for our management and administrative systems, resources and supporting infrastructure. We cannot assure you that we will not experience issues such as capital constraints, operational difficulties at new locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. For instance, we recorded net loss of RMB2.4 billion in fiscal year 2023, which was mainly attributable to the decrease in selling prices of packaging paper and decrease in gross profit margin. We also cannot assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition and results of operations. Specifically, our planned expansion of our design production capacity will require substantially increased supplies of raw materials and utilities and corresponding increases or expansion of supporting infrastructure, such as water treatment facilities, transportation infrastructure and staff. Moreover, our ability to increase sales in new markets will depend on whether we can build on our existing relationships or establish new relationships with customers and distributors in such markets. If we fail to develop and maintain management and administrative systems, resources and supporting infrastructure to keep pace with our planned growth, we may experience difficulties managing our growth and our business, financial condition and results of operations could be materially and adversely affected.

A material disruption of our operations could adversely affect our business and results of operations.

Our operations, including our transportation and delivery systems, are subject to uncertainties and contingencies beyond our control that could result in a material disruption of our operations and adversely affect our business and results of operations. These include industrial accidents, fires, floods, droughts, natural disasters and other catastrophes, equipment failures or other operational problems, strikes or other labour difficulties and disruptions of public infrastructure such as roads, ports or pipelines.

Our operations require significant and stable supplies of water, electricity and steam. These requirements will increase substantially as we expand our design production capacity. Any of the events listed above, as well as power interruptions or rationing, could disrupt or restrict supply of such utilities.

Any such disruption of our operations or transportation and delivery systems could cause us to limit or delay our production, prevent us from meeting customer orders, increase our costs of production or require us to make unplanned capital expenditures, each of which could adversely affect our business, financial condition and results of operations.

We rely on ACN, Tianjin ACN, Hainan ACN and their designated agents for a substantial majority of our supplies of raw material and may have difficulty obtaining the quantities of raw material we require if ACN, Tianjin ACN, Hainan ACN and their designated agents were unable to provide us with an adequate supply of raw material for any reason.

Recovered paper, recycled pulp and woodchips are the primary raw material for our products. We do not own or control any source of recovered paper and woodchips and have limited design production capacity of wood pulp. We purchase from ACN, a related party that is wholly owned by two of our directors, Ms. Cheung Yan and Mr. Liu Ming Chung, Tianjin ACN, Hainan ACN and their designated agents a substantial majority of the raw material we use in producing our products. For the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023, purchases of raw material from ACN, Tianjin ACN, Hainan ACN and their designated agents amounted to approximately RMB30.9 billion, RMB32.8 billion, RMB21.4 billion, RMB8.0 billion and RMB10.9 billion. We cannot assure you that, in the event that ACN, Tianjin ACN, Hainan ACN and their designated agents were unable to provide adequate supply of raw material to us, due to a change in control, a disruption to its operations or for other reasons, or if they cease or reduce the supply of raw material to us for any reason, we would be able to substitute our supply from ACN, Tianjin ACN, Hainan ACN and their designated agents by increasing the supply from other existing suppliers or from new suppliers, in the near term, or at all. Our business, financial condition and results of operation could be adversely affected if we were unable to find alternative supplies of raw material of the same quality at competitive prices and in the same quantity.

Our contract with ACN, Tianjin ACN, Hainan ACN and their designated agents for raw material supplies expires on 30 June 2026, under which the purchase prices are determined with reference to the prevailing market prices in the PRC and overseas markets and shall be no less favourable than those offered by independent suppliers on comparable terms available to us. Failure by ACN, Tianjin ACN, Hainan ACN and their designated agents to fulfill its obligations under such contractual arrangements may have an adverse effect on our business, financial condition and results of operations. See "*Business — Raw Materials*" and "*Related Party Transactions.*"

Changes in consumers' preferences may have an adverse impact on our business and results of operations

Our performance largely depends on customers' selection of containerboard as packaging materials in the PRC and our markets elsewhere. There has been an emerging consumer trend of using plastic packaging materials in some markets because some consumers believe that plastic packaging materials are lighter, cleaner, cheaper and more easily recyclable and thus are more environmentally friendly than packaging paper. This trend may continue and become more common in some of our targeted markets. There is no assurance that our customers will continue to purchase containerboard in the future, if consumers prefer plastic or other packaging materials, whether for cost, environmental protection or other reasons, and our business and financial results may be adversely affected by any significant change in consumers' preferences.

Our current operations require a substantial number of regulatory licenses, approvals and permits. We have not obtained several of such documents, some of which are material to our current operations.

Our current operations require us to obtain a number of regulatory licenses, approvals and permits. Accordingly, we require, and will continue to require, relevant licenses, approvals and permits at the national, municipal, provincial and/or ministerial levels. See *"Regulation"* for more information. We cannot assure you that upon the expiration of our existing licenses, approval or permits, we will be able to successfully renew them. In addition, if the relevant authorities enact new regulations, we cannot assure you that we will be able to successfully meet their requirements. If we fail to obtain or renew necessary regulatory licenses, approvals and permits, we may have to cease construction or operation of these machines and projects, lose our business licenses and be subject to fines and other penalties, which could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to losses that might not be covered in whole or in part by insurance.

Our business and properties may be adversely affected due to the occurrence of typhoons, earthquakes, floods, droughts, fire or other natural disasters or similar events at our production bases. Should an accident occur, it may cause significant property damage and personal injuries. Consistent with customary practice in China, we do not carry any business interruption insurance, liability insurance for environmental damage arising from accidents at our production bases or relating to our operations or product liability insurance against claims or liabilities that may arise from products sold by us. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital invested in the affected property, as well as the anticipated future revenue derived from the manufacturing activities conducted at that property. Any material uninsured loss could materially and adversely affect our business, financial condition and results of operations.

We may be subject to liability in connection with industrial accidents at our production sites.

Our operations involve the operation of heavy machinery, and industrial accidents resulting in employee injuries or deaths may occur. We experienced certain serious industrial accidents in the past, resulting in deaths and bodily injuries. We cannot assure you that other industrial accidents at our production sites, whether due to machinery malfunctions or other reasons, will not occur in the future. In such an event, we may be liable for loss of life and property, medical expenses, medical leave payments and fines or penalties for violation of applicable PRC laws and regulations. We may also be subject to business interruptions or negative publicity as a result of equipment shutdowns for government investigation or implementation or imposition of safety measures as a result of such accidents. These types of accidents or enhanced safety measures imposed by PRC government authorities could have a material adverse effect on the manner in which we conduct our operations, thereby adversely impacting our business, financial condition and results of operations.

We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies.

The majority of our sales are denominated in Renminbi. However, we may receive revenue and incur expenses in other currencies, including U.S. dollars, Hong Kong dollars and Euros. As a result, we are exposed to the risks associated with the fluctuation in the currency exchange rate of Renminbi. The fluctuation of Renminbi exchange rate may have an adverse effect on our financial results. Any fluctuation in exchange rates may materially and adversely affect our turnover derived from overseas sales, our ability to pay dividends and our financial condition and results of operations.

The volatility in exchange rate of Renminbi against U.S. dollars and other currencies is affected by, among other factors, changes in the PRC and international political and economic conditions and the fiscal and currency policies of the PRC government. Pursuant to reforms of the exchange rate system announced by the PBOC on 21 July 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Renminbi appreciated more than 20% against U.S. dollars over the following three years. From July 2008 to June 2010, Renminbi traded within a narrow range against U.S. dollars. On 19 June 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. The floating band was expanded to 1.0% on 16 April 2012 and further to 2.0% on 17 March 2014. These changes in currency policy resulted in significant appreciation of the Renminbi against the U.S. dollar. In August 2015, the Renminbi experienced a substantial devaluation as a result of adjustments made by the PBOC to the Renminbi to U.S. dollar exchange rate, by taking into account market-maker quotes before announcing the daily midpoint. In the fourth quarter of 2016, the Renminbi further depreciated in the backdrop of a surging U.S. dollar and persistent capital outflows of China. From the second quarter of 2018, the Renminbi experienced another round of depreciation due to the trade war between China and United States. On 5 August 2019, PBOC set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. For more details, see *"Exchange Rates"*. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account, as well as boosting the competitiveness of the PRC's exports. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. The PRC government may also make further adjustments to the exchange rate system in the future. There is no assurance that the Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other currencies in the future. Any significant fluctuation in the value of the Renminbi may materially and adversely affect our cash flows, revenue, earnings and financial position, and the value of any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes

The interests of our Controlling Shareholders may conflict with the interests of holders of the Securities and the Company.

The Controlling Shareholders, in the aggregate, beneficially own approximately 67.1% of the Company's issued shares as of the date of this Offering Memorandum. Subject to our by-laws and applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise a controlling influence over our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments and approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and other significant corporate actions. The interests of our Controlling Shareholders may not be consistent with our interests or those of our creditors, including holders of the Securities. To the extent that there are conflicts of interest between our Controlling Shareholders and us or our creditors, we cannot assure you that the Controlling Shareholders will not cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Securities.

Ms. Cheung Yan, one of our Controlling Shareholders and who beneficially owns approximately 25.56% of the Company's issued shares as of the date of this Offering Memorandum, will, along with her Affiliates, purchase a significant portion of the Securities being offered under this Offering Memorandum. Any holder of a majority in aggregate principal amount of the Securities will have certain rights and powers under the Conditions and the Trust Deed. See "*Risks Relating to the Securities — Certain initial investors may own a majority of the Securities to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of the Securities. Additionally, this may reduce the liquidity of the Securities in the secondary trading market*."

In addition, certain of our Controlling Shareholders have ownership interests in a number of companies in China and the United States, including companies that are involved in businesses related to our business or that have entered into, or may enter into, business transactions with us. Although our Controlling Shareholders currently conduct business with us, we cannot assure you that they will continue to do so. For further information about the business transactions between us and the Controlling Shareholders, see *"Related Party Transactions."*

We depend on the continued service of our senior management team and our ability to attract and retain talented personnel.

We have been, and will continue to be, dependent on the continued service of our senior management team, the details of which are included in "Management" in this Offering Memorandum. In particular, the experience and contributions of the three executive directors, Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei, are crucial to our success and the loss of their services could materially impair our ability to operate and impede the execution of our strategies. We may not be able to replace such persons within a reasonable period of time or with a person of equivalent expertise and experience, which could materially and adversely affect our business, financial condition and results of operations.

We will require an increased number of experienced and competent executives and engineers to manage our existing operations and support our future growth. Competition for such personnel may be intense. We may not be able to successfully attract and retain the personnel that we may require. In addition, we may need to offer superior compensation and other benefits in order to attract and retain key personnel in the future, and we therefore cannot assure you that we will have the resources to fully meet our staffing needs. Any failure to attract and retain qualified personnel could have a negative impact on our ability to maintain our competitive position and to grow our business.

Our financial performance and operating results could be adversely affected by our indebtedness and rising interest rates.

External financing comprises a significant portion of our funding. As of 31 December 2023, our total borrowings amounted to approximately RMB61.0 billion, of which RMB13.3 billion represented borrowings due within less than one year. As of such date, our total borrowings as a percentage of total assets was 47.3%. We may incur significant indebtedness in the future to finance our operations and expansion, which could further increase our gearing ratio. To the extent we incur such additional indebtedness, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. See *"— We have significant indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations."*

In addition, we are exposed to interest rate risk resulting from fluctuations in interest rates. As of 31 December 2023, our borrowings were denominated in Renminbi, U.S. dollars, Euros and other currencies with RMB59.6 billion, or 97.6%, denominated in Renminbi and the remaining RMB1.4 billion, or 2.4%, denominated in U.S. dollars, Euros or other currencies. Certain of our Renminbi bank borrowings are short-term bank borrowings linked to interest rates published by the PBOC, which are adjusted by the PBOC from time to time. Certain of our U.S. dollar bank borrowings and bank borrowings denominated other currencies are also at floating rates.

Increases in interest rates would increase interest expenses relating to our outstanding floating rate borrowings and increase the cost of new debt including rolled over short-term loans. A significant increase in prevailing interest rates could substantially increase our finance costs, which could adversely affect our financial condition and results of operations.

An increase or decrease of our effective interest rate by 50 basis points would increase or decrease, respectively, our interest expenses by approximately RMB0.3 billion annually, based on total borrowings of approximately RMB61.0 billion as of 31 December 2023.

Any change in PRC industrial policy could adversely impact our profitability and ability to implement its expansion plans.

The PRC government's policy in relation to the paper industry is to encourage the growth of larger enterprises and provide them with support in such areas as supply of materials and new product development, while restricting the establishment of smaller paper companies so as to reduce pollution and save timber and energy. Any change in PRC industrial policy could cause us to lose the governmental support we currently enjoy, which could lead to difficulty in adequately funding key projects or accessing the raw materials we need. In such event, our profitability and ability to expand its operation may be adversely affected.

The PRC government closely monitors the paper industry and from time to time issues regulations and policies to regulate the industry. The NDRC promulgated the Paper Making Industry Development Policy (造紙產業發展政策) (the "Policy") on 15 October 2007 which provides that an enterprise which has a domestic market share of more than 35% for any type of paper products it produces may not apply for approval of any new construction projects related to that particular product type. Furthermore, the Policy states that a paper company which has a production capacity exceeding 20% of the total domestic market consumption volume may not apply for approval of any new pulp and paper making project. Finally, the Policy allows the NDRC to enact various standards relating to water and energy consumption, pollution discharge, the phasing out of certain obsolete pulp and paper producing equipment, and the construction of new pulp and paper production lines.

As at the date of this Offering Memorandum, we do not produce any single type of paper product (according to the classification in the Policy) that has a domestic market share exceeding 35% for any single type of paper product and we do not have an aggregate production capacity exceeding 20% of the total domestic market consumption volume. Therefore, we are not currently affected by the aforesaid provisions of the Policy. However, as our business and design production capacity grows, it may become subject to the provisions described above and other restrictions contained in the Policy in the future. Should our Group in the future being required to comply with the aforesaid restrictions contained in the Policy and NDRC's standards, our business, financial condition and results of operations may be adversely affected.

In February 2010, the State Council issued Notice on Further Strengthening the Elimination of Obsolete Production Capacities (《關於進一步加強淘汰落後產能工作的通知》), which requires local government to gradually phase out paper manufacturers with backward production capacity. In addition, the NDRC promulgated the Guiding Catalogue of Industrial Structure Adjustment (《產業結構調整指導目錄》) in 2011 (as revised in 2024) to eliminate linerboard and corrugated medium production lines which fall under the "elimination category" with maximum paper width lower than two metres and maximum speed lower than 80 metres per minute. It is encouraged that each new production line of linerboard and corrugated medium has at least an annual design production capacity of 300,000 tonnes and 100,000 tonnes, respectively. Any further change to the existing requirements of the industry policies may result in us incurring additional costs to ensure compliance with the regulations and laws and may require us to make significant adjustments to the current operations.

We have significant indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

We now have, and will continue to have after the offering of the Securities, a significant amount of indebtedness. Our significant indebtedness could have important consequences for you. For example, it could:

- limit our ability to satisfy our obligations under the Securities and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. The Trust Deed and the Securities do not restrict us from incurring additional debt and contingent liabilities. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, certain of our financing arrangements also impose operating and financial restrictions on our business which prohibit us from incurring additional indebtedness unless we are able to satisfy certain financial ratios, and contain other restrictions. See

"*Description of Other Material Indebtedness.*" Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Such restrictions may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Securities and other debt.

The preferential tax treatment we currently enjoy may be unfavourably changed or discontinued.

Pursuant to relevant laws and regulations in the PRC, 12 of our PRC subsidiaries are entitled to preferential corporate income tax rate of 15% for the calendar year ended 31 December 2024. There can be no assurance that the current policies with respect to the preferential tax treatment the Group currently enjoys will not change unfavourably or be discontinued, or that the approval for renewal of any preferential tax treatment will be granted to the Group's subsidiaries in a timely manner, or at all. The termination or expiry of the preferential tax treatment or the imposition of additional taxes on the Group's subsidiaries may significantly increase the Group's tax expenses and materially reduce its net profit.

We may not be able to adequately protect our intellectual property rights and industrial know-how, and we may become involved in costly or unsuccessful intellectual property disputes.

Our intellectual property rights mainly consist of trademarks, copyrights, patents and domain names. As at the date of this Offering Memorandum, we own 70 invention patents, 568 utility patents, 172 granted trademark applications and 12 copyrights. Our primary trademarks for our paper products include, among others, "Nine Dragons", "Sea Dragons", "Land Dragons", "River Dragons". If we fail to protect our intellectual property rights and industrial know-how adequately, our competitors might gain access to its technology. Monitoring unauthorised use of our intellectual property is difficult, and we cannot be certain that the steps it has taken will prevent unauthorised use of its technology and confidential information, and applicable laws may not fully protect our proprietary rights. Any claims or litigation that we may initiate in the future to protect our intellectual property rights could be time consuming and expensive and divert the attention of our technical and management resources whether or not the disputes are decided in its favour. Moreover, any significant infringement of our confidential information and the proprietary technologies and processes used in our business could weaken our competitive position, increase our operating costs and have an adverse effect on our operations.

As we expand our business and increases its market coverage, third parties may assert that the our technology or products violate their intellectual property rights. Successful intellectual property claims against us could result in significant financial liability or prevent us from operating our business or parts of our business. In addition, resolution of claims may require us to redesign our technology, to obtain licenses to use intellectual property belonging to third parties, which we may not be able to obtain on reasonable terms, or at all, or to cease using the technology covered by those third party rights. Any of these events could adversely affect our business, financial condition and results of operations.

We may be involved in legal and other proceedings arising from our operations from time to time.

We may be involved from time to time in disputes with various parties involved in the manufacturing, distribution and sale of our products such as suppliers, customers, partners and others. These disputes may lead to legal and other proceedings, and may cause us to suffer significant costs and delays. In addition, we may have disagreements with regulatory bodies and governmental authorities in the course of our operations, which may subject us to administrative proceedings and unfavourable decrees that may result in financial losses and delays in the execution of our business strategies. See "*Business — Legal Proceedings*."

Acts of God, war or terrorism could affect our business directly or indirectly.

Our business is affected by the general economic conditions in China and other parts of the world. Acts of God such as natural disasters including inclement weather or earthquakes could directly affect our clients, our water sources in the Pearl and Yangtze Rivers, our modes of transportation or our facilities. War, terrorist attacks and other hostilities may also cause damage or disrupt our operations. Additionally, acts of God, war or terrorism in any part of the world, potential, threatened or otherwise could adversely affect our operations and profitability by causing a general economic downturn in China or elsewhere.

Risks Relating to Our Industry

The supply of, and demand for our products is affected by economic conditions in China and export markets.

The demand for our products is generally influenced by economic conditions represented by export sales in China and in consumer spending and industrial output in China, the United States, Europe and other export markets. If industry participants add new capacity or increase capacity utilisation rates for packaging paperboard products, thereby causing supply to exceed demand for our products, we may experience downward price pressure or decreased sales volume of our products. In addition, demand for our products will be adversely affected if there is an economic slowdown in China, the United States, Europe or other export markets of our customers, which could also result in downward price pressure and decreased sales volumes for our products. These and other factors that may affect the average selling prices and sales volume of our products are beyond our control and we have little influence over the timing and extent of price changes resulting from economic conditions in China and export markets, which could adversely affect our business, financial condition and results of operations.

Prices of raw materials can be volatile and fluctuate, and such price increases would lead to a higher cost of goods sold, which could adversely affect our results of operations.

Recovered paper, recycled pulp and wood pulp are the principal raw materials for our packaging paperboard products. The availability and price of such commodities depends on a number of factors outside of our control, including general economic conditions, environmental and conservation regulations and other factors. Fluctuations in demand in China, elsewhere in Asia and globally and changes in utilisation rates and recyclability may also affect recovered paper prices. The market for recovered paper is highly competitive and any decrease in consumer consumption will reduce the volume of domestically collected recovered paper, which may lead to an increase in the prices we must pay for recovered paper. As a result of various factors, the prices of recovered paper, recycled pulp and wood pulp can also be volatile. We may be unable to adjust the prices for our products to fully recover significant increases in raw material prices, which could adversely affect our business, financial condition and results of operations. In addition, as we expand our design production capacity, we will need more raw materials to satisfy our increased production. We seek to optimise our raw material structure to stabilise both the quality and costs of our products. We may choose to or be required to offer more favourable terms to our suppliers (such as providing quicker payments or paying higher prices) when we expand our supplier network. We cannot assure you that we will be able to secure sufficient supplies at costs that support our growth and maintain our profitability. Increases in prices for recovered paper, recycled pulp and wood pulp, or significant interruptions in the supply of recovered paper, recycled pulp and wood pulp, whether as a result of supply shortages, increased demand, drought, socio-economic factors or other causes, could have a material and adverse effect on our business, financial condition and results of operations. In the event of a significant interruption in the supply of raw materials, we would seek to obtain supplies from alternative sources, but we cannot assure you that we would be able to obtain supplies from such sources or that such supplies would be available at favourable prices.

Increasing coal costs and disruption in the supply of coal may adversely affect our results of operations.

We use coal as fuel for our coal-fired power plants that supply electricity and steam for our operations at our production bases. The price of coal can also be volatile and has fluctuated in recent years. We purchase coal on a monthly basis and we do not currently hedge our commodity price risk. We may be unable to adjust the prices for our products to fully recover significant increases in coal prices, which could adversely affect our financial condition and results of operations. Any sustained increases in coal prices could reduce our operating margins.

Furthermore, significant interruptions in the supply of coal, whether as a result of supply shortages, increased demand, increased prices of alternative energy sources, socio-economic factors or other causes, could have a material and adverse effect on our business, financial condition and results of operations. In the event of a significant interruption in the supply of coal, we would seek to obtain supplies from alternative sources, but we cannot assure you that we would be able to obtain supplies from such sources or that such supplies would be available at affordable prices.

Our supplies may be subject to environmental protection policies.

We rely on a consistent supply of coal for the production of power and steam from our own coal-fired units. To reduce air pollution and smoggy atmospheric conditions, the PRC government has formulated policies to speed up the use of natural gas to replace coal ("coal-to-gas" conversion) across the country. It is expected that the coal-to-gas policy will be further implemented in cities where our other production bases are located. In the event that we are required by the governmental authorities to implement more coal-to-gas conversions, we may have to incur additional costs and expenses for the replacement and maintenance of equipment, reconfiguring our systems and facilities, sourcing gas to replace coal and disposal of the replaced equipment, and our operations may be disrupted as a result, which may materially and adversely affect our business, financial condition and results of operations.

The markets for our products are highly competitive.

The markets for our paper products are highly competitive in the PRC. The paper industry in the PRC is fragmented and regional in nature. Competition in the paper industry has increased under the PRC government's policy to encourage consolidation of the fragmented industry, which may result in an increasing number of large scale paper making enterprises. We compete on the basis of its product quality, consistency, performance and price. If we are unable to anticipate and respond to changing customer preferences or control its costs in connection with its planned expansion, raw materials and energy, we may not be able to compete effectively.

In addition, in local markets where we are not currently a market leader or does not currently have an established presence, we cannot assure you that it will be able to compete effectively or gain market share. The inability to compete effectively in new local markets may adversely affect our expansion plans and future growth. Furthermore, even in the markets where we are currently a market leader or has a strong presence, there is no assurance that we will be able to continue to maintain its market-leading position or otherwise compete effectively in the future.

Furthermore, effective from 1 January 2023, the import tariff for certain imported paper was reduced to zero. We cannot assure you that the PRC government will not reduce import tariffs of the remaining paper products in the future. Reductions in import tariffs of paper products could result in decreased prices for the products offered by our production bases in China.

The principal factors that affect the customer's procurement decisions include the price, variety and quality of the paper products. There is no assurance that the number of competitors with similar or higher design production capacity and product quality as or than us will not increase in the future. If our current and potential competitors have competitive advantage over the quality and variety of paper product offerings or price, the sales and results of operations of our Group would be negatively affected.

Our operations are subject to comprehensive present and future environmental regulation and involve significant expenditures for compliance with regulations.

Our operations involve the use of significant amounts of water (creating large volumes of effluent), industrial chemicals (requiring careful handling and disposal), the production of electric power (requiring the burning of various types of fuel) and the generation of solid and liquid waste by- products, including wastewater, sludge and gaseous emissions. As a result, we are subject to extensive national and local environmental laws and regulations. These environmental laws and regulations impose stringent standards regarding water discharge, airborne emissions, the use, handling, discharge and disposal of solid waste and hazardous materials, noise pollution and remediation of environmental contamination.

We cannot assure you that we are or will at all times be in full compliance with all of the environmental requirements that apply to our operations. Any failure, or any claim that we have failed, to comply with environmental laws and regulations could cause delays in our production and capacity expansion and affect our public image, either of which could harm our business. In addition, any failure to comply with these laws and regulations or the occurrence of accidental leakage of wastewater, airborne emissions, hazardous material, noise or unanticipated environmental contamination could subject us to substantial fines, clean-up costs, other environmental liabilities or require us to suspend or modify our operations. Any of these events could have a material adverse effect on our business, financial condition and results of operations. Further, environmental laws and regulations may become more stringent in the future. We have made and expect to continue to make necessary capital and other expenditures for environmental compliance. The adoption of new laws and regulations in the PRC relating to environmental compliance could require us to make capital expenditures in excess of what was anticipated, which may adversely affect our business, financial condition and results of operations.

Risks Relating to the PRC

The majority of our assets are located in the PRC, and substantially all of our sales are derived from our operations in the PRC. Accordingly, our business, financial condition, results of operations and prospects are subject, to a significant extent, to economic, political and legal developments in the PRC.

We are subject to risks relating to the PRC's economic, political and social conditions, government policies, as well as the global economy.

The majority of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC, and as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

The PRC government has in recent years implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises. In general, the economy of the PRC has experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP in 2021 increased to 8.1 per cent. on a year-on-year basis compared to 2.3 per cent. in 2020, which then dropped to 3.0 per cent. in 2022. Our performance has been and will continue to be affected by the PRC economy, which in turn is influenced by the global economy.

The outlook for the world economy and financial markets remains uncertain. The recent global economic slowdown and the turmoil in the global financial markets began in the second half of 2008. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains relatively high. In Asia and other emerging markets, some countries are expecting increased inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow and outflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. During 2023 in particular, there has been significant uncertainty in the global markets due to, *inter alia*, geopolitical tensions, such as the war in Ukraine (and the related sanctions and countersanctions), which have resulted in high inflation, rising interest rates and high foreign exchange rate volatility, as well as caused disruptions in global supply chains. In addition, the recent escalation in the ongoing Israeli-Hamas conflict has resulted in an increase in geopolitical tensions in the region and may have far reaching effects on the global economy, currency exchange rates and regional economies. The long-term impacts of such geopolitical tensions on the global economy are still unclear. The continued weakness in global economy has added downward pressure to China's economic growth. Our business, results of operations, financial condition and prospects may be materially and adversely affected by such geo-political conflicts and changes in global macro-economic environment.

Any of the above factors may materially and adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties associated with the current economic, political, social and regulatory conditions, and many of these risks and uncertainties are beyond its control.

Increasingly strict PRC regulations relating to paper industry could significantly increase our operating costs or lead to fines or other penalties that may materially and adversely affect our business, financial condition and results of operations

Our products are subject to various PRC laws and regulations relating to paper industry. In recent years, the PRC government has enhanced its regulation relating to paper industry by enhancing various product quality, safety and environmental standards applicable to the industry. Compliance with such regulations may require capital investment to carry out necessary improvements to meet such standards. If the standards, or interpretation or enforcement of such standards shall become more stringent in the future, our operating costs may increase significantly. We are also subject to potential fines and penalties if we are found by the PRC government to be non-compliant with any of these standards. For further details, please refer to *"— Failure to comply with the relevant quality and safety standards and labour laws of the PRC could lead to fines, penalties or lawsuits that may materially and adversely affect the Group's business, financial condition and results of operations"* and *"— Risks Relating to Our Industry — Our operations are subject to comprehensive present and future environmental regulation and involve significant expenditures for compliance with regulations"*. Any of the above could have a material and adverse effect on the Group's business, financial condition and results of operations.

Failure to comply with the relevant quality and safety standards and labour laws of the PRC could lead to fines, penalties or lawsuits that may materially and adversely affect our business, financial condition and results of operations

Our products are subject to strict product quality specifications under PRC law and our operations are also subject to rigorous safety standards and routine safety inspections. If the PRC government determines that our products do not meet national standards for quality and safety or that our operations are in breach of labour laws, it could be subject to significant fines or be required to invest additional capital to carry out the necessary improvements to meet such standards, which could cause it to be less profitable or have less resources available to invest in the future expansion of its operations. In addition, should our products lead to harm or injury as a result of the failure to meet the relevant quality or safety standards promulgated by the PRC authorities or set forth under its sales contracts, it could be subject to additional fines, penalties and lawsuits, which could increase its costs significantly and could potentially harm its business reputation, resulting in loss of consumers and thereby materially and adversely affecting its business, financial condition and results of operations.

Under the Enterprise Income Tax Law, we may be classified as a 'resident enterprise' of the PRC. Such classification could result in unfavourable tax consequences to us and non-PRC holders of the Securities.

Under the Enterprise Income Tax Law (企業所得稅法) ("EIT Law"), an enterprise established outside of China with a "de facto management body" within China is deemed a "resident enterprise," meaning that it can be treated as a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income". The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. The Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of their Body of Actual Management issued by the State Administration of Taxation on 22 April 2009 (Guo Shui Fa [2009] No. 82) (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) (國稅發[2009]82號) ("Circular 82") and amended on 29 December 2017 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "de facto management body" located within China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. Circular 82 also provides that the determination of the "de facto management body" shall be governed by the principle of substance over formality. The Administration of Taxation of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises (for Trial Implementation) issued by the State Administration of Taxation on 27 July 2011 (境外註冊中資控股居民企業所得稅管理辦法(試行)) ("Circular 45") and respectively amended on 1 June 2015, 1 October 2016 and 15 June 2018, further prescribes the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group." Circular 45 provides that the tax authority may determine that the foreign enterprise is a resident enterprise after an investigation.

We believe that we are currently not PRC resident enterprises. We hold our shareholders' meetings and board meetings outside China and keep our shareholders' list outside China. Most of our directors are also based outside China. However, most of our senior management are currently based inside China and we keep our books of account inside China. There is no assurance that we will not be deemed "resident enterprises" under the EIT Law and, therefore, be subject to enterprise income tax at a rate of 25% on their global income in the future. Provided that we are not considered to be a PRC resident enterprise for EIT Law purposes, the payment of interest on the Securities and payments under the Securities to the non-PRC resident holders of the Securities will not be subject to PRC withholding tax. However, if we are considered to be PRC resident enterprises, interest payments and/or payments under the Securities and gains on disposition of Securities may be subject to PRC tax as described below.

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10% is applicable to PRC-source income derived by non-resident enterprises that has not established offices or premises in the PRC or that has established offices or premises in the PRC but the relevant income is not effectively connected therewith. The EIT Law's implementation regulations further set forth that interest income is viewed as PRC-source income if the enterprise or the establishment that pays or bears the interest is situated in China. If we are deemed a PRC resident enterprise for tax purposes, interest and/or payments under the Securities to non-PRC resident holders of the Securities may be regarded as PRC-sourced and therefore be subject to PRC withholding tax at a rate of 10% for enterprise holders of the Securities. Pursuant to the EIT Law, the PRC Individual Income Tax Law (the "IIT Law") and the implementation regulations in relation to both the EIT Law and the IIT Law, any gains realised on the transfer of the Securities by such investors may also be subject to PRC income tax at a rate of 10% for non-PRC resident enterprise holders of the Securities or 20% for non-PRC resident individual holders of the Securities, if such gains are regarded as PRC-sourced. These rates may be reduced by an applicable tax treaty. However, it is unclear whether in practice holders of the Securities will be able to obtain reduced rates under treaties between their countries and the PRC.

Moreover, the Ministry of Finance and the State Administration of Taxation jointly issued the Circular of Full Implementation of Business Tax to Value-Added Tax Reform (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知) (財稅[2016]36號) (the "Circular 36") on 23 March 2016 and respectively amended on 1 July 2017 and 1 April 2019, which provides that all business tax payers are included into the pilot programme to pay value-added tax ("VAT") from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC, including the provision of loans. Any service will be treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. If we are deemed to be a PRC Resident Enterprise under the EIT Law, and if the Securities are treated as loans under the VAT regime (which is unclear), the amount of interest payable by the Company to any non-resident holders of the Securities may be subject to withholding VAT at the rate of 6%.

Pursuant to the Urban Maintenance and Construction Tax Law of the People's Republic of China (中華人民共和國城市維護建設稅法) issued by the Standing Committee of the NPC on 11 August 2020 and became effective on 1 September 2021 and the Announcement of the Ministry of Finance and State Administration of Taxation on the Measures for Determining the Tax Basis of Urban Maintenance and Construction Tax and Other Matters (財政部、稅務總局關於城市維護建設稅計稅依據確定辦法等事項的公告) (財政部、稅務總局公告 2021年第28號), no urban maintenance, construction tax, educational surtax and local education surcharges shall be levied on VAT or consumption tax paid for the import of goods or sale of labour services, other services and intangible assets in PRC by entities or individuals outside the PRC.

However, VAT is unlikely to apply to any transfer of Securities between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Securities, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Securities is located inside the PRC. The above statements on VAT may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority.

If we are required under the EIT Law to withhold PRC tax on interest paid to non-PRC resident holders, it would be required, subject to certain exceptions, to pay such additional amounts as would result in receipt by a holder of a Security of such amounts as would have been received by such holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Securities and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Securities.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies, including the Securities. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to make interest and principal payments under the Securities.

PRC regulations relating to the investment in offshore special purpose companies by PRC residents may subject our shareholders that are PRC residents to personal liability, limit our ability to contribute capital into or provide loans to our PRC subsidiary, limit our subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

SAFE has promulgated several regulations, including the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Investment and Financing and Inbound Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or SAFE Circular No. 37, issued on 4 July 2014. The SAFE Circular No. 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which issued on 21 October 2005, and its implementation rules, or SAFE Circular No. 106, issued in May 2007, and the Notice on Issues Relating to the Policies of the Foreign Exchange Administration in Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) issued on 13 February 2015, which require PRC residents and PRC corporate entities to register with local branches of SAFE or authorised banks in connection with their direct or indirect offshore investment activities.

Under these SAFE regulations, PRC residents who make, or have previously made, direct or indirect investments in offshore companies are required to register those investments with the local branch of SAFE. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of SAFE, to reflect any material change involving that offshore company's round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger, division, long-term equity or debt investment or creation of any security interest, and the PRC subsidiaries of the relevant offshore company are required to urge the PRC resident shareholders to do so. If any PRC shareholder fails to make the required initial SAFE registration or update the previously filed registration, the PRC subsidiaries of that offshore parent company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiaries.

In addition, due to uncertainty concerning the reconciliation of these SAFE rules with other approval or registration requirements, it remains unclear how these rules, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply, with the relevant requirements. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our request to make or update any applicable registrations or comply with other requirements required by these rules or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements may subject such shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

Our operations are subject to the PRC legal system.

Legislation in the PRC over the past 25 years has significantly enhanced the protections afforded to various forms of foreign investment in China in general and laws and regulations applicable to wholly foreign-owned enterprises in particular, these laws, regulations and legal requirements are relatively new so interpretation and enforcement of these laws and regulations can vary. In addition, litigation in China may result in substantial costs and diversion of resources and management attention. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of our Group.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgements by a court of another jurisdiction.

Risks Relating to Doing Business Globally

Global or regional economic, political, trade or other factors may affect our business.

Our business is substantially affected by the global and regional economic and market conditions, and level of international and regional trade. If the demand for paper products declines due to slowing economic growth, recession, trade restrictions, or other reasons, our operating results and financial performance would be materially and adversely affected. Political and trade disputes and trade protectionism may result in imposition of trade barriers or restrictions, sanctions, boycotts or embargoes, new or increased tariffs and other factors such as acts of war, hostilities, epidemics or terrorism, could also adversely affect the international or regional trade volume which, in turn, could have a material adverse effect on our business, financial condition and results of operations as well as our future expansion strategies.

We face risks associated with our operations and expansion plans in Southeast Asia.

We currently operate production bases in Malaysia and Vietnam. Our business and operations are subject to the changing economic and political conditions prevailing from time to time in Malaysia and Vietnam. The Our business, financial condition, results of operations and prospects may be adversely affected by policy changes introduced by the Malaysian or Vietnamese government, including those regarding wage and price controls, capital controls and limitation on imports. We cannot assure you that the Malaysian and Vietnamese economy will meet current projections published in various media or will improve in the future or its policy changes will be favourable to our business and operations in Malaysia and Vietnam. Any downturn in the Malaysian and Vietnamese economy or unfavourable policy changes may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our operations Southeast Asia and any future expansion plans into new overseas markets are subject to risks and uncertainties, including but not limited to:

- restrictions on recycled paper imports;
- exposure to international, regional and local economic and political conditions and regulatory policies;
- exposure to different legal standards and ability to enforce contracts in relevant jurisdictions;
- changes in legal developments and enforcement risks;
- control of foreign exchange and fluctuations in foreign exchange rate;
- lack of local presence and familiarity of business and employment practices and conventions in the new markets;
- inflation;
- developments in labour law and increases in staff costs;

- failure to negotiate the collective labour agreements on satisfactory terms with trade unions;

- restrictions on capital outflow imposed by the PRC government;

- restrictions or requirements relating to foreign investment;

- limitations on repatriation of earnings, including withholding and other taxes on remittances and other payments by subsidiaries;

- compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations;

- limitations on the ability of non-nationals to reside and work in such countries;

- lack of availability of sufficient quantity of competent and experienced workers; and

- failure of the anticipated market demand for its products outside of China to materialise.

For example, as a result of territorial and maritime disputes in the South China Sea, diplomatic relations between China and Vietnam have become intensified. Challenging issues arose from time to time due to conflicting assertions of sovereignty and territorial claims over the disputed waters. Several other Southeast Asian countries have also challenged China's actions in relation to several disputed islands. Any deterioration in relationships between China and a Southeast Asian country could result in the closing the borders of, the imposition of import or export restrictions and other trade barriers by, promulgation of more stringent foreign investment laws and regulations by or a breakdown of diplomatic ties with one or more Southeast Asian countries, any of which could have a material and adverse effect on our business, financial condition, results of operations and expansion plans.

In addition, the Southeast Asian countries which we operate in or intends to expand to may undergo changes in political, economic and social conditions, as well as legal developments and government policies. We cannot assure you that any future changes will not materially and adversely affect its business, financial condition, results of operations and expansion plans.

Risks Relating to the Securities

The Securities may not be a suitable investment for all investors.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained in this Offering Memorandum or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or distribution payments is different from the potential investor's currency;

- understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex investment securities. Sophisticated institutional investors generally do not purchase complex investment securities as stand-alone investments. They purchase complex investment securities as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

(i) the Securities are legal investments for it;

(ii) the Securities can be used as collateral for various types of borrowing; and

(iii) other restrictions apply to its purchase of any Securities.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

The Company's obligations under the Securities are structurally subordinated to all existing and future liabilities and obligations of each of the Company's subsidiaries, associates and jointly controlled entities.

A substantial part of the Company's operations are conducted through its subsidiaries, associated companies and jointly controlled entities. Accordingly, the Company is and will be dependent on the operations of its subsidiaries to service its indebtedness, including interest and principal on the Securities. The Company's obligations under the Securities are structurally subordinated to all existing and future liabilities and obligations of each of the Company's subsidiaries. The Company's obligations will not be guaranteed by any of its subsidiaries. Claims of creditors of such companies will have priority as to the assets of such companies over the Company and its creditors, including holders of the Securities seeking to enforce the Securities.

In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Company, creditors of the Company's subsidiaries generally will have the right to be paid in full before any distribution is made to the Company. Moreover, the Company's interests in its subsidiaries, associates and jointly controlled entities could be reduced in the future.

Certain initial investors may own a majority of the Securities to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of the Securities. Additionally, this may reduce the liquidity of the Securities in the secondary trading market.

Certain initial investors, including Ms. Cheung Yan, her Affiliates and certain of the Company's affiliates (together, the "Related Investors"), have subscribed for a substantial majority of the Securities being offered under this Offering Memorandum.

Subject to Condition 5(i) (*Purchase*) (which specifies that any Securities, whilst held by or on behalf of the Company, any of its Subsidiaries or any Permitted Holder (as defined under the Conditions), shall not entitle such holder to vote at any meetings of Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Holders or for the purposes of Conditions 8 (*Non-payment*) or 12(a) (*Meetings of Holders*)), any holder of a significant portion in aggregate principal amount of the Securities will have certain rights and powers under the Conditions and the Trust Deed.

For example, subject to Condition 5(i) (*Purchase*), the holders of at least one-quarter of the aggregate principal amount of the Securities then outstanding may request the Trustee to take any of the actions referred to in Condition 8(b) (*Non-payment — Proceedings for Winding-Up*) or Condition 8(d) (*Non-Payment — Enforcement*) against the Company to enforce the terms of the Trust Deed or the Securities, subject in any such case to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction. In addition, subject to Condition 5(i) (*Purchase*), any holder that holds a significant percentage of the Securities will have significant influence on matters voted on by holders of the Securities. For example, holders of at least one-tenth of the aggregate principal amount of the outstanding Securities may request the Trustee to convene a meeting of Holders. The quorum at any such meeting convened (i) to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Securities or (ii) to vote on an Extraordinary Resolution in relation to any Reserved Matter (as defined in the Conditions) will be two or more persons holding or representing not less than two-thirds of the aggregate principal amount of the outstanding Securities.

Further, Condition 5(f) (*Redemption for minimum outstanding amount*) allows the Securities to be redeemed in whole at the option of the Company if at least 90% in principal amount of the Securities originally issued has already been redeemed or purchased and cancelled. Therefore, if the Company purchases and cancels all such Securities held by the Related Parties, it may be easier for the Company to exercise the redemption option under Condition 5(f) (*Redemption for minimum outstanding amount*).

Lastly, the existence of any such significant holder may reduce the liquidity of the Securities in the secondary trading market. Additionally, as the Related Investors have subscribed for a substantial majority of the Securities, circumstances may occur in which our interests or those of the Related Investors may be in conflict with the interest of other holders of the Securities. If such holder or any Related Investor sells a material portion of the Securities in the secondary market, it may materially and adversely affect the trading price of the Securities. The negative effect of such sales on the prices of the Securities could be more pronounced if secondary trading in the Securities is limited or illiquid.

An active trading market for the Securities may not develop.

The Securities are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Securities or that an active trading market will develop. If such a market were to develop, the Securities could be traded at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's results of operations, financial condition and future prospects, the market conditions for similar securities and general economic conditions. Although application will be made for the listing of the Securities on SGX-ST, no assurance can be given as to the liquidity of, or trading market for, the Securities. The Sole Manager is not obligated to make a market in the Securities, and if the Sole Manager does so it may discontinue such market-making activity at any time without notice. Further, the Securities may be allocated to a limited number of investors, in which case liquidity may be limited. Moreover, the Securities are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the Holders will only be able to resell the Securities in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. Please see "*Subscription and Sale*". In addition, the market for securities has been subject to disruptions that have caused volatility in prices of securities similar to the Securities. Accordingly, there is no assurance that a liquid trading market will develop, or that disruptions will not occur, for any Securities.

The liquidity and price of the Securities following the offering may be volatile.

The price and trading volume of the Securities may be highly volatile. Factors such as variations in the Group's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Securities to change. Any such developments may result in large and sudden changes in the volume and price at which the Securities will trade. There is no assurance that these developments will not occur in the future.

Investors in the Securities may be subject to foreign exchange risk.

The Securities are denominated and payable in U.S. dollars (the "Specified Currency"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (1) the Investor's Currency-equivalent yield on the Securities; (2) the Investor's Currency equivalent value of the principal payable on the Securities; and (3) the Investor's Currency equivalent market value of the Securities. Conversely, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Securities in the event of an appreciation.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Company to make payments in respect of the Securities. As a result, investors may receive less Distribution or principal than expected, or no Distribution or principal.

Insolvency laws of Bermuda may differ from the bankruptcy laws of other jurisdictions with which holders of the Securities are familiar.

The insolvency laws of Bermuda and other local insolvency laws may differ from the bankruptcy laws of other jurisdictions with which the holders of the Securities are familiar. As the Company is incorporated under the laws of Bermuda, any insolvency proceedings relating to the Company, regardless of where they were brought, would likely involve insolvency laws of Bermuda, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws in other jurisdictions with which the holders of the Securities are familiar.

The Securities are perpetual securities and investors have no right to require redemption.

The Securities are perpetual and have no maturity date. The Company is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities. Therefore, Holders should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

The Distribution Rate will be reset on the First Reset Date and each Reset Date thereafter, which may affect the market value of the Securities.

The Distribution Rate applicable to the Securities will initially be 14.00 per cent. per annum from, and including, the Issue Date, to, but excluding, the First Reset Date. However, the Distribution Rate will be reset on the First Reset Date and each Reset Date thereafter, as described in the Terms and Conditions of the Securities. In respect of the period from, and including, the First Reset Date and each Reset Date falling thereafter, to, but excluding, the immediately following Reset Date, the Distribution Rate shall, in respect of any respective Reset Period, be equal to the sum of (1) the Comparable Treasury Rate (as defined in the Terms and Conditions of the Securities) in relation to that Reset Period, (2) the Initial Spread and (3) the Step-up Margin. As a result, the applicable Distribution Rate following the First Reset Date and any Reset Date thereafter could be less than the Distribution Rate that applied previously under the Terms and Conditions of the Securities, which could affect the amount of any Distribution payments under the Securities and therefore the market value of an investment in the Securities.

The Company may raise other capital which affects price of the Securities.

The Company may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Company may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a Winding-Up of the Company and may increase the likelihood of a deferral of Distribution under the

Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Holders to sell their Securities.

Holders may not receive Distribution payments if the Company validly elects to defer Distribution payments.

The Company may, at its sole discretion, elect to defer (in whole or in part) any scheduled Distribution or Arrears of Distribution on the Securities for any period of time unless a Compulsory Distribution Payment Event has occurred. The Company is subject to certain restrictions in relation to the payment of discretionary dividends and/or other distributions or payments on its Junior Obligations or Parity Obligations and the discretionary redemption and repurchase of its Junior Obligations or Parity Obligations until the Company (i) has satisfied in full all outstanding Arrears of Distribution and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders. Junior Obligation refers to (a) any class of the Company's share capital (including preference shares) qualifying as equity under the Relevant Accounting Standard (as defined in the Terms and Conditions of the Securities), (b) any instrument or security issued or entered into by or other obligation of the Company which ranks or is expressed to rank junior to the Company's obligations under the Securities, and (c) any security or other obligation Guaranteed (as defined in the Terms and Conditions of the Securities) by the Company where the Company's obligations under the relevant Guarantee rank or are expressed to rank junior to the Company's obligations under the Securities, in each case where the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Company. Parity Obligation refers to any instrument or security issued, entered into or Guaranteed by the Company (i) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities and (ii) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Company.

The Company is not subject to any limit as to the number of times any Distributions or Arrears of Distribution may be deferred pursuant to the Terms and Conditions of the Securities subject to compliance with the foregoing restrictions. Although Arrears of Distributions following a deferral are cumulative, the Company may defer their payment for an indefinite period of time by delivering the relevant deferral election notices to Holders of the Securities, the Trustee and the Principal Paying Agent. The Holders have no rights to claim any Distribution, Arrears of Distribution or Additional Distribution Amount if there is such a deferral. Pursuant to the Terms and Conditions of the Securities, the Company shall satisfy any outstanding Arrears of Distribution (in whole but not in part, and including any Additional Distribution Amount) on the earliest of the occurrence of certain events, including on the next Distribution Payment Date following the occurrence of a Compulsory Distribution Payment Event. See "*Terms and Conditions of the Securities — Distribution Deferral — Satisfaction of Arrears of Distribution by payment*".

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Company's and the Group's financial condition.

The Securities may be redeemed at the Company's option.

The Securities are redeemable at the option of the Company in whole, but not in part, on the First Reset Date or on any Distribution Payment Date thereafter at their principal amount plus Distribution accrued and unpaid to such date (including any Arrears of Distribution and any Additional Distribution Amount, if any).

In addition, the Company also has the right to redeem the Securities at the redemption prices set out in the Terms and Conditions of the Securities:

(i) if the Company has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations as further described in "*Terms and Conditions of the Securities — Redemption for tax reasons*";

(ii) if as a result of any changes or amendments to HKFRS or any other accounting standards that may replace HKFRS for the purposes of the consolidated financial statements of the Company, the Securities must not or must no longer be recorded as "equity" of the Company pursuant to the relevant accounting standard as further described in "*Terms and Conditions of the Securities — Redemption upon an Accounting Event*";

(iii) upon the occurrence of a Change of Control as further described in "*Terms and Conditions of the Securities — Redemption for a Change of Control*"; or

(iv) if at least 90 per cent. in principal amount of the Securities originally issued has already been redeemed or purchased and cancelled as further described in "*Terms and Conditions of the Securities — Redemption for minimum outstanding amount*".

The date on which the Company elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to Holders in light of market conditions or the individual circumstances of the Holder. In addition, an investor may not be able to reinvest the redemption proceeds at a comparable return or purchase securities comparable to the Securities.

Changes in accounting standards may impact the Group's financial condition or the characterisation of the Securities.

The HKICPA is continuing its policy of issuing HKFRS and interpretations which fully converge with the International Financial Reporting Standards. HKICPA has issued and may in the future issue more new and revised standards and interpretations, including those required to conform with standards and interpretations issued from time to time by the International Accounting Standards Board.

Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new HKFRS will not have a significant impact on the financial condition and results of operations of the Group. In addition, any change or amendment to, or any change or amendment to any interpretation of, HKFRS may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "equity" of the Company, and will give the Company the right to elect to redeem the Securities. See "*Risk Factors — Risks Relating to the Securities — The Securities may be redeemed at the Company's option*".

There are limited remedies for non-payment under the Securities.

Any scheduled Distribution will not be due if the Company validly elects to defer that Distribution pursuant to the Terms and Conditions of the Securities. Notwithstanding any of the provisions relating to non-payment default, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due and the Company fails to make payment in respect of the Securities for a period of ten days or more. The only remedy against the Company available to the Trustee or (where the Trustee has failed to proceed against the Company as provided in the Terms and Conditions of the Securities) any Holder for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of the Company's payment obligations arising from the Securities and the Trust Deed.

The Trustee may request that Holders provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including, without limitation, as referred to in Conditions 8(b) (*Non-payment — Proceedings for Winding-Up*) and 8(c) (*Non-payment — Enforcement*) of the Terms and Conditions of the Securities), the Trustee may (at its sole discretion) request the Holders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or action and/or institutes proceedings on behalf of the Holders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or action can be taken and/or such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or institute proceedings notwithstanding the provision of an indemnity and/or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Securities and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Holders to take such steps and/or actions and/or institute such proceedings directly.

The Terms and Conditions of the Securities contain provisions which may permit their modification without the consent of all investors.

The Terms and Conditions of the Securities contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of Holders of the Securities may be adverse to the interests of individual Holders of the Securities. In addition, (i) a resolution in writing signed by or on behalf of Holders of not less than 90 per cent. of the aggregate principal amount of Securities for the time being outstanding and who are entitled to receive notice of a meeting of the Holders of the Securities pursuant to the Trust Deed and (ii) a resolution passed by way of electronic consents through the clearing systems by or on behalf of

Holders of not less than 90 per cent. in aggregate principal amount of Securities for the time being outstanding, shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held.

The Terms and Conditions of the Securities also provide that the Trustee may, without the consent of Holders, agree to any modification of the Terms and Conditions of the Securities or the Trust Deed (other than in respect of a Reserved Matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of Holders and to any modification of the Terms and Conditions of the Securities, the Securities or the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

The Securities will be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing Systems.

The Securities will be represented by a Global Certificate, which will be registered in the name of, and deposited with, a nominee of a common depositary for Euroclear and Clearstream (the "Clearing Systems"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems and the Company will discharge its payment obligations under the Securities by making payments to the Clearing Systems for distribution to their accountholders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems to receive payments under the Securities. None of the Company, the Sole Manager, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

Integral multiples of less than the specified denomination.

The denominations of the Securities are US$200,000 and integral multiples of US$1,000 in excess thereof. Therefore, it is possible that the Securities may be traded in amounts in excess of US$200,000 that are not integral multiples of US$200,000. In such a case, a Holder who, as a result of trading such amounts, holds a principal amount of less than US$200,000 will not receive a definitive certificate in respect of such holding of Securities (should definitive certificates be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more denominations. If definitive certificates are issued, holders of the Securities should be aware that Securities with aggregate principal amounts that are not an integral multiple of US$200,000 may be illiquid and difficult to trade.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Securities and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken.

On 18 January 2019, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of judgements in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"). The 2019 Arrangement has been implemented in Hong Kong by the Mainland judgements in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645), which came into operation on 29 January 2024. In the PRC, the Supreme People's Court promulgated a judicial interpretation to implement the 2019 Arrangement on 25 January 2024 (the "Judicial Interpretation"). The 2019 Arrangement applies to judgements made on or after 29 January 2024.

Under the 2019 Arrangement, where the Hong Kong court has given a legally effective judgement in a civil and commercial matter, any party concerned may apply to the relevant People's Court of the PRC for recognition and enforcement of the judgement, subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement and the Judicial Interpretation. The recognition and enforcement of a Hong Kong court judgement could be refused if the relevant People's Court of the PRC consider that the enforcement of such judgement is contrary to the basic principles of law of the PRC or the social and public interests of the PRC. While it is expected that the relevant People's Courts of the PRC will recognise and enforce a judgement given by a Hong Kong court and governed by Hong Kong law, there can be no assurance that such courts will do so for all such judgements as there is no established practice in this area.

The Company may be deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC taxation on the Company's worldwide income, which may significantly increase the Company's income tax expenses and materially decrease the Company's profitability or otherwise adversely affect the value of investment in the Securities.

The Company is currently not treated as a PRC resident enterprise by the relevant tax authorities. There is no assurance that the Company will not be considered a "resident enterprise" under the PRC Enterprise Income Tax Law and not be subject to the enterprise income tax rate of 25 per cent. on its global income in the future as a result of (a) any change in, or amendment to, the relevant PRC tax laws (including any regulations and rules promulgated thereunder), or (b) any change in, or amendment to, or amendment of any official interpretation or official application of such laws, regulations or rules. In the event that the Company is determined to be a PRC resident enterprise, the Company will consequently be subject to a 25 per cent. enterprise income tax rate on its global taxable income. In addition, the Company may be subject to PRC enterprise income tax reporting obligations. Further, the Company will be obligated to withhold PRC income taxes of up to

7 per cent. on interest payments for the Securities paid to holders that are Hong Kong resident enterprises and classified as beneficial owners under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion in respect of Taxes on Income (the "Tax Arrangement"), as well as certain other conditions and requirements under relevant PRC laws and the Tax Arrangement. For holders that are non-resident enterprises which are not eligible for a preferential withholding tax rate under the Tax Arrangement between China and Hong Kong, the Company will be obligated to withhold PRC income tax of up to 10 per cent. on interest payments for the Securities if the Company is treated as a PRC resident enterprise. In addition, non-resident individual holders may be subject to PRC tax at a rate of 20 per cent. if the Company is treated as a PRC resident enterprise. Failure to withhold this income tax if required to do so could cause the Company to be subject to fines and other penalties. Similarly, any gain realised by such non-resident enterprise from the transfer of the Securities would be regarded as PRC source income and accordingly would be subject to a 10 per cent. tax (or 20 per cent. in the case of non-resident individual holders). These rates may be reduced by an applicable tax treaty.

Gains on the transfer of the Securities may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Securities by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("EIT") or PRC individual income tax ("IIT") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual Holder from the transfer of Securities but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Holder from the transfer of Securities.

However, uncertainty remains as to whether the gain realised from the transfer of Securities by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules.

USE OF PROCEEDS

The gross proceeds from the offering of the Securities will be US$400 million, which after deducting the fees and commissions and other expenses payable in connection with this offering, will be used to refinance existing bank loans and other borrowings and for general corporate purposes.

We may adjust the foregoing plan in response to changing market conditions and circumstances. In these situations, we will carefully evaluate the situation and may reallocate the use of proceeds.

EXCHANGE RATES

PRC

The PBOC, sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of the Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of the Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. On 18 May 2007, the PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on 16 April 2012. On 17 March 2014, the PBOC further widened the floating bond against the U.S. dollar to 2.0%. The PRC government in the future may make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity rate for the trading against the Renminbi on the following working day.

Effective since 11 August 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorised the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on 30 September 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in the Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon Buying Rate			
Period	**Low**	**Average**	**High**	**Period End**
	(RMB per US$1.00)			
2019	6.6822	6.9014	7.1786	6.9618
2020	6.5208	6.8878	7.1681	6.5250
2021	6.3435	6.4518	6.5716	6.3726
2022	6.3084	6.7518	7.3048	6.8972
2023	6.7010	7.0797	7.3430	7.0999
November	7.1300	7.2226	7.3175	7.1360
December	7.0999	7.1402	7.1765	7.0999
2024				
January	7.1426	7.1707	7.1961	7.1673
February	7.1799	7.1935	7.1982	7.1977
March	7.1804	7.2015	7.2289	7.2203
April	7.2305	7.2374	7.2464	7.2401
May (through May 24, 2024)	7.2071	7.2297	7.2425	7.2425

Source: Federal Reserve H.10 Statistical Release

Note:

(1) *Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.*

Hong Kong

The Hong Kong dollar is freely convertible into the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link at HK$7.80 to US$1.00, or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon Buying Rate			
	Low	Average	High	Period End
	(HK$ per US$1.00)			
2019	7.7850	7.8335	7.8499	7.7894
2020	7.7498	7.7562	7.7951	7.7534
2021	7.7515	7.7728	7.8034	7.7996
2022	7.7693	7.8324	7.8499	7.8015
2023	7.7920	7.8294	7.9119	7.8109
November	7.7920	7.8071	7.8247	7.8095
December	7.7962	7.8098	7.8192	7.8109
2024				
January	7.8065	7.8163	7.8263	7.8175
February	7.8185	7.8218	7.8286	7.8286
March	7.8198	7.8230	7.8289	7.8259
April	7.8210	7.8305	7.8368	7.8210
May (through May 24, 2024)	7.7979	7.8111	7.8234	7.8128

Source: Federal Reserve H.10 Statistical Release

Note:

(1) *Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.*

CAPITALISATION

The following table sets forth on an actual basis our unaudited borrowings and capitalisation as of 31 December 2023 and as adjusted to give effect to the issuance of the Securities, but before the application of the proceeds therefrom:

	As of 31 December 2023			
	Actual		As Adjusted	
	(RMB)	(US$)	(RMB)	(US$)
	(unaudited) *(in millions)*			
Current borrowings[1]				
Short-term bank borrowings	4,294.0	604.8	4,294.0	604.8
Current portion of long-term bank borrowings	8,981.8	1,265.0	8,981.8	1,265.0
Total current borrowings[2]	13,275.8	1,869.8	13,275.8	1,869.8
Non-current borrowings[1][3]				
Non-current portion of long-term bank and other borrowings	47,750.7	6,725.5	47,750.7	6,725.5
Total non-current borrowings[2]	47,750.7	6,725.5	47,750.7	6,725.5
Total borrowings	61,026.5	8,595.3	61,026.5	8,595.3
Capital and reserves attributable to equity holders of the Company:				
Share capital	480.5	67.7	480.5	67.7
Share premium	1,084.7	152.8	1,084.7	152.8
Other reserves	6,632.8	934.2	6,632.8	934.2
Retained earnings	36,541.6	5,146.8	36,541.6	5,146.8
Total capital and reserves attributable to equity holders of the Company	44,739.6	6,301.5	44,739.6	6,301.5
Perpetual capital securities to be issued[4]	—	—	2,840.0	400.0
Total capitalisation[5]	92,490.3	13,027.0	95,330.3	13,427.0

(1) As of 31 December 2023, RMB43,100.8 million of our current and non-current borrowings had been incurred by our PRC subsidiaries.

(2) As of 31 December 2023, our consolidated capital commitments were RMB7,811.9 million. See Note 21 to the Condensed Consolidated Interim Financial Information as of and for the six months ended 31 December 2023.

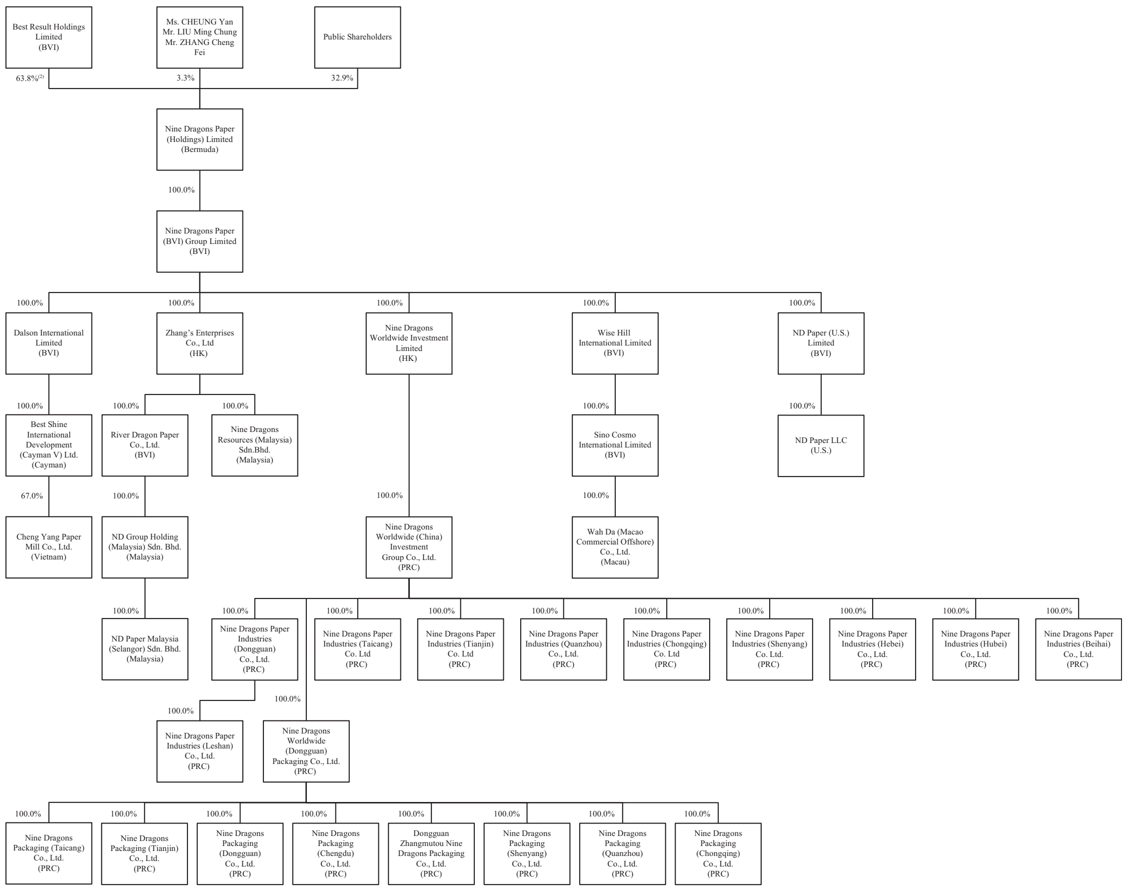
(3) Non-current borrowings include long-term bank and other borrowings and exclude the current portion of long-term bank borrowings.

(4) Perpetual capital securities to be issued represent the aggregate principal amount of the Securities, before deducting the underwriting fees, commissions and other estimated expenses payable in connection with this offering, in the "As Adjusted" column of the table above.

(5) Total capitalisation represents total non-current borrowings, total capital and reserves attributable to equity holders of the Company and perpetual capital securities to be issued.

CORPORATE STRUCTURE

The following chart sets forth our simplified corporate structure as at the date of this Offering Memorandum[(1)]:



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(1) This chart presents the principal holding companies and operating companies that we considered to be material to our business as of the date of this Offering Memorandum. Not all of the corporate entities in our Group are presented, as some of such entities are currently without significant assets or operations. However, certain of these companies may be involved in our expansion or other future plans.

(2) 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 Zedra 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 Zedra 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 Zedra 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 Zedra Jersey Trust Corporation Limited as the trustee of The Golden Nest Trust.

Overview

We are one of the largest vertically integrated producers of packaging paper products in the world, in terms of worldwide annual design production capacity. We manufacture a broad range of packaging paper products, including linerboard, high-performance corrugating medium, coated duplex board, greyboard, printing and writing paper and packaging products. Our U.S. division also offers packaging paper products, including containerboard, kraft paper, printing and specialty papers, pulp and packaging products. We believe the level of integration and scale of our operations enables us to efficiently produce a broad range of high-quality packaging paper products at a low cost.

Our Group's operations have grown significantly since our inception in 1995. Our current aggregate design production capacity is approximately 25.8 mtpa. We now operate 56 technologically advanced paper machines, which are located in our ten production bases in China, one production base in Malaysia, one production base in Vietnam and five mills in the United States. Despite the challenging operating environment, leveraging our consistent product quality and product diversification strategy, our sales volume increased by approximately 16.3% to 10.0 million tonnes during the six months ended 31 December 2023, as compared to 8.6 million tonnes during the six months ended 31 December 2022, and increased by approximately 3.4% to 16.6 million tonnes in fiscal year 2023, as compared to 16.0 million tonnes in fiscal year 2022. We recorded revenue of RMB61.6 billion, RMB64.5 billion, RMB56.7 billion, RMB31.2 billion and RMB30.6 billion in fiscal years 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023, respectively. We recorded net profit of RMB7.2 billion, RMB3.3 billion and RMB0.3 billion in fiscal years 2021 and 2022 and the six months ended 31 December 2023, respectively, and net loss of RMB2.4 billion and RMB1.4 billion in fiscal year 2023 and the six months ended 31 December 2022, respectively.

We are in the process of further increasing our design production capacity and, based on existing commitments and negotiations with equipment suppliers, have plans to increase our design production capacity by approximately 4.9 mtpa by the end of calendar year 2025, consisting of approximately 2.6 mtpa for paper and approximately 2.3 mtpa for wood pulp and wood fibre. We are planning on adding four new paper machines and six new pulp and fibre production lines across our Beihai, Hubei and Malaysia bases. We believe our expansion plans will enable us to enhance our vertical integration by increasing our capacity of wood fibre and wood pulp and strengthen our product portfolio by adding high-end products such as bleached folding boxboard, sack kraft paper and printing and writing paper to capture greater market share. Based on existing commitments and current negotiations, we estimate that our aggregate capital expenditures for the two fiscal years ended in 2025 will be RMB16.1 billion, representing approximately RMB12.1 billion in fiscal year 2024 and RMB4.0 billion in fiscal year 2025. The following table summarises our expansion plan in our Beihai, Hubei and Malaysia bases.

Production Base	Planned Design Production Capacity by the End of Calendar Year 2025[(1)]	Planned Design Production Equipment by the End of Calendar Year 2025
	(mpta)	
Beihai	Paper: 2.75 Wood pulp: 1.90 Wood fibre: 0.21	4 paper machines; 5 pulp and fibre production lines
Hubei	Paper: 1.80 Wood pulp: 0.60 Wood fibre: 0.21	3 paper machines; 3 pulp and fibre production lines
Malaysia	Paper: 0.90 Recycled pulp: 0.48 Wood fibre: 0.21	2 paper machines; 2 pulp and fibre production lines

(1) "Design production capacity" is management's estimate of the amount of product or material that a production base or paper machine is capable of producing on an annual basis and is based on factors which affect normal operating limits such as the capacity of equipment to process a material, the type and basis weight of the product produced, the variability of and availability of raw materials, energy and water and regular and periodic maintenance. Design production capacity assumes utilisation rates of 100%. The actual utilisation rates, and therefore our actual production volumes, may vary and be above or below our estimates. Estimates of design production capacity are based on the assumption that paper machines will only be producing the planned primary product, at assumed basis weights. Typically, it takes several months after commencement of production for testing to be completed and for a paper machine to begin operating at a commercially viable level. Planned design production capacity measures our anticipated design production capacity following the completion of our expansion.

We believe that our increasingly integrated operations have enhanced our competitive position and profitability in the paper product market. We own and operate extensive facilities to support our manufacturing operations, including coal- and solid waste-fired power plants with an aggregate installed capacity of 2,949 MW, water treatment systems, eight packaging bases with aggregate annual design production capacity of 2.8 billion square metres as of 31 December 2023, shipping piers capable of accommodating oceangoing vessels of up to 114,000 dwt, truck fleets, warehouses and raw materials yards and other supporting infrastructure.

Competitive Strengths

We are well-positioned to capture the increasing demand for packaging paper in China continuously stimulated by China's consumption recovery and favourable policies

We are one of the largest vertically integrated producers of packaging paper products in the world in terms of worldwide annual design production capacity. As of 31 December 2023, we had an aggregate annual design production capacity of 25.8 mtpa, consisting of 21.1 mtpa of paper and 4.7 mtpa of wood pulp, wood fibre and recycled pulp. Our scale allows us to build our brand name recognition and exercise our pricing power. Our 56 technologically advanced paper machines increase our flexibility by allowing us to manufacture a variety of products simultaneously while minimising equipment shutdowns required for product and specification changes. We believe that our advanced production facilities allow us to quickly and efficiently adapt to meet customer demands and have helped us build our brand name and reputation as a market leader in the packaging paper industry in Asia.

We benefit from a continued strong demand for our products in a market that is particularly correlated to the overall consumption level in China, which has shown a gradual rebound after the outbreak of COVID-19 pandemic. According to statistics published by National Bureau of Statistics of China, the total retail sales of consumer goods in China increased by 7.2% from RMB43,982.7 billion in 2022 to RMB47,149.5 billion in 2023, as compared to a 0.2% decrease from 2021 to 2022, signalling rebound of the consumption market in China since the outbreak of COVID-19 pandemic, which in turn supports the overall recovery of economy in China. The monthly purchasing manager's index (PMI), an index signalling the prevailing direction of economic trends, for manufacturing sector in China, after bottoming out at 47.0 in December 2022, had increased and remain at 49.0%, 49.2% and 49.1% in December 2023 and January and February 2024, respectively, according to statistics published by National Bureau of Statistics of China. With a steadily increasing number of enterprises commence and/or resume to work, the operating and manufacturing activities ushered a rebound after the outbreak of COVID-19 pandemic, promoting the market growth of logistic services and related consumption of packaging products. The logistics industry, which is highly correlated to the demand for packaging paper products, also rebounded in 2023. According to statistics published by Ministry of Transportation of the People's Republic of China, the volume of courier services in China totaled 132.1 billion in 2023, representing a rapid growth of 19.4% compared to that in 2022, much higher than a growth rate of 2.1% from 2021 to 2022. The increase in the volume of courier services directly boosted the demand for packaging paper products. The prices of packaging paper products have witnessed a significant rebound since the second half of 2023, marking the end of the trough period in the packaging paper industry.

The packaging paper industry is also expected to further benefit from various favourable policies. Since the Opinions of the National Development and Reform Commission and the Ministry of Ecological Environment on Further Strengthening the Treatment of Plastic Pollution (國家發展改革委、生態環境部關於進一步加強塑料污染治理的意見) became effective on 16 January 2020, the demand for packaging paper products, as substitutions for plastic packaging, have experienced continuous growth in China. The Promulgation of Action Program to Promote Consumer Goods Trade-in (推動消費品以舊換新行動方案) by 14 Departments including Ministry of Commerce on 27 March 2024 also vigorously promotes the trade in for home appliances and home furnishing products, thus further boosting the growth of demand for packaging paper products. Non-degradable plastic packing bags have been strictly prohibited for express delivery packing in Beijing, Shanghai, Jiangsu, Zhejiang and other selected provinces by 2022, and will be further fully prohibited nationwide by 2025, leading to an increasing demand for packaging paper products. During the six months ended 31 December 2023, approximately 91.9% of our revenue are derived from packaging paper products. We believe that we are well positioned to capitalise on the growth of the packaging paper industry driven by favourable policies.

Our production bases are strategically located with broad and extensive geological presence to capture the market demand across China

We have a comprehensive geographical coverage in China with ten manufacturing bases and eight packaging bases as of 31 December 2023. Our production bases are located in the major economic regions of China, covering the major national urban agglomerations, including the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Bohai Economic Rim, the Triangle of Central China, the Chengdu-Chongqing urban agglomeration and the Guangxi Beibu Gulf urban agglomeration, among others. By having production bases geographically scattered across China, we also reduce our reliance on a single regional market or industry group and capture the market opportunities of growth in different regional market.

We have strategically located our production bases in the centres of the transportation network of urban agglomerations with extensive access to shipping piers, railways and highway systems to facilitate our business. Given that our products are large in volume and low in value, we can both source raw materials of recovered paper and energy supplies with relatively low logistic costs and speedily and safely deliver our final products to the end customers, enabling us to operate in a cost-efficient manner.

We have strong logistic capabilities. We benefit from ownership and operation of our self-owned piers in Dongguan, Taicang, Chongqing and Hubei which are located in close proximity to our production bases and capable of receiving recovered paper, one of our primary raw materials, coals and other materials or suppliers, and shipping finished products. Our Dongguan pier, Taicang pier, Chongqing pier and Hubei pier each can accommodate vessels of up to 50,000 dwt, 50,000 dwt, 8,000 dwt and 6,000 dwt, respectively. We also have a truck fleet that we use to provide full-year uninterrupted delivery services to customers and for the transportation of raw materials and products between our piers and our production bases. Our transportation and delivery networks enable us to deliver our products to customers across China in a reliable, timely and cost-efficient manner.

In addition, we have seven production bases overseas, including one production base in Malaysia, one production base in Vietnam and five mills in the United States. Our Malaysia base had an aggregate annual design production capacity of 1.38 mtpa of paper and wood pulp as of 31 December 2023, and we added an additional annual design production capacity of 0.21 mtpa of wood fibre in the first quarter of 2024. Since our Malaysia base is not subject to the "Waste Import Ban", we can use high-quality recovered paper around the world as the raw materials of our products in the pulp mills in Malaysia, enabling us to manufacture paper products with same quality as our domestically manufactured products at lower costs and thus realise a relatively high profit margin.

We are one of the largest vertically integrated producers of paper products in the world with clear synergies and cost advantage

We are one of the largest vertically integrated producers of paper products in the world in terms of worldwide annual production capacity. As of 31 December 2023, we had an aggregate annual design production capacity of 25.8 mtpa, consisting of 21.1 mtpa of paper (*i.e.* 13.4 mtpa of linerboard, 3.7 mtpa of corrugated medium, 1.5 mtpa of coated duplex board, 1.1 mtpa of printing and writing paper, 1.1 mtpa of white board and 0.3 mtpa of specialty paper) and 4.7 mtpa of wood pulp, wood fibre and recycled pulp (*i.e.* 2.2 mtpa of wood pulp, 1.8 mtpa of wood fibre and 0.7 mtpa of recycled pulp). We have completed significant capacity expansion projects in the past few years, with additional design production capacity to be rolled out in the near future. We expect reinforcement of our market leadership position with the further increased design production capacity.

We have developed an vertically integrated value chain resulting synergy between our upstream supply and downstream packaging service. In the past few years, we have continued to expand the upstream design production capacity in the value chain and have developed self-owned design production capacity of wood pulp, recycled pulp and wood fibre despite the shortage of high-quality wood fibre in China. We have now entered the final stage of our expansion project for design production capacity of wood pulp and our wood pulp design production capacity is expected to satisfy approximately 90% of our demand for wood pulp in the second half of 2024. Our self-manufactured wood pulp reduced the costs by approximately RMB300 to RMB500 per tonne comparing to those procured externally, given it no longer needs to go through the liquefaction, drying and re-liquefaction process of wood pulp and also saves ocean transportation costs. Furthermore, when the price of wood pulp increases, the amount of costs of wood pulp that we may save by using our self-manufactured wood pulp would generally increase at the same time. As we have passed the ramp-up period of our wood pulp production, we believe we can realise higher profit margin with our self-owned wood pulp design production capacity. We have also actively developed our downstream packaging services. As of 31 December 2023, we had eight packaging bases in China that manufactures high-performance corrugated sheets and corrugated boxes, with an aggregate annual design production capacity of 2.8 billion square metres, providing integrated services to our customers.

With each of our production bases having self-owned power plants with self-sufficient power supply, we are able to reduce our electricity costs by approximately 30% to 50% comparing to the costs of externally sourced electricity. Meanwhile, steam, as a by-product in the power generation process, plays an important role in various production processes, such as cooking and drying. We transmit the steam generated in the power generation process to each workshop of our manufacturing factories, ensuring a stable and cost-effective production process. Due to the large volume of our final products, transportation costs have been one of the major cost of goods sold for paper production companies. We have a fleet of approximately 1,000 large trucks and various special loading vehicles that we use to source raw materials and deliver final products. Such one-stop service model provides our customers with convenient, timely and safe transportation services while efficiently reduce our transportation costs. Our vertical integration also provides us with advantage over production efficiency. The paper machine across our production bases operates on a 24-hours basis and we have constantly maintained a capacity utilisation rate of over 90%.

We have developed a large, diversified and stable base of customers, owing to our full-spectrum product portfolio tailored to our customer's demands

We have developed the most comprehensive packaging paper product portfolio in the packaging paper industry, covering coated white cardboard, high-performance corrugated medium and coated duplex board, as well as various other packaging paper. We also offer customisation services per customer requests by manufacturing each type of our products in different grades and specifications, customised for different customer needs in terms of material, quality and price. In addition to packaging paper, we offer printing and writing paper and specialty paper, including uncoated woodfree paper, office paper and high-value specialty paper, catering to the customer demand for non-packaging paper products.

We have developed a large, diversified and stable base of customers and have become their preferred supplier for paper products. For the fiscal year 2023, we had over 4,000 customers, with our five largest customers accounting in aggregate for only 7.0% our sales revenue. Instead of sourcing different types of paper products from multiple paper manufacturers, our customers are offered with a one-stop shop of a comprehensive high-quality product portfolio. Due to our quality and consistency of our products and our comprehensive and diversified product portfolio, we have strong customer loyalty and a low customer turnover rate.

Our long-term and stable relationship with our customers also provides us with deep insight into the industry trends and customers' needs, so we can promptly notice the changes in customer needs and adjust our products to better serve our customers and satisfy their demands. In addition, in the case that the price of our final products fluctuates due to changes in customer demand, our diversified product matrix provides us with flexibility in responding to such fluctuations. We can adjust our sales structure based on customer needs to maintain and optimise our profit margins. Our insight into customer demands have also allowed our sales volume to continue to increase in the past few years. Our sales volume reached 16.6 million tonnes in fiscal year 2023, representing an increase of 3.4% as compared to the fiscal year 2022. Our sales volume also reached a historically high of approximately 10.0 million tonnes in the first half of fiscal year 2024, representing an increase of 16.3% as compared to the first half of fiscal year 2023. Meanwhile, our average finished goods turnover days, calculated based on the average of the beginning and ending net balances of the finished goods for that fiscal year or period divided by cost of goods sold for the corresponding fiscal year or period and multiplied by the number of days in that fiscal year or period, also decreased from 33 days in fiscal year 2023 to 23 days in the first half of fiscal year 2024, evidencing our outstanding sales and marketing capabilities.

We have a reached a stable financial performance after the COVID-19 pandemic and have strong financial flexibility with sufficient cross-border financing sources and longstanding support from Chinese state-owned banks

Our financial performance has been stabilise after the outbreak of COVID-19 pandemic and we have passed the peak of our inventory cycle. Our inventory of finished goods decreased from RMB6.6 billion as of 30 June 2022 to RMB3.6 billion as of 30 June 2023 and further decreased to RMB3.5 billion as of 31 December 2023, returning to our normal inventory level before the COVID-19 pandemic. Our average finished goods inventory turnover days also decreased from 32 and 33 days in fiscal years 2022 and 2023, respectively, to 23 days in the first half of fiscal year 2024, returning to an inventory level comparable to fiscal year 2021 when we had average finished goods inventory turnover days of 19 days before we had inventory backlog during the COVID-19 pandemic. As we have cleared our backlog inventory in fiscal year 2023, our gross profit margin increased from 2.7% in fiscal year 2023 to 8.8% in the first half of fiscal year 2024, which further drove our net loss to net profit. Since the beginning of 2024, with the gradual market recovery, we have raised our selling prices of final products leading to improved earnings per tonne of products sold.

To fund our design production capacity expansion projects, we have incurred significant additions of property, plant and equipment and right-of-use assets in the past few years, reaching a peak of approximately RMB20.0 billion in fiscal year 2023. As we have completed majority of our expansion projects and newly added paper machine and production lines have been put into production since the end of 2023, we expect our capital expenditure to significantly decrease in fiscal year 2024 and do not expect significant capital expenditure in the near future. We plan to fund our capital expenditure in 2024 and 2025, which is primarily for maintenance purposes and not expansion purposes, through our unutilized credit facilities, which are unsecured and already approved by the relevant financial institutions.

Our Company has access to abundant financing channels to control our finance costs, with weighted annual percentage rates of our borrowings ranging from 3% to 4%. As of the date of this Offering Memorandum, we have obtained unsecured bank facilities of more than RMB150.0 billion from banks. As of 31 December 2023, we had utilised bank facilities of approximately RMB71.1 billion. We enjoy strong support from sizeable overseas banks and have excellent offshore credit worthiness backed by our repayment records. We also have sufficient solvency and liquidity for our offshore financing. We had an RMB-denominated cash fund of RMB31.3 billion as of 22 March 2019, which can be transmitted from mainland China to Hong Kong at any time without restrictions or regulatory approvals to fulfil our offshore obligations. As of 31 December 2023, we also had retained earnings of RMB14.3 billion at Nine Dragons Worldwide (China) Investment Group Co., Ltd., our main holding company in the PRC, which may be available for distribution upwards as dividends. Leveraging our strong liquidity position, we have already repaid the majority of our offshore syndicated loans before their respective maturity dates.

We have strong ESG proposition, are committed to recycling practice and have become a model of resource-saving enterprise

Adhering to the philosophy of "No Environmental Management, No Paper Making" and targeting the development of "Ecological Nine Dragons Paper", we advocate the recycled economic development model of "Reduce, Reuse and Resource". We not only use recyclable paper as the raw materials, but also keep abreast of the latest standards to continually step up the efforts on environmental protection. We aim to maintain our various environmental and energy consumption indices above the government standards, establishing ourselves as an exemplary model of environmentally friendly enterprise with a strong edge in resource conservation. We consider the implementation of such environmentally responsible practices and maintenance of high environmental standards to be an essential part of our leadership in the industry and our long-term success.

We have used recovered paper since our establishment, and it has become the major raw materials for our paper production, and accordingly our manufacturing activities do not require material consumption of forest resources. We recycled and reused over 12.0 million tonnes of recovered paper in fiscal year 2023. Based on our current design production capacity, it is estimated that 1 tonne of recovered paper produces approximately 0.9 tonne of new paper product. Therefore, in comparison with paper-making solely with kraft pulp, we can save wood of 3 to 4 cubic metres for each tonne of finished paper produced, which significantly reduced logging and consumption of water resources and energy, thereby reducing waste discharge and relieving the burden of the environment.

We have established an Environmental Protection & Energy Saving Department, which oversees and manages the emission of air pollutants, wastewater, solid waste and noise control and conducts statistical analysis on emission data on a monthly basis. We have also established a centralised control system on environmental protection, which incorporates the core environmental protection equipment, process operation parameters and online monitoring data into the environmental protection short message service (SMS) alarm platform, so as to maintain 24-hour online monitoring of the environmental protection operation condition of all of our production bases. We have formulated extensive internal rules and policies for environmental protection and have been adhering to high environmental protection standards. 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 internet.

We are committed to continuously innovate in environmental protection and adhere to the idea of low-carbon paper production. We have been working to shift to clean and alternative energy resources. For instance, we have developed a rooftop photovoltaic power generation project in our Dongguan base since 2017 and have been enhancing our utilisation of solid wastes and introducing methane desulfurization devises, which incinerate methane generated from sewage for electricity and heat supply to substitute for some coal. As a result, our CO_2, SO_2 and NO_2 intensity, which represents our gas emission per ten thousand tonnes of paper produced, and disposal of hazard wastes have decreased over the past few years. During the fiscal year 2023, each emission indicator of our emissions and greenhouse gases outperformed the relevant national or regional standards. For example, while the national chemical oxygen demand (COD) standard is 60 mg/L, our average COD in fiscal years 2021, 2022 and 2023 was 49 mg/L, 42mg/L, 44 mg/L, respectively. In addition, our average SO_2 emission was 10 mg/cu.m, 7 mg/cu.m and 10mg/cu.m in fiscal years 2021, 2022 and 2023, respectively, which was much lower than the national standard of 100 mg/cu.m for incinerator and 35 mg/cu.m for pulverized coal furnace. Through utilisation of solid waste and our methane collection and treatment system, we were able to reduce consumption of stand coal of 0.6 million tonnes during the fiscal year 2023, which also helped us to mitigate the risk of fluctuations in the prices of coal.

We have adopted the advanced anaerobic internal circulation treatment technology in the treatment of wastewater generated from paper production, through which the organic substances in wastewater can be decomposed by anaerobic microorganisms. A large amount of methane produced during the anaerobic biological treatment of wastewater could also be transmitted to the boiler for heat and electricity generation as a clean energy after biological desulfurization. Concerning the odour generated in sewage treatment plants, we implement tank topped-out and ventilation to the odour source and carry out biological treatment and alkaline sprinkling cleaning treatment of the odour, or send it to boiler for incineration.

As a result of our environmental protection efforts, we have obtained the ISO14001 certification for environmental management and certification for clean production. Our production bases have also been named "Environmental Credible Enterprise" (環保誠信企業), "Environmental Management Demonstration Enterprise" (環境管理示範企業), "Green Factory" (綠色工廠) and "Environmentally Friendly Enterprise in the PRC's Paper Industry" (中國造紙工業環境友好企業) by local environmental authorities for several years. We were also a corporate winner in the "Energy Conservation and Discharge Reduction Contest for the National Paper-making Industry" (全國造紙行業節能減排達標競賽優勝企業).

We are led by an experienced and dedicated management team with solid track record of operation management

We are led by an experienced and dedicated international management team, particularly our founding shareholders, Ms. Cheung Yan, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei. These founding shareholders have led us through rapid growth and expansion since our establishment in 1995 and have an average of approximately 30 years of experience in the recovered paper recycling and paper manufacturing businesses. Our management team has been stable in the past and has extensive experience in the field. Our founding shareholders and management team have been focusing on our primary business since our inception and have led our Company to grow into one of the leading paper production companies in the world. Our management team has maintained a sound, pragmatic and effective financial management, risk control and foreign investment policies to support our operation and expansion.

We have an excellent credit record. We have maintained a responsible attitude toward our creditors and have not been in default for any of our debt obligations. Even during the toughest period in 2008, we were able to repurchase in full all of our outstanding notes and thus fulfil our obligations in full. We also pay attention to our commitment on investor returns. Since our listing on The Stock Exchange of Hong Kong Limited, except for the fiscal year 2023 with net losses incurred, we made dividend payouts during each fiscal year. Except for the fiscal years 2022 and 2023, we have also maintained a dividend payout ratio of approximately 30% since fiscal year 2018. We have also maintained a good liquidity profile. As of 31 December 2023, we had cash and cash equivalents of RMB7.3 billion, which is sufficient for our daily business and repayment of borrowings. We intend to continue the prudent management of our cash resources as well as the overall liability level. Our consistent track record of financial discipline and strong creditworthiness has significantly enhanced our competitiveness and our ability to withstand market fluctuations in this capital intensive industry.

Business Strategies

We aim to remain punctilious and diligent as we develop strengths and improve weaknesses, with the determination to provide our customers with "a piece of exemplary quality paper" sustainably. We will continue to seek opportunities to realise sustainable growth of our business. To achieve this, we plan to focus on the following strategies:

Continue to build a fully-integrated production chain

We are committed to developing a fully-integrated production chain covering upstream pulp production, midstream paper production, and downstream packing box manufacturing. We have been actively expanding into upstream pulp production business and plan to continue to enhance our vertical integration by building upstream wood pulp and wood fibre capacity to ensure sufficient and quality raw materials supply for our packing paper production. While giving full play to the advantages of self-produced wood pulp and alternative raw materials, we will endeavour to ensure the procurement of quality recycled paper in sufficient quantity with an aim to achieve cost reduction and efficiency enhancement.

We have also pursued opportunities to expand our downstream packing box manufacturing business, including corrugated sheet and box products, through successful acquisitions and self-constructed packaging bases, and will continue to enhance our downstream capabilities to better capture the increasing demands of packaging paper products, as substitutions for plastics packaging driven by favourable policies. Furthermore, we will continue to build production capacity for high-value papers such as coated white board to optimise our production efficiency and improve our production chain layout.

Further diversify our product portfolio

We have actively pursuing opportunities to expand our product lines and build a comprehensive product portfolio spanning packaging paper, printing and writing paper, and high value specialty paper. Leveraging our existing pulp and fibre capacity, we will further enrich our product portfolio, such as coated white board, bleached folding boxboard, paper bag, and printing and writing paper allowing us to offer a broader range of products to existing and future customers, diversify our revenue streams and optimise our product portfolio.

Coated white cardboard is a one-side or both-side coated paper that has been calendered and finished with the surface and bottom layers of raw paper in bleached kraft pulp and the middle layer in mechanical wood pulp. Given its superior printability, it is mainly used in pharmaceuticals, daily necessities, electronic products, cosmetics, hang tags, carrying bags, packaging for toys and cards, etc. Comprising cup stock, coated folding boxboard and other products, bleached folding boxboard is made of high-quality all-wood pulp fibre and chemical raw materials, and free of optical brightening agent, which meets the food safety standards under GB4806.8–2016 Paper and Cardboard Materials and Paper Products for Food Contact. Building on our high-quality wood pulp as raw materials and mature technology in coated white board and bleached folding boxboard, we aim to cater to the different needs of the potential and existing customers. The demand for these products will be stimulated by favourable policies from the calendar year of 2025.

Enhance environmental-protection measures

Adhering to the philosophy of "No Environmental Management, No Paper Making" and targeting the development of "Ecological Nine Dragons Paper", we advocate the recycled economic development model of "Reduce, Reuse and Resource". We will continue to invest in advanced environmental-production equipment and upgrade existing environmental facilities, including but not limited to desulfurization, denitrification, and dust removal facilities. We will also continue to set up and improve the treatment capacity of sewage treatment plants, such as adding sewage anaerobic IC facilities, chemical sewage scrubbing tower projects and topping out tanks for sewage treatment system to reduce odour in the surrounding area of the sewage plants.

Serving as an excellent model in paper production industry, we will continue to further implement our environmental protection and low-carbon governance measures. In response to national and local policies of realising carbon neutrality goal by 2060, we have introduced gas-fired turbine units in our Dongguan production base. One gas-fired turbine unit has been put into commercial operation. We will continue to transfer into an operation model that deploys various types of energy simultaneously, including gas-fired turbine units, coal-fired units, overall utilisation of solid wastes, photovoltaic power generation, and incineration of methane for power generation. This will help to gradually lower consumption of coal resources and water resources.

Increase cost efficiency, mitigate risk exposure, and maintain disciplined financial policies

We are committed to increasing our cost efficiency and reduce our risk exposure throughout daily operation. Leveraging our solid experience and know-how in existing productions bases, we intend to replicate the success into our newly established production bases. Through expanding along the industrial chain and increasing of pulp and paper production capacity, we are able to identify synergies and streamline our operations, leading to sustainable and profitable growth in our business operation and financial conditions.

We will continue to maintain disciplined financial policies with responsible attitude toward our shareholders and creditors. We will strictly implement our cost control policies at all levels by exercising effective control over inventory level, working capital and cash flow management, which is critical to our financial health and business sustainability. We intend to keep our effective cash flow management policies to ensure positive operating cash flow by accelerating receivables, managing inventory levels cautiously and negotiating favourable payment terms with suppliers.

We intend to manage our borrowings prudently, including but not limited to management of debt capacity, maturity profile and repayment schedule, and keep healthy leverage ratios such as asset-liability ratio, ensuring a balanced capital structure with strong financial flexibility and stability. Being flexible in using RMB and foreign currency denominated borrowings, we intend to reduce our overall financing cost and exchange rate risk exposure. In fiscal year 2023, we have adjusted our borrowings structure by decreasing our US Dollar denominated borrowings to 5.0% of total borrowings as of 30 June 2023 from 34.1% as of 30 June 2022 mainly in response to the significant increase of interest rates of US Dollar denominated borrowings. We will continue to seek opportunities to reduce our financing cost to achieve higher cost efficiency.

Products

Our products include paper products such as linerboard (kraftlinerboard, testlinerboard, white top linerboard, coated linerboad, coated white cardboard, bleached folding boxboard and gypsum board cover paper), high-performance corrugating medium, coated duplex board, greyboard, printing and writing paper (uncoated woodfree paper and office paper) and packaging products (high performance corrugated cardboard products and high performance carton box products). Our U.S. mills also offer paper products, including containerboard, kraft paper, printing and specialty papers, pulp and packaging products. Each of these products can be produced in a variety of basis weights. The following is a brief description of our products.

Linerboard

Linerboard can be produced in basis weights ranging from 75 to 440 grammes per square metre.

We produce six types of linerboard, including kraftlinerboard, testlinerboard, white top linerboard, coated linerboad, coated white cardboard and bleached folding boxboard.

- *Kraftlinerboard.* Kraftlinerboard is unbleached linerboard manufactured from unbleached kraft pulp and recovered paper. Higher kraft pulp content increases the consistency of appearance and strength of the linerboard. We market our high strength kraftlinerboard under our “Nine Dragons” brand and our standard kraftlinerboard under our “Sea Dragon” brand.

- *Testlinerboard.* Testlinerboard is made entirely from recovered paper, and meets certain customers' requirements for lower cost linerboard or for a more environmentally-friendly product. We market our testlinerboard under our "Land Dragon high performance", "Land Dragon", "Sea Dragon" and "River Dragon" brands.

- *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. We market our white top linerboard under our "Nine Dragons" and "Sea Dragon" brands.

- *Coated Linerboard.* Coated linerboard is a four-ply sheet of which the surface layer is coated on bleached wood pulp. It possesses the characteristics of high performance (similar to kraftlinerboard) and high printability (similar to coated duplex board), which can replace the traditional coated duplex board. We market our coated linerboard under our "Nine Dragons", "Sea Dragon" and "Land Dragon" brand.

- *Coated White Cardboard.* Coated white cardboard is a one-side or both-side coated paper that has been calendered and finished with the surface and bottom layers of raw paper in bleached kraft pulp and the middle layer in mechanical wood pulp. Given its superior printability, it is mainly used in pharmaceuticals, daily necessities, electronic products, cosmetics, hang tags, carrying bags, packaging for toys and cards, etc. We market our coated white cardboard under our "Sea Dragon", "Nine Dragons (High Bulk)", "Nine Dragons (Ultra-High Bulk)" and "Nine Dragons (Ultra-High Bulk PLUS)" brands, among which, the Ultra-High Bulk and Ultra-High Bulk PLUS products featuring the thickness of ultra-high bulk paper can ensure sound stiffness for high performance in box moulding with more light-weighted packaging design.

- *Bleached Folding Boxboard.* Comprising cup stock, coated folding boxboard and other products, bleached folding boxboard is made of high-quality all-wood pulp fibre and chemical raw materials, and free of optical brightening agent, which meets the food safety standards under GB4806.8–2016 Paper and Cardboard Materials and Paper Products for Food Contact. We offers three types of cup stock, namely fullweight paper, high bulk paper and ultra-high bulk paper, with weight ranging from 150 to 320 grammes per square metre. Given its excellent stiffness and folding endurance, and edge permeance resistance that meets the requirements under the national GB/T31905 standard, it is mainly used in the production of paper cups for cold or hot drinks, paper cup covers, paper bowls, among others. Coated folding boxboard with weight ranging from 150 to 350 gram per square metre is mainly used in the production of packaging for different types of food, frozen products, chocolates and candies (without food contact), among others. We market our bleached folding boxboard under our "Sea Dragon" and "Nine Dragons" brands.

- *Gypsum Board Cover Paper*. Gypsum board cover paper can be produced in basis weights ranging from 140 to 160 grammes per square metre. Gypsum board cover paper is a paperboard used in the production of paper-surfaced gypsum board. It is used to cover both sides of the gypsum core and can be firmly bonded to the core materials. With high tensile strength and permeability, the gypsum board cover paper offers a strong resistance to heat penetration, water and moisture, which can fulfil the requirements on strength and performance indicators for production of high-end paper-surfaced gypsum. We market our gypsum board cover paper under our "Sea Dragon" and "Land Dragon" brand.

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. We offer high performance corrugating medium ranging from 45 to 180 grammes per square metre, of which our light weight high performance corrugating medium of 45, 50, 60 and 70 grammes per square metre are at a superior position in the industry. We market our high-performance corrugating medium under our "Nine Dragons", "Sea Dragon", "Land Dragon" and "River Dragon" brands.

Coated Duplex Board

Coated duplex board can be produced in basis weights ranging from 180 to 550 grammes per square metre. It is a type of boxboard with a glossy coated surface on one side for superior printability. Coated duplex board is typically used as packaging material for small boxes that require high-quality printability, such as packaging for consumer electronics products, cosmetics and other consumer merchandise. It can also be used in combination with high-performance corrugating medium and linerboard as the outer layer of corrugated board. We market our coated duplex board under our "Nine Dragons", "Sea Dragon", "Land Dragon", "River Dragon" and "River Dragon Grade B" brands.

Greyboard

Greyboard can be produced in basis weights ranging from 300 to 500 grammes per square metre. Greyboard is a cardboard made from recycled waste paper and is an environmentally-friendly packaging material. The multilayer laminated greyboard is used as packaging material for cartons, stationery and homeware products, etc. We market our greyboard under our "Land Dragon" and "Sea Dragon" brands.

Printing and Writing Paper

We produce two types of printing and writing paper in Asia, including uncoated woodfree paper and office paper. Printing and writing paper can be produced in basis weights ranging from 40 to 80 grammes per square metre.

- *Uncoated Woodfree Paper*. Uncoated woodfree paper is suitable for printing books, teaching materials, magazines, notebooks and colour pictures. Our uncoated woodfree paper has passed Forest Stewardship Council (FSC) certification. We market our uncoated woodfree paper under our "Sea Dragon" and "Land Dragon" brands.

- *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 our office paper is processed with special technologies, minimising the wear of office equipment. Our office paper has passed FSC certification. We market our office paper under our "Sea Dragon" brand. The recycled fibre multifunction office paper under the Sea Dragon brand is entirely made of recycled fibre and is more environmentally friendly.

Packaging Products

We produce two types of packaging products in Asia, including high performance corrugated cardboard products and high performance carton box products.

- *High Performance Corrugated Cardboard Products*. Equipped with multiple advanced corrugators, our high performance corrugated cardboard is entirely made by our containerboard products. We produce Type A, C, B and E corrugated cardboard and triple to quintuple wall cardboard. Our high performance corrugated cardboards are highly tenacious and impact resistant and are suitable for producing high-end carton boxes and lining boards. We also cater to customers' needs to design and produce corrugated cardboard with special functionalities such as waterproof, moisture proof, and anti-counterfeiting.

- *High Performance Carton Box Products*. We produce carton boxes with one to seven colour water based printing. Our high performance carton boxes 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, among others. With advanced high-speed printing presses and equipment, including fully automated flatbed die-cutting, combination stitcher/gluer machines, we are able to meet the diverse needs of customers.

We manufacture our paper products in a broad range of specifications customised for different industrial and customer requirements. Most of the fibre used in the production process of our paper products comes from recovered paper. The grading system for our products is in line with industry practice. Grade 1 products are of the highest quality and the remaining grades are of lesser quality. For the fiscal year ended 30 June 2023, approximately 97.5% of our linerboard output, measured in tonnes, was Grade 1 and the remaining 2.5% of our linerboard was Grade 2 or lower; approximately 98.5% of our high-performance corrugating medium output was Grade 1 and the remaining 1.5% was Grade 2 or lower; approximately 96.0% of our coated duplex board output was Grade 1 and the remaining 4.0% was Grade 2 or lower; approximately 99.0% of our greyboard was Grade 1 and the remaining 1.0% was Grade 2 or lower; approximately 96.0% of our printing and writing paper was Grade 1 and the remaining 4.0% was Grade 2 or lower; approximately 99.5% of our packaging products was Grade 1 and the remaining 0.5% was Grade 2.

Products offered by U.S. Mills

We own four mills in our U.S. division through our wholly-owned subsidiary ND Paper LLC. Our U.S. mills offer five types of products, including containerboard, kraft paper, printing and specialty papers, pulp and packing products.

- *Containerboard*. As a leader in containerboard production, we offer recycled and virgin papers for a variety of packaging applications.

- *Kraft Paper*. For excellent runnability and a clean printing surface, we offer a durable kraft paper, sourced from virgin fibres, for all tough packaging needs and sturdy, designed bags. Recycled kraft paper is also available, providing uniform appearance and strength.

- *Printing and Specialty Papers*. Our printing and specialty papers are inventive and adaptable with dependable quality and reliability, providing a product option for any project.

- *Pulp*. We are an established producer of Northern bleached hardwood kraft pulp (NBHK) throughout the eastern and northeastern U.S. All of our pulp grades are widely recognised for their consistency and functional properties.

- *Packaging Products*. We offer packaging products through Badger Solutions, LLC., a manufacturer of corrugated board and packaging solutions located in Sturtevant, Wisconsin. Integrated with paper supply from our Biron division, this full line box plant operates a high-speed corrugator and converting equipment to provide quality corrugated products to a wide variety of customers in the midwest United States.

The following table sets forth our sales volume for our products for the periods indicated.

	Year ended 30 June				Six months ended 31 December		
	2021	2022	2023	2022/2023 Increase (Decrease)	2022	2023	Increase (Decrease)
	Sales volume	Sales volume	Sales volume	%	Sales volume	Sales volume	%
	(in million tonnes, except for percentages)						
Linerboard	8.53	7.90	8.33	5.5	4.11	5.69	38.4
High-performance corrugating medium	4.03	4.53	4.91	8.3	2.65	2.52	(4.9)
Coated duplex board	2.97	2.86	2.55	(10.6)	1.42	1.45	2.1
Printing and writing paper	0.83	0.60	0.65	7.7	0.36	0.33	(8.0)
Others[(1)]	0.15	0.13	0.12	(8.1)	0.08	0.04	(50.0)
Total	16.51	16.02	16.56	3.4	8.62	10.03	16.4

(1) Mainly include specialty paper and packaging products

Integrated Operations

We currently have ten production bases in China (Dongguan, Taicang, Chongqing, Tianjin, Quanzhou, Shenyang, Leshan, Hebei, Hubei and Beihai), one production base in Malaysia and one production base in Vietnam in commercial operation. We have eight packaging bases in commercial operation, currently, namely Taicang, Dongguan, Tianjin, Chengdu, Chongqing, Zhangmutou, Quanzhou and Zhenjiang. We also have four pulp and paper mills and one packaging plant in the United States. We are in the process of further increasing design production capacity and, based on existing commitments and negotiations with equipment suppliers, have plans to increase design production capacity by approximately 4.9 mtpa, including 2.6 mtpa in paper capacity and 2.3 mtpa in fibre capacity, by the end of calendar year 2025. Our major projects include four new paper machines and six new pulp and fibre production lines for our Beihai, Hubei and Malaysia bases and renovation of existing paper machines and ancillary facilities. Based on existing commitments and current negotiations, we estimate that our aggregate capital expenditures for the fiscal years 2024 and 2025 will be RMB16.1 billion, representing approximately RMB12.1 billion in fiscal year 2024 and RMB4.0 billion in fiscal year 2025.

Production Bases in Asia

The following table summarises key properties and statistics of our production equipment and supporting facilities in each of our production bases as of 31 December 2023.

Production Base	Land Reserves	Design Production Capacity[(1)]	Existing Production Equipment	Supporting Facilities
	(in sq.m.)	(mtpa)		
Dongguan	2,400,000	Paper: 5.85 Wood pulp: 0.60 Wood fibre: 0.21	PM1, PM2, PM3, PM4, PM6, PM7, PM9, PM10, PM11, PM12, PM13, PM18, PM19, PM28, PM32 & PM43; three pulp and fibre production lines	• power plant with installed capacity of 609 MW • pier with 2 operating berths which accommodates ships of up to 50,000 dwt • access to public Xinsha port, Nansha port and Shekou port • truck fleet • two freshwater reservoirs • water use permit • wastewater treatment plant
Taicang	2,600,000	Paper: 3.03 Wood fibre: 0.36	PM5, PM8, PM16, PM17, PM20, PM21, PM29 & PM30; two fibre production lines	• power plant with installed capacity of 362 MW • access to public Taicang port and Shanghai port • pier with five operating berths which accommodates ships of up to 50,000 dwt • truck fleet • water use permit • wastewater treatment plant
Chongqing	2,400,000	Paper: 1.90 Wood pulp: 0.50 Wood fibre: 0.21	PM22, PM23, PM33 & PM40; three pulp and fibre production lines	• power plant with installed capacity of 332 MW • access to public Chongqing port • pier with two operating berths which accommodates ships of up to 8,000 dwt • truck fleet • water use permit • wastewater treatment plant
Tianjin	2,400,000	Paper: 2.15 Wood fibre: 0.10	PM25, PM26, PM27, PM31 & PM34; one fibre production line	• power plant with installed capacity of 254 MW • access to public Tianjin port • truck fleet • water use permit • wastewater treatment plant

Production Base	Land Reserves (in sq.m.)	Design Production Capacity[1] (mtpa)	Existing Production Equipment	Supporting Facilities
Quanzhou	810,000	Paper: 1.00 Wood fibre: 0.21	PM35, PM46 & PM39; one fibre production line	• power plant with installed capacity of 145 MW • access to public Xiamen port and Quanzhou port • truck fleet • water use permit • wastewater treatment plant
Shenyang	1,700,000	Paper: 1.60 Wood pulp: 0.32 Wood fibre: 0.24	PM37, PM42 & PM47; two pulp and fibre production lines	• power plant with installed capacity of 237 MW • truck fleet • water use permit • wastewater treatment plant
Leshan	530,000	Paper: 0.35	PM38 & five specialty paper machines[2]	• power plant with installed capacity of 6 MW • truck fleet • water use permit • wastewater treatment plant
Hebei	600,000	Paper: 1.00 Wood fibre: 0.21	Y5, Y6[3] & PM41; one fibre production line	• power plant with installed capacity of 59 MW • access to public Caofeidian port and Tangshan port • truck fleet • water use permit • wastewater treatment plant
Hubei	2,330,000	Paper: 1.20 Wood pulp: 0.60 Wood fibre: 0.21	PM45 & PM46; three pulp and fibre production lines	• power plant with installed capacity of 200 MW • pier with two operating berths which accommodates ships of up to 6,000 dwt • access to public Yueyang port and Jingzhou port • truck fleet • water use permit • wastewater treatment plant
Beihai	3,380,000	Paper: 0.80	PM48	• power plant with installed capacity of 310 MW • access to public Tieshan port • truck fleet • water use permit • wastewater treatment plant
Malaysia	630,000	Paper: 0.90 Wood pulp: 0.48	PM51 & PM52; two pulp production lines	• power plant with installed capacity of 200 MW • access to public port in Port Klang • truck fleet • water use permit • wastewater treatment plant
Vietnam.	300,000	Paper: 0.45 Wood fibre: 0.10	VN1 & VN2[4]; one fibre production line	• power plant with installed capacity of 63 MW • access to public Ho Chi Minh port and Calais port • truck fleet • water use permit • wastewater treatment plant

(1) "Design production capacity" is management's estimate of the amount of product or material that a production base or paper machine is capable of producing on an annual basis and is based on factors which affect normal operating limits such as the capacity of equipment to process a material, the type and basis weight of the product produced, the variability of and availability of raw materials, energy and water and regular and periodic maintenance. Design production capacity assumes utilisation rates of 100%. The actual utilisation rates, and therefore our actual production volumes, may vary and be above or below our estimates. Estimates of design production capacity are based on the assumption that paper machines will only be producing the planned primary product, at assumed basis weights. Typically, it takes several months after commencement of production for testing to be completed and for a paper machine to begin operating at a commercially viable level.

(2) *We acquired the specialty paper machine in May 2008.*

(3) *We acquired the Y5 and Y6, which are paper machines to produce linerboard and corrugating medium, in January 2011.*

(4) *VN1 and VN2 are paper machines to produce linerboard. We acquired VN1 in May 2008.*

Dongguan Base

Our Dongguan production base is located in the Pearl River Delta. Our Dongguan base has access to extensive road networks by which we deliver most of our products. We have our self-owned pier in Dongguan, which is located approximately eight kilometres from our production site in Dongguan, to receive direct coal deliveries. Our Dongguan pier has two operating berths that can accomodate vessels of up to 50,000 dwt. Our Dongguan base may draw water supplies from nearby rivers for our manufacturing processes. As of 31 December 2023, we had 16 paper machines and three pulp and fibre production lines in our Dongguan base. As of 31 December 2023, we had a land reserve of approximately 2.4 million sq.m. in Dongguan. Our Dongguan base currently produces linerboard, high-performance corrugating medium, coated duplex board and printing and writing paper.

Taicang Base

Our Taicang production base is located in the Yangtze River Delta. Our Taicang base has access to extensive road networks by which we deliver most of our products and is located close to abundant water sources from the Yangtze River, which allows us both to draw water supplies for our manufacturing processes, and to discharge wastewater after treatment to ensure compliance with water discharge standards. We have our self-owned pier in Taicang, which is located approximately 1.8 kilometres from our production site in Taicang. Our Taicang pier has five operating berths that can accomodate vessels of up to 50,000 dwt. Coal deliveries can reach from our Taicang pier to our production site in Taicang through automatic conveyors. As of 31 December 2023, we had eight paper machines and two fibre production lines in our Taicang base. As of 31 December 2023, we had a land reserve of approximately 2.6 million sq.m. in Taicang. Our Taicang base currently produces linerboard, high-performance corrugating medium and printing and writing paper.

Chongqing Base

Our Chongqing base is located in the Chengdu-Chongqing Economic Circle, within a 40-minute drive from the centre of Chongqing city. Our Chongqing base has a self-owned shipping pier, which is located approximately 500 metres from the production site, and direct transportation access via this port and railway and expressway systems and has access to abundant water sources from the Yangtze River. Our Chongqing pier has two operating berths that can accomodate vessels of up to 8,000 dwt. Chongqing is a regional hub for the central-western provinces of Hubei, Yunnan, Guizhou and Sichuan and exports to Southeast Asia. As of 31 December 2023, we had four paper machines and three pulp and fibre production lines in our Chongqing base. As of 31 December 2023, we had a land reserve of approximately 2.4 million sq.m. in Chongqing. Our Chongqing base currently produces kraftlinerboard, high-performance corrugating medium and coated duplex board.

Tianjin Base

Our Tianjin base is located in the centre of the Bohai Economic Rim, only 30 kilometres from Tianjin port. The base has direct access to ocean transportation at lower transportation costs as trans-shipment is not required. Our Tianjin base also has access to railway transportation through a railway station located approximately eight kilometres from our production site. Our Tianjin base serves the northern and north-eastern regions of China, where the supply chains are well formed with increasing containerboard demand from key sectors such as food, medicine, high technology and IT products, electronics, textiles and various light industries. As of 31 December 2023, we had five paper machines and a fibre production line in our Tianjin base. As of 31 December 2023, we had a land reserve of approximately 2.4 million sq.m. in Tianjin. Our Tianjin base currently produces linerboard, high-performance corrugating medium and coated duplex board.

Quanzhou Base

Our Quanzhou base is located in the Quanzhou Taiwan Business Investment Zone. We have access to the public Xiamen port and the Quanzhou port, which are located in close proximity to our production site in Quanzhou. As of 31 December 2023, we had three paper machines and a fibre production line in our Quanzhou base. As of 31 December 2023, we had a land reserve of approximately 0.81 million sq.m. in Quanzhou. Our Quanzhou base currently produces kraftlinerboard and testlinerboard.

Shenyang Base

Our Shenyang base is located in the Northeast Economic Circle and serves the northeastern region of China, Beijing-Tianijn-Hebei Urban Agglomeration and Shandong province. As of 31 December 2023, we had three paper machines and two pulp and fibre production lines in our Shenyang base. As of 31 December 2023, we had a land reserve of approximately 1.7 million sq.m. of land in Shenyang. Our Shenyang base currently produces kraftliner and virgin kraftliner.

Leshan Base

Our Leshan base is located in the Southwest Economic Circle, with direct transportation access via expressway systems. As of 31 December 2023, we had six paper machines in our Leshan base. As of 31 December 2023, we had a land reserve of approximately 0.53 million sq.m. in Leshan. Our Leshan base currently produces high performance corrugating medium and specialty paper, mainly capacitor tissue paper and insulating paper.

Hebei Base

Our Hebei base is located in the Beijing-Tianjin-Hebei Urban Agglomeration. We have access to the public Caofeidian port and Tangsha port, which are located in close proximity to our production site in Hebei. Our Hebei base further expands the market share in the norther China region and creates synergy with our Tianjin base and Shenyang base. As of 31 December 2023, we had three paper machines and a fibre production line in our Hebei base. As of 31 December 2023, we had a land reserve of approximately 0.6 million sq.m. in Hebei. Our Hebei base currently produces kraftlinerboard and high performance corrugating medium.

Hubei Base

Our Hubei base is located in central China and serves the central, southern, southwestern and eastern regions of China. Our Hubei base has its own shipping pier, which is located approximately five kilometres from our production site. Our Hubei pier has two operating berths that can accomodate vessels of up to 6,000 dwt. As of 31 December 2023, we had two paper machines and three pulp and fibre production lines in our Hubei base. As of 31 December 2023, we had a land reserve of approximately 2.33 million sq.m. in Hubei. Our Hubei base currently produces kraftliner and virgin kraftliner. We expect to add 1 new paper machine to our Hubei base, which is expected to increase its annual design production capacity of printing and writing paper by 0.60 mpta by the second quarter of 2025.

Beihai Base

Our Beihai base is located in the Beihai Tieshangang Economic Development Zone and serves the Pearl River Delta and Southeast Asia. As of 31 December 2023, we had a paper machine in our Beihai base. As of 31 December 2023, we had a land reserve of approximately 3.38 million sq.m. in Beihai. Our Beihai base currently produces virgin kraftliner. Since 31 December 2023, we have added one paper machine and one pulp line, which commenced operation in February 2024. We expect to add two new paper machines and four new pulp and fibre production lines to our Beihai base, which is expected to increase its annual design production capacity of 1.4 mpta paper, 1.7 mpta wood pulp and 0.21 mpta wood fibre by the end of calendar year 2025. Our Beihai base has a jointly-owned pier located within 5.4 kilometres from the production site and that can accomodate vessels of up to 200,000 dwt.

Malaysia Base

Our Malaysia base is located in Banting, Malaysia, adjacent to Singapore, Thailand and Indonesia. It has access to the waterway transportation system through Port Klang and is only 30 minutes' drive from Kuala Lumpur. It is serves the developed market in Southeast Asia. As of 31 December 2023, we had two paper machines and two pulp production lines in our Malaysia base. As of 31 December 2023, we had a land reserve of approximately 0.63 million sq.m. in Malaysia. Our Malaysia base currently produces kraftliner and corrugated medium. We expect to add one new fibre machine to our Malaysia base, which is expected to increase its annual design production capacity of wood fibre by 0.21 mpta by the first quarter of 2024. We also have two recycling bases located in Bentong and Klang in Malaysia.

Vietnam Base

Our Vietnam base is located in Ho Chi Minh City, Vietnam, adjacent to the Singapore Industrial Park, which hosts multiple multinational enterprises. Our Vietnam base serves Southeast Asia. As of 31 December 2023, we had two paper machines and a fibre production line in our Vietnam base. As of 31 December 2023, we had a land reserve of approximately 0.3 million sq.m. in Vietnam. Our Vietnam base currently produces kraftlinerboard and testlinerboard.

Packaging Bases in Asia

We have eight packaging bases in Asia, namely in Taicang, Dongguan, Tianjin, Chengdu, Chongqing, Zhangmutou, Quanzhou and Zhenjiang.

- *Taicang*. Our Taicang packaging base is located near our Taicang production base. As of 31 December 2023, we had a land reserve of approximately 166,000 sq.m. in Taicang. Our Taicang packaging base is equipped with three corrugator machines, multiple high-speed printing presses, an automatic feeding machine and a robotic palletizing machine. Our Taicang packaging base also benefit from Administration System for the Corrugated Industry (ASCOR), Systems Applications and Products (SAP) systems, OMP scheduling system, automatic guided vehicle (AGV) and automated warehouse system to realise full automation of logistics. Our Taicang base currently has an annual design production capacity of 564 million sq.m. of corrugated sheets. It currently offers corrugated sheets and corrugated boxes.

- *Dongguan*. Our Dongguan packaging base is located near our Dongguan production base. As of 31 December 2023, we had a land reserve of approximately 66,000 sq.m. in Dongguan. Our Dongguan packaging base is equipped with two corrugator machines, five high-speed printing presses, automated die-cutting machines and combination stitcher/gluer machines. Our Dongguan packaging base also benefit from ASCOR, SAP systems and OMP scheduling system to realise full automation of logistics. Our Dognguan base currently has an annual design production capacity of 436 million sq.m. of corrugated sheets. It currently offers corrugated sheets and corrugated boxes.

- *Tianjin*. Our Tianjin packaging base is located near our Tianjin production base. As of 31 December 2023, we had a land reserve of approximately 56,000 sq.m. in Tianjin. Our Tianjin packaging base is equipped with two corrugator machines and multiple high-speed printing presses. Our Tianjin packaging base also benefit from fully automated corrugated sheet conveying system, OMP production planning and scheduling system, among others, to realise full automation from order to inventory. Our Tianjin base currently has an annual design production capacity of 436 million sq.m. of corrugated sheets. It currently offers corrugated sheets and corrugated boxes.

- *Chengdu*. Our Chengdu packaging base is located in the Chengdu-Chongqing Economic Circle. As of 31 December 2023, we had a land reserve of approximately 130,000 sq.m. of land in Chengdu. Our Chengdu packaging base is equipped with a corrugator machine, two high-speed printing presses, automatic feeding machine and robotic palletizing machine. Our Chengdu packaging base also benefit from Manufacturing Execution System (MES), Advanced Planning and Scheduling (APS) system and SAP system to realise full automation of logistics. Our Chengdu base currently has an annual design production capacity of 290 million sq.m. of corrugated sheets. It currently offers corrugated sheets and corrugated boxes.

- *Chongqing*. Our Chongqing packaging base is located near our Chongqing production base. As of 31 December 2023, we had a land reserve of approximately 69,000 sq.m. in Chongqing. Our Chongqing packaging base is equipped with a corrugator machine, two high-speed printing presses, automatic cardboard balers and automatic carton packers. Our Chongqing packaging base also benefit from MES, APS system and SAP system to realise full automation of logistics. Our Chongqing base currently has an annual design production capacity of 240 million sq.m. of corrugated sheets. It currently offers corrugated sheets and corrugated boxes.

- *Zhangmutou*. Our Zhangmutou packaging base is located approximately 80 kilometres from our Dongguan base in the Pearl River Delta. As of 31 December 2023, we had a land reserve of approximately 24,000 sq.m. in Zhangmutou. Our Zhangmutou packaging base is equipped with a corrugator machine, natural gas boilers and fully automated paste making system. Our Zhangmutou base currently has an annual design production capacity of 120 million sq.m. of corrugated sheets. It currently offers corrugated sheets.

- *Quanzhou*. Our Quanzhou packaging base is located near our Quanzhou production base. As of 31 December 2023, we had a land reserve of approximately 80,000 sq.m. in Quanzhou. Our Quanzhou packaging base is equipped with two corrugator machines and automated paste making system. Our Quanzhou base currently has an annual design production capacity of 316 million sq.m. of corrugated sheets. It currently offers corrugated sheets.

- *Zhenjiang*. Our Zhenjiang packaging base is located in the Yangtze River Delta. As of 31 December 2023, we had a land reserve of approximately 71,000 sq.m. in Zhenjing. Our Zhenjiang packaging base is equipped with a corrugator machine. Our Zhenjiang base currently has an annual design production capacity of 220 million sq.m. of corrugated sheets. It currently offers corrugated sheets.

U.S. Division

Through our wholly owned subsidiary, ND Paper LLC., we have four pulp and paper mills and a packaging plant in our United States Division.

- *Rumford Division, Maine*. Our Rumford Division is located on the Androscoggin River in Western Maine, with a fully integrated pulp and paper mill. It currently has three paper production lines with total annual design production capacity of 0.55 mpta. Our Rumford Division currently produces coated one-side, coated freesheet and coated groundwood grades, as well as kraft pulp for internal consumption and external sale.

- *Biron Division, Wisconsin*. Our Biron Division is located on the Wisconsin River in central Wisconsin, with a fully integrated pulp and paper mill. It currently has two paper production lines with total annual design production capacity of 0.34 mpta. Our Biron Division currently produces coated groundwood paper and packaging products such as corrugated medium and linerboard grades.

- *Old Town Division, Maine*. Our Old Town Division is located on the Penobscot River. It currently has one pulp production line with annual design production capacity of 0.15 mpta. Our Old Town Division currently produces softwood kraft pulp.

- *Fairmont Division, West Virginia*. Our Fairmont Division is located on the Monongahela River in north central West Virginia, with a recycled pulp mill. It is one of only three mills in the world that produces air-dried recycled pulp and currently has an annual design production capacity of 0.22 mpta. Our Fairmont Division currently produces 100% recycled pulp.

- *ND Packaging, Wisconsin*. Our ND Packaging plant is located north of Chicago, in the heart of the I-94 corridor in Sturtevant, Wisconsin. As of 31 December 2023, the plant had annual design production capacity of approximately 0.24 billion sq.m. of corrugated sheets. Our ND Packaging currently offers corrugated sheets, corrugated boxes, commercial and consumer packaging and retail-ready packaging solutions.

Production Equipment

Our 56 technologically advanced paper machines, imported mainly from Europe, North America and Japan, produce packaging paperboard and have an aggregate design production capacity of 21.12 mtpa as of 31 December 2023. All of our paper machines have advanced DCSs and quality control systems to monitor and control our production process.

The following table sets forth information relating to our paper machines as of 31 December 2023.

Paper Machine	Primary Product(s)	Design Production Capacity[(1)]	Production Base	Date of Commencement of Production[(2)]
PM1	kraftlinerboard	0.20	Dongguan	July 1998
PM2	kraftlinerboard, testlinerboard	0.40	Dongguan	June 2000
PM3	white top linerboard, coated linerboard	0.40	Dongguan	June 2011
PM4	coated duplex board	0.45	Dongguan	October 2003
PM5	kraftlinerboard	0.50	Taicang	November 2003
PM6 and PM7[(3)]	high-performance corrugating medium	0.40	Dongguan	October 2004
PM8	kraftlinerboard and testlinerboard	0.50	Taicang	April 2005
PM9 and PM10[(3)]	high-performance corrugating medium	0.50	Dongguan	December 2005
PM11	coated duplex board	0.50	Dongguan	January 2007
PM12 and PM13[(3)]	kraftlinerboard, testlinerboard, high-performance corrugating medium	0.80	Dongguan	August 2007
PM16 and PM17[(3)]	high-performance corrugating medium	0.70	Taicang	January 2007
PM18	high-performance corrugating medium	0.35	Dongguan	June 2008
PM19	kraftlinerboard	0.45	Dongguan	June 2008
PM20	white top linerboard, coated linerboard	0.43	Taicang	June 2011

Paper Machine	Primary Product(s)	Design Production Capacity(1)	Production Base	Date of Commencement of Production(2)
PM21	printing and writing paper	0.20	Taicang	June 2011
PM22	kraftlinerboard, testlinerboard, white top linerboard	0.45	Chongqing	August 2008
PM23	high-performance corrugating medium	0.35	Chongqing	August 2008
PM25	kraftlinerboard, white top linerboard	0.45	Tianjin	September 2009
PM26	high-performance corrugating medium	0.35	Tianjin	September 2009
PM27	kraftlinerboard, testlinerboard, high-performance corrugating medium	0.40	Tianjin	June 2011
PM28	printing and writing paper	0.25	Dongguan	June 2011
PM29	kraftlinerboard, testlinerboard	0.40	Taicang	December 2010
PM30	testlinerboard, high-performance corrugating medium	0.30	Taicang	December 2010
PM31	testlinerboard, high-performance corrugating medium	0.40	Tianjin	June 2011
PM32	white cardboard, coated white cardboard	0.55	Dongguan	June 2011
PM33	coated white cardboard, white top linerboard, coated white cardboard	0.55	Chongqing	November 2012
PM34	coated white cardboard, coted linerboard	0.55	Tianjin	July 2012
PM35	high-performance corrugating medium	0.30	Quanzhou	August 2013
PM36	kraftlinerboard, testlinerboard, high-performance corrugating medium	0.35	Quanzhou	October 2013
PM37	kraftlinerboard, testlinerboard, high-performance corrugating medium	0.35	Shenyang	September 2014
PM38	high-performance corrugating medium	0.30	Leshan	January 2014
PM39	testlinerboard, high-performance corrugating medium	0.35	Quanzhou	November 2019
PM40	kraftlinerboard, testlinerboard, high-performance corrugating medium	0.55	Chongqing	February 2019
PM41	linerboard, testlinerboard	0.50	Hebei	August 2020
PM42	kraftlinerboard, testlinerboard, high-performance corrugating medium	0.60	Shenyang	December 2019
PM43	testlinerboard	0.60	Dongguan	July 2020
PM45	linerboard, testlinerboard	0.60	Jingzhou	June 2022
PM46	high-end testlinerboard	0.60	Jingzhou	December 2022
PM47	linerboard, testlinerboard	0.65	Shenyang	May 2023
PM48	kraftlinerboard, testlinerboard, high-performance corrugating medium	0.80	Beihai	November 2023
PM51	linerboard, testlinerboard	0.60	Malaysia	May 2023
PM52	kraftlinerboard, testlinerboard, high-performance corrugating medium	0.30	Malaysia	September 2023
Specialty PM . .	specialty paper	0.05	Leshan	May 2008(4)
Y5	kraftlinerboard, testlinerboard, high-performance corrugating medium	0.15	Hebei	January 2011(5)
Y6	kraftlinerboard, testlinerboard	0.35	Hebei	January 2011(5)
VN1	kraftlinerboard, white top linerboard	0.10	Vietnam	May 2008(6)
VN2	kraftlinerboard, testlinerboard, high-performance corrugating medium	0.35	Vietnam	August 2017
Rumford PM . .	printing and writing paper, kraftlinerboard, specialty paper	0.55	U.S.	June 2018(7)
Biron PM	kraftlinerboard, high-performance corrugating medium	0.34	U.S.	June 2018(7)
Total		21.12		

(1) *"Design production capacity" is management's estimate of the amount of product or material that a production base or paper machine is capable of producing on an annual basis and is based on factors which affect normal operating limits such as the capacity of equipment to process a material, the type and basis weight of the product produced, the variability of and availability of raw materials, energy and water and regular and periodic maintenance. Design production capacity assumes utilisation rates of 100%. The actual utilisation rates, and therefore our actual production volumes, may vary and be above or below our estimates. Estimates of design production capacity are based on the assumption that paper machines will only be producing the planned primary product, at assumed basis weights.*

(2) *Typically, it takes several months after commencement of production for testing to be completed and for a paper machine to begin operating at a commercially viable level.*

(3) *These paper machines are grouped together because they are operated by the same technical team and are treated by the Company as one production unit.*

(4) *The specialty paper machine was acquired in May 2008.*

(5) *Y5 and Y6 were acquired in January 2011.*

(6) *VN1 was acquired in May 2008.*

(7) *The Rumford PM and Biron PM were acquired in June 2018.*

Many of our paper machines have the flexibility to produce more than one type of product due to their advanced design. For example, paper machines which produce linerboard such as kraftlinerboard, testlinerboard and white-top linerboard can shift from the production of one type of linerboard product to another without stopping the production run or with only a brief shutdown, which is ordinarily scheduled to coincide with routine monthly maintenance.

With the exception of periodic repair and maintenance, we seek to maintain uninterrupted operation of our paper machines 24 hours a day, throughout the year. Equipment utilisation rates for a given period represent the actual hours of operation as a percentage of the planned hours of operation, which are estimated by management taking into account, among other things, planned maintenance shutdowns and shutdowns in connection with equipment optimisation. The equipment utilisation rates are lower during the start-up phase of a new paper machine, which is typically several months from commencement of operation. Our average capacity utilisation rate for the fiscal years 2021, 2022 and 2023 and the six months ended 31 December 2023 were 92.6%, 93.5%, 88.7% and 98.1%, respectively.

Production Process

Stock preparation unit

The primary function of the stock preparation unit is to convert raw materials, primarily recovered paper and wood pulp, into stock which is readily usable by paper machines. The stock preparation process involves a mechanical pulping process comprising cleaning, screening and refining to dissolve and mix the fibres from recovered paper and wood pulp, together with water, into stock, the removal of contaminants, the refinement and expansion of the fibres and the addition of certain chemicals to improve the quality of the stock. Water acts as a suspension medium and conveyor for the fibres, enabling its homogenous distribution.

Certain of our machines, which produce white top linerboard and coated duplex board, are equipped with de-inking and flotation devices to enhance the whiteness of such products.

Approach flow system

The approach flow system mainly consists of a screen and fan pump which connects the stock preparation system with the paper machine. The screen and fan pump sort the stock from the stock preparation system. After adding chemicals to enhance the quality of finished paper, the approach flow system further feeds stock into the headbox in the paper machine.

Headbox and forming section

The headbox distributes the stock into the wire section where fibres are formed into thin wet continuous sheets, or webs. The basic functions of the headbox are to achieve uniform fibre distribution and intersection. The forming section removes part of the moisture from the stock. The headbox and forming section determine several structural properties of the paper including basis weight variation, fibre orientation and distribution and visual uniformity.

Press section

The press section's function is to compress and remove as much water from the sheets as possible through absorption of water by the felt, while still retaining the desired characteristics, in order to achieve a sufficient strength to allow the sheets to be transferred to the dryer section without breaking. The pressing process affects paper smoothness and symmetry, moisture profile, porosity and bulk. Our machines are equipped with high-speed shoe presses to fully utilise the advantages provided by our large-scale paper machines. Installation of shoe presses not only increases the speed at which our production lines can operate, but also increases the percentage of moisture removed in the press section and the resulting dryness of the paper. This allows us to reduce the amount of energy, in the form of steam, required in the dryer section.

Dryer section and sizer

After the press section, the sheets are further fed into the dryer section where they are rolled through a series of rotating steam heated cylinders to remove the remaining moisture. The purpose of the dryer section is to remove remaining moisture content from the sheets through evaporation. The drying process affects surface and strength properties. The sizer is interposed between the pre-drying section and post-drying section in the production of high-performance corrugating medium and coated duplex board to increase strength, water repellency and enhance printability. Some of our machines are equipped with such surface-sizing technology.

Online coater

The production of coated duplex board involves an additional step of online coating to give the finished product a glossy finished look and to enhance printability.

Calendar, reel and winder

The calendar compresses and smoothes the sheets to enhance printability. The reel rolls large sheets of finished products into rolls. The winder cuts large-sized rolled paper into smaller-sized paper products according to the required specifications for delivery or for storage at our warehouses.

Supporting Facilities

As of 31 December 2023, major facilities supporting our production included our power plants, warehouses and raw material yards, piers and our transportation and delivery system. The integration of these supporting facilities into our production bases provides us with cost savings, increases our flexibility and control over our business and supports our ability to reliably and efficiently serve our customers. In fiscal years 2024 and 2025, we plan to spend approximately RMB3,500 million and RMB1,300 million, respectively, for the construction of supporting facilities for our new and existing production bases. Descriptions of the supporting facilities for our production bases are set forth below.

Power Plants

During the fiscal year 2023, our power plants utilised approximately 6.3 million tonnes of coal. As of 31 December 2023, our production bases have coal-fired power plants and waste burning plants with an aggregate installed capacity of 2,949 MW. Our Dongguan base has also established a rooftop photovoltaic power generation project and photovoltaic power with an installed capacity of 17 MW have been completed and put into operation. All of the principal components of our power units, including boilers, turbines and generators are domestically manufactured. We designed the power generation systems as central power plants providing both electric power and steam to all of our paper machines. Because of their high thermal efficiency and low coal consumption, our power plants have helped us reduce energy costs and also have emission levels within the limits set by PRC regulatory agencies. We currently have the capacity to generate more electricity than we need for our operations and sell such excess power to the regional power grid.

Water Reservoirs and Wastewater Management

Each of our bases has freshwater systems and we maintain freshwater reservoirs at each manufacturing base. We have also built a wastewater treatment plant at each manufacturing base. Our wastewater treatment facilities incorporate automated programmable logic controller ("PLC") systems and an online monitoring system which allow us to centrally manage and monitor our wastewater discharge.

Warehouses and Raw Material Yards

Our storage warehouses have an aggregate capacity of up to 1.50 million tonnes for storage of finished products. Such storage facilities provide us with the flexibility to manage our inventory and to respond quickly to customer orders. We also have raw material yards with an aggregate storage capacity of up to 2.70 million tonnes. Each of our bases has automated storage systems.

Piers

In order to reduce port loading and unloading charges, to avoid transportation bottlenecks and to take advantage of ocean and inland waterway transportation, we have constructed shipping piers at Taicang, Chongqing, Dongguan, Hubei and Beihai. Our Taicang pier have five operating berths can accommodate oceangoing vessels of up to 50,000 dwt for the delivery of coal and raw materials. Our Dongguan pier has two operating berths that can accommodate vessels of up to 50,000 dwt. Our Chongqing pier is mainly used for receiving direct deliveries of coal and raw materials, including recovered paper and kraft pulp. Our Chongqing pier has two operating berths that can accommodate vessels of up to 8,000 dwt. We have obtained permits to operate the shipping pier and to offer loading and unloading services to third parties. From time to time, we have allowed third parties to utilise the pier for loading and unloading cargo. Our Hubei pier is mainly used for coal and wood chips and has two operating berths that can accommodate vessels of up to 6,000 dwt. Our Beihai base also has a jointly-owned pier and a self-owned pier under construction dedicated for the use of our Beihai base. Because we can take direct delivery by ocean freight from any of the major coal ports on China's coast, including Qinhuangdao, Tianjin and others, we are able to realise significant cost savings from eliminating loading and unloading charges that we would otherwise have to pay for transit of coal.

Transportation and Delivery System

We rely on road and water transportation for delivery of products to our customers and raw material supplies to our production sites. We have our own vehicle fleet to meet a majority of our transportation needs in a timely and cost-efficient manner.

Vehicle Fleet

We established our own transportation and delivery system at our production sites to transport our finished products and raw materials between our pier and production bases throughout the year. This system provides us with more control to ensure timely delivery of our products to satisfy our customers' needs and our raw materials to support our production requirements. We have a vehicle fleet of approximately 1,000 large trucks that we use to provide full-year uninterrupted delivery services to customers and for transportation of raw materials from the piers to our production bases. Our vehicle fleet is supported by GPS satellite computerised navigation systems to allow us to monitor and allocate our internal resources and plan delivery schedules so as to be timely and cost-efficient.

Ocean Freight and Inland Waterway Transportation

We take advantage of our geographical proximity to the public ports. We also own shipping piers at Taicang, Dongguan, Chongqing, Hubei and Beihai.

Raw Materials

For the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023, our purchases of raw materials from ACN, Tianjin ACN, Hainan ACN and their designated agents amounted to RMB30.9 billion, RMB32.8 billion, RMB21.4 billion, RMB8.0 billion and RMB10.9 billion, representing 61.9%, 57.0%, 38.8%, 26.2% and 38.9%, respectively, of our total cost of goods sold. During the corresponding periods, raw materials and consumable used accounted for 93.5%, 96.1%, 83.2%, 83.6% and 89.2%, respectively, of our total cost of goods sold.

Recovered Paper

Recovered paper is the largest component of our raw materials purchases. Recovered paper constitutes the portion of waste paper that can be collected and re-used. Like most large-scale packaging paperboard manufacturers, our ability to source large volumes of consistently high-quality recovered paper under stable, long-term arrangements is critical to our success. Our ability to source such volumes is critical to the success of our policy of maximising the use of recovered paper to produce high-quality products, consistent with our customers' cost objectives and our environmental policies. Our strategy is to source from suppliers that can offer reliable and high volume supplies of recovered paper with consistent quality. To select additional suppliers, our sourcing department compares the quality and price of recovered paper from major suppliers and considers each supplier's ability to satisfy our volume and delivery requirements.

Our supply contracts typically provide for the delivery of the recovered paper either to our production bases or nearby ports. We purchase a substantial majority of our recovered paper requirements from ACN, which is wholly owned by Ms. Cheung Yan and Mr. Liu Ming Chung, Tianjin ACN, Hainan ACN and their designated agents as well as from a number of other trading companies. We have also established relationship with select local suppliers of recovered paper and we intend to continue to develop our domestic sourcing policy.

Wood Chips

We use high-quality wood chips for the production of wood pulp and regular wood chips for the production of wood fibre. Since the implementation of "Waste Import Ban" in 2021, wood chips have gradually become an important source of and supplement to our wood fibre. Our sourcing strategy is to seek local suppliers for each of our production bases to ensure quality and stable supply and cost competitiveness. We have formulated a set of internal quality inspection standards of wood chips across our production bases.

Chemicals

We use a variety of chemicals in our production process including primarily starch, retention agents and sizing agents. Starch is used to enhance the strength of our products, retention agents are used to increase the retention rate of stock and sizing agents are used to increase the water repellency of the paper product. We purchase chemicals from third party suppliers in China and abroad. Our sourcing strategy is to source from reliable and reputable suppliers that can provide the most cost-effective chemicals with the requisite quality. Our research and development team regularly tests the raw material composition of our products and continues to fine-tune our mix of chemicals. Accordingly, we seek to develop the use of new alternative chemicals with suppliers to improve product performance and reduce costs.

Pulp

We use both self-manufactured wood pulp and sourced pulp in our production of to increase the consistency of appearance and strength of the products. As a major source of high-quality wood fibre, pulp ensures the quality of our high-end products. Pulp is mainly used to produce our "Nine Dragons" and "Sea Dragon" brand of linerboard, printing and writing paper and white cardboard. Wood pulp is made from wood chips and produced by the kraft-cooking method. Due to the short supply of pulp in China, a stable supply of substantial volumes of consistently high-quality kraft pulp is critical to our success. As of 31 December 2023, we had an annual design production capacity of 2.18 mpta of wood pulp, which can satisfy majority of our needs for pulp and we only need to purchase a small amount of pulp to supplement. Compared to purchased pulp, our self-manufactured wood pulp have relatively low costs and stable quality with guaranteed supply at all time. Our procurement strategy is to seek to maintain diversified sources of pulp, to ensure stable supply and cost competitiveness while meeting our quality requirements. We import most of our pulp from leading pulp exporting countries such as Indonesia and Brazil and source only a small proportion from China. We currently do not have any long-term contracts with our suppliers and pulp prices are determined according to market conditions.

Utilities

Water

We require large amounts of water in our production process. Operating at full capacity as of 31 December 2023, we estimate that our production bases consumed approximately 0.3 million tonnes of water a day. We have taken a number of measures to ensure an adequate year-round supply of water of suitable quality for production. These include the construction of upstream fresh water reservoirs and water pumping stations in some of our productions bases. Our production sites in Taicang, Chongqing and Hubei also draw their water requirements from the Yangtze River. As a further back-up measure, all of our production bases are connected to the municipal water system.

To conserve water, we have implemented a water recycling and conservation system in our production bases which substantially reduces the level of water consumption at each of our production lines. We are now able to recycle water produced during the operation of our paper machines for reuse in our production process. We have also constructed wastewater treatment plants in each of our production bases which incorporate automated PLC systems and an online monitoring system which allow us to centrally manage and monitor our wastewater discharge.

Energy Supply

As a large-scale packaging paperboard manufacturer, we require a significant amount of electricity and steam for our operations. We have designed our power generation systems as coal-fired or solid-waste burning plants, providing both electric power and steam to all of their paper machines, thereby saving energy costs and valuable land resources. Because of their high thermal efficiency and low coal consumption, our power plants achieve savings of up to approximately one-third compared to the cost of purchasing power from third parties. Coal prices are subject to market conditions and can fluctuate significantly. Our sourcing strategy for coal is centralised sourcing from suppliers that can provide a stable and reliable supply at the lowest cost for all of our production bases. We enter into long-term procurement agreements with coal distributors and purchase all of our coal requirements directly from them and arranged for our own shipping. We receive the coal by ship at our shipping piers and public ports adjacent to our production bases. Each of our production bases conducts quality testing upon receipt of coal and make payments according to the quality standards specified in the agreements. We regularly evaluate our coal suppliers. We typically retain approximately 30 days' supply of coal on hand.

We have coal-fired generating units at each of our production bases. In addition to electricity, the power plants also produce steam for use in the drying process of our production process. All of our power plants are connected to the regional power grid. This connection allows us to sell any power generation in excess of our own production needs to the grid. In addition, the connection to the grid provides us with a back-up power source in case of need.

Quality Control

We have implemented a quality control system covering every stage of production and other aspects of our business. We received ISO 9001:2000 certificates for most of our facilities.

We examine recovered paper upon the arrival of each shipment before it is unloaded from the container for storage in our yards. We employ an inspection team at each base which visually inspects the recovered paper and separates out unsuitable material that does not meet our quality control standards. Samples are also taken for laboratory testing of their moisture and fibre content to ensure the quality of the recovered paper. Recovered paper is tested again immediately before being fed into the production line.

Once recovered paper and/or kraft pulp are fed into the stock preparation equipment, the production process is controlled and monitored through a computerised DCS. All of our paper machines have fully automated quality control systems that monitor moisture levels, basis weight, coating weight and calibre of the sheets, which allows us to maintain consistent quality, increase production efficiency and minimise disruption of the production process.

Before the products leave our production bases, we take samples from each roll of paper for testing of various physical properties, including strength, thickness, moisture, appearance, basis weight and printability, as applicable, to determine if they conform to required specifications. We categorise our finished packaging paperboard products as Grade 1,2,3 or 4, in accordance with their quality and industry standards.

Sales and Marketing

Sales Channels and Sales Force

We operate our sales network from our production sites. Our products are primarily sold directly to our end-customers as it enables us not only to reduce costs payable to intermediaries but also to obtain direct market information and provide better after-sales services to our customers. In cases where the customers are geographically more distant, we sell some of our products through distributors. In such cases, we are able to use the local presence or network of such distributors to provide better service and reduce our collection risk.

As of 31 December 2023, we had a sales force of approximately 550 personnel. Typically, each sales team member focuses on certain customers and is able to directly market and enhance close communications with customers. Most of our sales employees are university graduates and, on average, have been part of our sales force for more than three years. Our sales and marketing team are able to market and cross sell the full range of our products.

We have introduced an incentive bonus programme to award our sales force compensation which is commensurate with their sales performance. We review sales performance on a monthly basis according to a variety of factors, including sales price and sales volume achieved, sales revenue collection and quality of service.

Pricing

We set our prices based on a number of factors, including manufacturing costs, operating expenses and domestic and international market conditions. We typically set our prices on a monthly basis and such intervals may be shortened or prolonged depending on overall market conditions. We also set our prices based on sales volume. Other than volume discounts, we typically do not provide other types of discounts to our customers.

Customers

We have built a large, diversified and stable customer base in China. We believe that this is primarily due to the high-quality of our products, our ability to provide a broad range of specifications to meet customer needs and our superior after-sales service. We have been successful in becoming the preferred supplier to a number of customers that use our packaging paperboard products to produce corrugated containers and coated duplex board packaging for global manufacturers with internationally-recognised brand names, as well as domestic companies.

Our customers are primarily corrugators who use our containerboard products to manufacture corrugated containers for their end user customers, as well as coated duplex board packaging and printing companies that manufacture printed packaging boxes according to the specifications of their end user customers. We sell substantially all of our products to customers throughout China. A majority of our customers are located in close proximity to our production bases, which allows us to provide cost-effective and timely deliveries and services to our customers.

For the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023, our five largest customers in aggregate accounted for approximately 7.0%, 7.1%, 7.0%, 7.7% and 6.3%, respectively, of our sales. Sales to our single largest customer for the same periods accounted for approximately 3.3%, 3.5%, 3.5%, 3.6% and 2.8%, respectively, of our sales.

Terms of Sales and Credit Policy

We make most of our sales pursuant to monthly or short-term contracts. We have also entered into several long-term cooperation agreements with a number of our major customers with terms of one year, pursuant to which the prices are quoted by us monthly.

Our sale and credit terms depend on the volume of purchases, stability of purchases, creditworthiness and our trading history with the customer. Pursuant to our credit policy, we categorise our customers as Type A, Type B and Type C. Type A customers are major customers who enjoy a guaranteed supply of our products with ex-factory prices. Type B and Type C customers are smaller customers who enjoy a guaranteed supply of our products for orders within the quota assigned to them by us during high seasons when supply of our products may be tight. We offer ex-factory prices with margins to our Type B and Type C customers. We review our customer categorisations on a quarterly basis. We typically grant a credit period of approximately 30 days for all of our customers.

In addition to credit periods, customers are subject to credit limits, and if they have reached the credit limit before expiration of the credit period, they are required to settle their accounts before further delivery of our products can be made. The credit limit is determined by a formula linked to monthly average order amounts.

We have not had any significant bad debt or doubtful accounts or provided for the same during the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2023. We periodically review the payment status of our account receivables and take appropriate measures to collect overdue accounts.

Competition

The markets for our paper products are highly competitive in China. Our packaging paperboard products compete on the basis of product quality, consistency, performance, product development, customer service, distribution capabilities and price. The paper manufacturing industry in China, including the containerboard manufacturing industry, is characterised by a limited number of large manufacturers.

Under China's foreign investment rules, foreign investment in paper manufacturing is permitted. A number of foreign companies have established packaging paperboard manufacturing operations in China, and other foreign packaging paperboard manufacturers may do so in the future. If additional foreign enterprises enter the packaging paperboard industry in China, we may face increasing competition from such enterprises. We also face competition posed by imported packaging paperboard products.

We position our Nine Dragons brand to compete with high-quality packaging paperboard products imported from overseas manufacturers, our Sea Dragon brand to compete with standard quality kraftlinerboard and testlinerboard imported from overseas.

We also face competition from producers of packaging made from other materials that are suitable for packaging such as producers of metal, foil and plastic packaging.

Research and Development

As of 31 December 2023, we had approximately 2,579 employees in our central laboratory who served dual functions of testing raw materials and existing and new products as well as engaging in research and development.

Our research and development activities primarily focus on improving the efficiency of our production equipment and process, research and development of new products, improving the quality of our existing products, and conducting market and industry research such as demand for products, potential market growth, investment opportunities, returns from the development of new projects and our competitors' products, prices and sales.

Inventory Management

We monitor and control the inventory levels of our raw materials and finished products to optimise our operations. We have an inventory management system that monitors the planning and allocation of warehouse space and stock of raw materials and finished products to coordinate with delivery requirements and schedules.

Our inventory of raw materials comprises primarily recovered paper and wood chips. We generally keep an inventory level of 30 to 60 days' supply of raw materials of recovered paper wood chips, which we believe is an optimal level. We may increase the supply of raw materials when we believe the cost of raw materials and our estimates of production and sales make it prudent to do so. As of 30 June 2021, 2022 and 2023 and 31 December 2023, the net balance of our inventory of raw materials amounted to RMB4,731.3 million, RMB5,551.7 million, RMB5,385.8 million and RMB5,985.1 million, respectively. The average inventory turnover days of our raw materials (excluding spare parts), calculated based on the average of the beginning and ending net balances of the raw materials (excluding spare parts) for that fiscal year or period divided by cost of goods sold for the corresponding fiscal year or period and multiplied by the number of days in that fiscal year or period, for the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023 was 25, 26, 29, 27 and 29 days, respectively. In addition, in order to maintain a stable inventory of raw materials as it is depleted by ongoing production, we also have a policy to have another approximately 20 days' supply en route from our suppliers at any given time. We have raw material yards at each of our production bases with an aggregate storage capacity of up to 2.7 million tonnes.

Our inventory of finished products primarily comprises products awaiting delivery to customers, products produced in anticipation of customer orders and products produced to meet unexpected demand. As our paper products cannot be stored for an extended period of time due to moisture absorption, discoloration and ageing, we monitor our inventory of finished products closely to minimise the time finished products remain in storage. As of 31 December 2023, we had warehouses at each of our production bases with an aggregate storage capacity of up to 1.5 million tonnes for finished products.

The balance of the provision for impairment amounted to nil, nil, RMB268.8 million and RMB58.7 million, respectively, as of 30 June 2021, 2022 and 2023 and 31 December 2023.

Information Technology

We have implemented a system applications and products ("SAP") system to manage, control and track different aspects of operations, including inventory control, operation and maintenance of the paper machines, quality control of our products, sales and marketing and delivery of our products through our internal transportation and delivery network. All of our paper machines have DCSs that monitor and control all aspects of production and automated quality control systems manufactured by Honeywell and ABB are designed to be linked, and provide data input, to our enterprise resource system. This SAP system provides us with up-to-date information to determine optimal resource allocation in terms of financial planning and operations management. In order to enhance work place safety, we installed an additional protection device in the DCSs of the paper machines for the operating staff to confirm activation of the paper machines. Our fleet of trucks is also supported by GPS satellite computerised navigation systems to allow us to monitor and allocate our internal resources and plan delivery schedules so as to be timely and cost-efficient.

Intellectual Property Rights

We use a number of trademarks, trade names and service marks in connection with our business, namely, "Nine Dragons," and "Sea Dragon", which we have registered as trademarks in Hong Kong, Europe and the United States.

Insurance

Our significant insurance policies include "property risks" insurance and "machinery injury risks" insurance, which covers the risk of loss including our raw materials, finished products and paper machines, and insurance for our fixed assets against partial loss caused by natural calamities or other extraneous risks. Most of our operations-related insurance policies are subject to deductibles and are renewed annually. Consistent with customary practice in China, we do not carry any business interruption insurance, third-party liability insurance for personal injury or environmental damage arising from accidents at our production bases or relating to our operations or product liability insurance against claims or liabilities that may arise from products sold by us.

Employees

As of 31 December 2023, we had approximately 24,000 full-time employees. The following table provides a breakdown of our full-time employees by responsibilities as of that date:

Group Function	Number of Employees (approximately)
Management and Administration	3,360
Production (including research and development)	8,500
Sales and marketing	550
Finance and accounting	225
Quality control	500
Sourcing of raw materials and equipment	2,910
Warehousing, transport and others	7,955
Total	24,000

Our employee hiring and retention policies consider a number of factors, primarily current market conditions, business demands, and future capacity expansion. Our employees are selected through a competitive process. We hire certain employees up to one year ahead of the commencement of production of new paper machines in order to train and prepare them.

We have implemented a number of initiatives in recent years to enhance the productivity of our employees. To ensure consistency in the quality and management of our various production bases, we centrally train most of our technicians and management at each of our production bases. We conduct periodic performance reviews for all our employees and salaries and bonuses of employees are performance-based. In addition, we have implemented training programmes for different job requirements, including periodic internal and domestic employee training schemes and offer our employees opportunities for transfer and job rotation to improve the overall development of our staff. We also adopted an opinion feedback and handling system to strengthen communication between management and staff and timely collection and handling of advice and complaints from staff in order to improve our management and technologies.

The remuneration package for our employees generally includes salary and bonuses. Employees generally receive benefits including medical care, unemployment insurance, occupational injury insurance and other miscellaneous benefits. As required by applicable regulations, we participate in various retirement plans administered by municipal and provincial governments for our employees, including contributions to social insurance and housing fund. A member of the plan is entitled to the basic retirement pension.

In order to incentivize our sales force and to tie compensation closely to performance, we have adopted a system of compensation for our sales staff consisting of basic salary and commissions in late 1998. Commissions are not subject to any ceiling and are based on sales income received, sales profit and sales quantity. We have also implemented a performance-based assessment system for heads and deputy heads of our sales departments and implemented performance-based incentive programmes to motivate our employees to meet their performance targets. We have also continued to implement and optimise our bonus plan.

For the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2023, the Group did not find any material breach of applicable laws and regulations related to occupational health and safety.

Environmental Matters

We consider the implementation of environmentally responsible practices and the maintenance of high environmental standards a competitive strength and a valuable asset, which significantly reduces the impact of our operations on the environment and the risk of exposure to liabilities under environmental protection laws and regulations. In addition to obtaining the ISO14001 certification for environmental management and certification for clean production, our production bases have been named "Environmental Credible Enterprise", "Environmental Management Demonstration Enterprise", "Green Factory", an "Environmentally Friendly Enterprise in the PRC Paper Industry" by local environmental authorities for several years and awarded a corporate winner in the "Energy Conservation and Discharge Reduction Contest for the National Paper-making Industry." As part of this environmental commitment, we have established a special department to oversee our environmental protection systems for managing wastewater treatment, emission, solid waste treatment and noise control. Specifically, we adopted the following practices and invested in the following policies:

- *Clean energy*. In response to national and local policies, we introduced gas-fired turbine units in our Dongguan base. The first gas-fired turbine unit has been put into operation and the second gas-fired turbine unit is under construction. This will help to gradually lower consumption of coal resources and water resources as well as discharge of pollutants, and reduce the use of coal transport vehicles and chemicals. In order to enhance the utilisation of natural gas, we have established a professional energy operation team and successfully obtained the right of use for infrastructure such as national pipeline network and receiving stations. We have also established cooperation relationship with large-scale domestic energy companies and overseas suppliers of natural gas. We aim to not only maintain a cost-effective production, but also ensure that the intensity of greenhouse gas emission meets the standards set by the Ministry of Ecology and Environment.

- *Wastewater treatment*. We adopt 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 effectively reduces a large amount of wastewater generated and discharged. We continued to optimise the wastewater treatment facilities installed at each production base, and enhanced the processing capacity of core facilities such as anaerobic IC and aeration tanks, contributing to the stability in the quality indicators of discharged water. In addition, at the end of the wastewater treatment process, we upgraded to a "five-stage water treatment process (physical + IC anaerobic + aerobic + Fenton advanced treatment + sand filtration)", which is more effective in filtering sewage as compared to the "four-stage water treatment process (physical + IC anaerobic + aerobic + Fenton advanced treatment)."

- *Solid waste treatment*. For hazardous wastes, we carry out standardised management in strict compliance with the 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"(《國家危險廢物名錄》), setting up standardised 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, we have developed in-house environmentally friendly industrial waste incinerators and sludge drying equipment, to effectively manage its solid wastes. Advanced exhaust gas treatment equipment, selective noncatalytic reduction (SNCR), denitrification facilities, semi-dry desulfurization facilities, two-stage bag dust removal facilities and activated carbon absorption facilities are utilised in incinerators, while emission monitoring units are installed to ensure real-time online monitoring of gas emission.

  In order to enhance our overall utilisation rate of solid wastes, we reuse all pulp wastes generated in paper manufacturing in the paper-making workshops and incinerate all waste residues 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 utilisation techniques of paper making, sludge drying and incineration, at the same time successfully incinerating sludge generated from wastewater treatment through the frame membrane filter drying process. This does not only reduce secondary pollution, but also turns all dried sludge into renewable fuel, thus saving a large amount of coal and realising recycling and zero discharge of sludge. 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.

- *Energy conservation.* For energy consumption, each of our production base has heat and electricity boiler in place to generate steam and electricity for its production lines with coal as the major energy source. Meanwhile, we are committed to employing a series of initiatives to reduce coal usage and energy consumption, including research, development and upgrade of energy-saving technologies, eliminating equipment with high energy consumption, utilisation of solid waste, utilisation of photovoltaic power, establishment of methane collection and treatment system and introduction of gas-fired turbine units.

- *Noise control.* We ensure that our noise emission is in compliance with the national "Emission Standard of Noise for Industrial Enterprises at Boundary" (《工業企業廠界環境噪聲排放標準》) (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 workshops at production bases and packaging bases to prevent staff from working under high noise levels for prolonged hours. We provided noise protection devices, such as earplugs, and require employees 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 minimise the impact on their daily life.

We are subject to various environmental laws and regulations administered by the central and local environmental protection bureaus. See "*Regulation*."

Our manufacturing processes generate solid and liquid wastes, including wastewater and sewage, and gaseous emissions. As of 31 December 2023, we have not been found to be in material violation of any environmental laws or regulations, or subject to any fine in respect thereof. We believe that our record of environmental compliance has been a positive factor in obtaining regulatory approvals for our expansion projects.

Legal Proceedings

We are not currently involved in any litigation or legal proceedings which could be expected to have a material adverse effect on our business or operations.

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. In general, PRC court judgements do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC or NPC, and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed in June 1981, the Supreme People's Court, the State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the PRC Law of Organisation of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgement or order of a local court to the court at the next higher level. Second judgements or orders given at the next higher level and the first judgements or orders given by the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgement which has been given by any court at a lower level, or the president of a court finds an error in a judgement which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》), which was adopted on 9 April 1991 and amended in October 2007, August 2012, June 2017, December 2021 and September 2023 respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgement or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgement, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgement made by the court within the stipulated time, the court will, upon application by any party to the action, mandatorily enforce the judgement.

A party seeking to enforce a judgement or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or order. A foreign judgement or ruling may also be recognised and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

PAPER MAKING INDUSTRY DEVELOPMENT POLICY

According to the related provisions of the "Paper Making Development Policy" (造紙產業發展政策) promulgated and implemented by the NDRC on 15 October 2007:

Fabric Raw Materials

- Promotion of forest-paper integration engineering projects and development of pulp are to be expedited, utilisation of leftover materials from wood felling and processing and imported wood and wood chumps to produce pulp is encouraged and pulp is to be imported from foreign countries reasonably.

- Existing timber farms and forestry companies are encouraged to establish forest bases for producing raw materials for paper making in collaboration with domestic pulp making companies. Paper making forest bases need to fulfil the overall national requirements of classified operations of forestry, the planning of fast and high production forest establishment and the national forest-paper integration project planning. Furthermore, related regulations with regard to land, ecology, conservation of water and soil and environmental protection shall be complied with.

- Paper recycling within the country is to be promoted, rates of collection and reuse of waste paper are to be raised and imported recycled paper shall be used reasonably.

Techniques and Facilities

- Techniques of paper making industry should develop towards the direction of high standard, low consumption and low pollution.

- Chemical reed pulp making facilities and pulp making technology and facilities such as steam ball that have design production capacity under 34,000 tonnes, and paper making machines with narrow paper width, low speed, high consumption rate and low quality are to be eliminated. Use of lime method in pulp-making and use of chlorine-bleaching techniques (which existing enterprises should gradually cease using) in any new projects are forbidden. Import of obsolete second-hand pulp paper making facilities is forbidden.

Product Structure

- A diversified paper and paper board product structure shall be formed to satisfy the market demand.

- New functional paper and new paper board products shall be researched and developed with a focus on developing light-weight papers and paper boards, printing and writing papers with mechanical pulp, liquid wrapping paper boards, food wrapping paper, light- weight and high-strength corrugated paper and paper boards, etc., and active research on development of information-use papers, national security and communicational use special purpose papers, agricultural and medical use special papers, etc., shall be conducted to expand the types of paper products.

- Paper making enterprises are encouraged to expand their use of waste papers in making recycled paper products such as news press papers, printed writing papers, office use papers, wrapping papers, etc.

Organisational Structure

- Domestic companies would be supported so as to develop around 10 advanced pulp making enterprises with capacity of 1 to 3 million tonnes and a number of cross-region, cross- department and cross-ownership internationally competitive giant pulp and paper making enterprises with annual design production capacity of over 3 million tonnes via merger and acquisition, joint-venture, restructuring and expansion, etc.

- While establishing new big-scale pulp making enterprises, expedites the process integrating of existing pulp making enterprises and shuts down small scale and low-tech pulp making companies. Development of a number of medium and large-scale commercial pulp making enterprises or groups are encouraged.

- Level of concentration of industry in 2010 shall be improved, the aggregate production volume of papers and paper boards produced by the top 30 pulp paper making enterprises is targeted to increase to 40% from 32% at present.

Resource Conservation

- "Certain Opinions on Speeding up the Development of Cyclical Economy" (關於加快發展循環經濟的若干意見) of the State Council shall be enforced, the principles of reduce, reuse and recycle shall be observed, effectiveness of the use of water resources, energy, land and wood shall be raised, growth model shall be transformed and the resource conserving model of the paper making industry shall be established.

- Water conservation awareness among the industry shall be strengthened and the use of new water conserving technology, methods and facilities to improve the rate of repeated usage of water shall be actively developed and promoted.

- Enterprises shall be encouraged to use advanced energy saving technologies, technologies and facilities with high energy-consumption rates shall be reformed and eliminated, the suitability of pulp paper making in relying on heat and power co-generation shall be fully utilised and the effectiveness of integrated energy use shall be raised.

- Stringent land management policies to conserve land use shall be implemented.

Environmental Protection

- The awareness towards environmental protection amongst the paper making industry and the sense of social responsibility of the pulp making enterprises shall be raised, environmental monitoring systems and the enforcement of environmental protection related laws shall be strengthened, pollution remedial measures shall be improved, emission of pollutants shall be stringently controlled and an environmentally friendly paper making industry shall be established.

- Clean making technology and methods shall be promoted and the clean production review systems shall be implemented.

- Permit management in relation to wastewater emission from pulp and paper making has to be implemented, national and regional emission standards and pollutant volume control targets have to be strictly met; enterprises which are not up to standard are to be ordered to suspend production for undertaking remedial measures. Such enterprises shall be closed down in accordance with law if they still fail to meet the applicable standards or exceed the applicable targets albeit taking such remedial measures.

- Forest bases for paper making shall be established in an ecologically and environmentally friendly manner, environmental impact assessment work shall be strengthened, the principles of classified operation shall be observed, advanced technologies to plant trees scientifically shall be applied, the diversity of organisms shall be conserved, deforestation and reforestations shall be forbidden and loss of water and soil shall be prevented.

Entry into the Industry

- Development of paper making industry shall demonstrate economy of scale and emphasise the initial scale. The initial scale of the single production lines of newly established and expanded pulp making projects have to meet the following requirements of annual design production capacity: 300,000 tonnes for chemical pulp, 100,000 tonnes for chemical mechanical pulp, 300,000 tonnes for chemical bamboo pulp, 50,000 tonnes for wood-free pulp. The initial scale of the single production lines of newly established and expanded paper making project have to meet the following requirements of annual design production capacity: 300,000 tonnes for news press papers, 100,000 tonnes for writing and printing papers, 300,000 tonnes for paperboards and white paper boards and 100,000 tonnes for other paper board projects. Tissue paper, special paper and paper board project, as well as existing production lines are not subject to such entry requirement of scale.

- A single enterprise (group) which has a single type of paper product that has a market share projects of that particular type of paper; A single enterprise (group) with an aggregate paper and paper board design production capacity exceeding 20% of the total domestic consumption volume of that year shall not apply for the approval or filing of pulp and paper making projects.

- Newly established projects shall meet advanced standard in several aspects such as COD emission, water drawing volume, and consolidated energy consumption (standard coal). Amongst the others, the COD emission, water drawing volume and consolidated energy consumption (standard coal) for bleached chemical pulp, shall be 10 kg, 45 m3 and 500 kg; for bleached chemical bamboo pulp, shall be 15kg, 60 m3 and 600 kg; for chemical and mechanical pulp, shall be 9 kg, 30 m3 and 1100 kg; for news press paper, shall be 4 kg, 20 m3 and 630 kg, for printing and writing papers, shall be 4 kg, 30 m3 and 680 kg.

Investment and Finance

- Qualified pulp and paper making enterprises shall be supported to raise capital through means such as public offering of shares and issue of enterprise debt notes.

- Domestic financial institutions, especially political banks, shall provide prioritised financing supports to construction projects of major domestic pulp and paper making enterprises. Financial institutions shall not grant any loan to such projects in breach of regulations.

PRODUCTION SAFETY AND PRODUCT QUALITY

Production Safety

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) which came into effect on 1 November 2002 with latest amendment on 1 June 2021, a manufacturing enterprise shall comply with the laws and regulations related to production safety, strengthen the production safety management, establish and improve the accountability system and relevant rules and regulations of production safety, improve the conditions of production safety and promote the establishment of production safety standards, so as to improve and ensure safe production. No production is allowed if such manufacturing enterprise has no such safe working conditions in place as required under the Production Safety Law of the PRC and relevant laws, administrative regulations and national or industrial standards. In addition, a manufacturing enterprise shall provide the workers with education and training on production safety. Manufacturing enterprise with over 100 production workers shall establish a production safety management department to strengthen the safety of production facilities or assign special personnel for production safety management. Where an enterprise fails to comply with the relevant work safety requirements, it may be subject to fines and be ordered to discontinue production. Where a crime is constituted, the enterprise shall be prosecuted for criminal responsibility.

Product Quality

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) which came into effect on 1 September 1993 with latest amendment on 29 December 2018, the producers and sellers shall develop and improve the internal product quality management system, and rigorously implement quality standards, quality liabilities and relevant assessment measures for each position. Quality of products shall pass standard examinations and no sub-standard products shall be used as standard ones. Producers shall be responsible for the quality of their products and assume product quality liabilities in accordance with the requirements of such law.

Special Equipment

According to the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》) which came into effect on 1 January 2014, the production (including design, manufacturing, installation, modification and repair), operation, use, inspection and testing of special equipment, supervision and management of special equipment safety, emergency response, rescue, investigation and handling of accidents and other relevant matters shall be in compliance with the requirements of such law.

Fire Control

According to the Fire Control Law of the PRC (《中華人民共和國消防法》) which came into effect on 1 September 1998 with latest amendment on 29 April 2021, the above laws and regulations shall be applicable to the fire control supervision and control of construction, expansion, alteration and other construction projects. The Ministry of Housing and Urban-Rural Development shall, in accordance with the law, conduct the fire control design review, inspection, filing and spot check of fire control facilities of construction projects to oversee the fire control of construction projects.

ENVIRONMENTAL PROTECTION

The PRC has implemented strict environmental protection regulations on the paper making industry. Papermakers should comply with the relevant environmental protection regulations for various paper making phases, including the construction of production projects, completion of the construction, daily operation and manufacture of paper.

Environmental Impact Appraisal

On 28 November 1998, the State Council promulgated the Regulation of Environmental Protection Management for the Construction Projects (建設項目環境保護管理條例), which was amended on 16 July 2017 and became effective on 1 October 2017. On 28 October 2002, the Standing Committee of National People's Congress approved the Law of the People's Republic of China on Appraising of Environmental Impacts (中華人民共和國環境影響評價法) which was amended on 2 July 2016 and 29 December 2018. According to such laws, the PRC government has set up a system to appraise the environmental impact of construction of projects, and classify and administer the environmental impact appraisals in accordance with the degree of the environmental impact. According to the Classified Directory for Environmental Impact Assessment of Construction Projects (建設項目環境影響評價分類管理名錄) promulgated by Ministry of Environmental Protection ("MEP") on 29 June 2017 and was amended on 28 April 2018 and 30 November 2020 and the Provisions on the Classificatory Examination and Approval of Environmental Impact Appraisal Documents of Construction Projects (建設項目環境影響評價文件分級審批規定) promulgated by MEP on 16 January 2009, an environmental impact report is required for all paper making projects.

Sewage Discharge

According to the Water Pollution Prevention and Control Law of the PRC (中華人民共和國水污染防治法) approved by the Standing Committee of the NPC on May 11, 1984 and amended on 15 May 1996, 28 February 2008 and 27 June 2017, the building, rebuilding and expansion of construction projects and other aquatic facilities which directly or indirectly discharge sewage to the water shall conduct environmental impact appraisal according to the law. The PRC implements a pollutant discharge permit system. Enterprises and institutions are required by law to obtain the pollutant discharge permit before discharging wastewater or sewage into the water.

As required under the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated on 26 December 1989 and amended on 24 April 2014 by the Standing Committee of the NPC, enterprises discharging any pollutants in their daily operations and production shall observe the national discharge standards which are regulated by State Environmental Protection Administration ("SEPA"). In accordance with the aforesaid law, SEPA has established various discharge standards, as amended and revised from time to time, with regards to each of the discharge of water pollutants, solid pollutants, gas exhaust, noise and other pollutants. Since paper making enterprises discharge pollutants in their daily operations, they are required to observe the pollutants discharge standards as established by SEPA from time to time.

WATER DRAWING IN PAPER MAKING PROCESS

According to the Water Law of the PRC (中華人民共和國水法) which was promulgated by the Standing Committee of the NPC on 2 July 2016 and took effect on the same day, any legal entity and individual drawing water from rivers, lakes or underground shall apply to the water administrative departments or the drainage management departments for the Water-drawing Permit and pay the water resource fees in order to obtain the water-drawing right in accordance with the national water-drawing permit system and the water resource fee system. Since paper making enterprises use a large amount of water in the course of production, such enterprises are required to apply for the Water-drawing Permit and pay the water resource fees in accordance with the aforesaid law.

According to the Measures for the Management of Water-drawing Permit (取水許可管理辦法) which was promulgated by the Ministry of Water Resources on 9 April 2008 and was amended on 16 December 2015 and 22 December 2017, for construction projects which need to apply for water drawing, the applicant should appoint an unit with the corresponding qualification to prepare a Construction Project Water Resources Analysis Report. For construction projects which draw a comparatively low volume of water and has a comparatively small impact on the surrounding environment, the applicant may be waived from complying with the requirement to prepare a Construction Project Water Resources Analysis Report but should fill out a Construction Project Water Resources Analysis Form. The applicant should submit the relevant documents to the relevant authority and apply for the Water- drawing Permit after the water-drawing project or facility has been constructed and completed the pilot-test for 30 days.

THE IMPORT OF WASTE PAPER

The General Administration of Customs ("GAC") is the highest authority for supervising and administering the customs points for entering into and departing from the PRC and is responsible for customs administration throughout the nation. The PRC Customs Law (中華人民共和國海關法) is intended to protect PRC sovereignty and interests and to strengthen the administration of customs supervision. In accordance with the PRC Customs Law, GAC has the primary responsibility for:

- supervising the entering into and departing from the PRC of transportation tools, goods, luggage, postal items and other articles;
- collecting customs duties and other taxes and fees;
- investigating and suppressing smuggling; and
- preparing customs statistics and conducting other customs affairs.

On 30 October 1995, the Standing Committee of the NPC passed the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法) which was amended in December 2004, June 2013, April 2015, November 2016 and April 2020 respectively. It stipulates that the units and individuals that collect, store, utilise or dispose of solid wastes shall take precautions against the spread, loss and leakage of the solid wastes as well as other measures for preventing the solid wastes from polluting the environment and are forbidden to dump, pile, abandon or scatter solid wastes without permission. It is forbidden to import solid waste that cannot be used as raw materials or cannot be used in a harmless manner, and solid waste that can be used as raw materials are managed under two types: import-restricted solid waste and import-unrestricted solid waste.

Subject to the Law on Import and Export Commodity Inspection of the PRC (中華人民共和國進出口商品檢驗法) which was promulgated by the Standing Committee of the NPC on 21 February 1989 and amended in April 2002, June 2013, April 2018 and April 2021 respectively, waste importation shall be inspected by the commodities inspection institutions. Further, in accordance with the Measures Governing the Management of Pre-shipping Inspection on Imported Waste Materials (Tentative) (進口廢物裝運前檢驗管理辦法(試行)) promulgated by the former State Bureau of Import and Export Commodities Inspection on 12 September 1996, the wastes permitted to be imported into the PRC as raw materials shall be inspected before shipping.

LABOUR

Labour Law and Labour Contract Law

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》) effective since January 1, 1995 and amended on 27 August 2009 and 29 December 2018, the PRC Labour Contract Law (《中華人民共和國勞動合同法》) effective since 1 January 2008 and amended on 28 December 2012, and the Implementing Regulations of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》) effective since 18 September 2008, an employment relationship is established from the date when an employee commences working for an employer, and a written employment contract must be entered into on this same date. If an employment relationship has already been established with an employee but no written employment contract has been entered into simultaneously, a written employment contract must be entered into within one month of the date on which the employee commences work. If an employer fails to enter into a written employment contract with an employee within one year of the date on which the employment relationship is established, it must pay the employee twice his/her salary for each month of the 11-month period and rectify the situation by subsequently entering into a written employment contract with the employee.

Social Insurance and Housing Fund

As required under Regulation of Insurance for Labour Injury (工傷保險條例), Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》). Regulation of Unemployment Insurance (《失業保險條例》), the Decision of the State Council on Setting up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns (《國務院關於建立城鎮職工基本醫療保險制度的決定), and the Interim Regulations on the Collection and Payment of Social Insurance Premiums Towns (《社會保險費徵繳暫行條例》), business enterprises are obligated to provide their employees in China with welfare schemes covering pension insurance unemployment insurance maternity insurance, injury insurance and medical insurance. Any enterprise that fails to make social insurance contributions in accordance with the relevant regulations may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the enterprise fails to rectify the non-compliance by the stipulated deadline set out by the government authorities. it can be assessed alate fee by the relevant authority in the amount of 0.2% of the amount overdue per day from the original due date.

In addition, on 28 October 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law (《中華人民共和國社會保險法》) which became effective on 1 July 2011 and amended on 29 December 2018, to clarify the components of the social insurance system in China. According to the Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must. together with their employees or separately. pay the social insurance premiums for such employees. According to the Social Insurance Law. an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer continues to fail to rectify the delinquent social insurance contribution payment within such stipulated deadline. It may be subject to a fine ranging from one to three times the amount overdue.

According to Regulations on Management of Housing Fund (《住房公積金管理條例》) promulgated in April 1999 and amended in March 2002 and March 2019, PRC enterprises must register with and be subject to review by housing fund administration centres with competent jurisdictions, and establish accounts of housing fund for their employees in entrusted banks. Enterprises are also obligated to pay and deposit housing fund in the full amount and in a timely manner. Each of the PRC enterprises and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of the individual employee's monthly average wage during the preceding year. Any enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

FOREIGN EXCHANGE CONTROLS

The State Council issued the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) on 29 January 1996 and revised on 14 January 1997, which classifies all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE's approval while capital account items are still subject to its approval.

The Foreign Currency Administration Rules was then amended by the State Council on 5 August 2008, under which the compulsory settlement of foreign exchange is dropped. As long as the foreign exchange income and expenses under the current accounts are based upon real and legal transactions, the foreign exchange income generated from current account transactions may be retained or sold by individuals and entities to financial institutions engaged in foreign currency settlement and sale according to the provisions and terms to be set forth by SAFE. Whether to retain or sell the foreign exchange income generated from capital account transactions to financial institutions engaged in foreign currency settlement and sale is subject to the approval of SAFE or its branches, except otherwise stipulated by the State. Foreign exchange or Renminbi funds for settlement under the capital account must be used in the way as approved by SAFE and its branches, and SAFE and its branches are empowered to supervise the use of the foreign exchange or Renminbi funds for settlement under the capital account and the alterations of the capital accounts.

SAFE issued the Circular on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies (關於進一步改進和調整直接投資外匯管理政策的通知) on 19 November 2012 and amended on 4 May 2015. The circular contains an attachment which made specific provisions on the implementation of various matters, including the foreign exchange registration and alteration of special purpose company establishment of special purpose company and merger and acquisition of domestic enterprises, as well as foreign exchange registration of newly-established foreign-invested enterprises and merger and acquisition of domestic enterprises by foreign-invested enterprises.

On 4 July 2014, SAFE issued the Circular on Issues Relating to the Administration of Foreign Exchange in Overseas Investment Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, No.37 Circular) to further simplify and facilitate the cross-border capital transactions involved in the investment and financing activities carried out by domestic residents through special purpose companies, which became effective on the date of promulgation. According to the No.37 Circular, a "special purpose company" refers to an offshore company that are directly established or indirectly controlled for the purpose of investment and financing by Mainland China residents (including Mainland China institutions and Mainland China individuals) with their legitimate holdings of the assets or interests in Mainland China enterprises, or their legitimate holdings of overseas assets or interests. Prior to making contribution to a special purpose company with legitimate holdings of domestic or overseas assets or interests a Mainland China resident shall apply to the relevant local SAFE branch for foreign exchange registration of overseas investment. The No.75 Circular was repealed on the effective date of the No.37 Circular.

On 13 February 2015, SAFE issued the Circular on Issues Relating to the Policies of the Foreign Exchange Administration in Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知, "No.13 Circular"), which came into effect on 1 June 2015 and amended on 30 December 2019, to further simplify the procedures of foreign exchange administration applicable to direct investment. According to the No.13 Circular, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment including the foreign exchange registration under the No.37 Circular.

TAXATION

Our Operations in Mainland China

Our subsidiaries and joint ventures through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

Corporate Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, "EIT Law") that became effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018 and its implementation that became effective on 4 April 2019, a unified corporate income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises, with the exception of those enterprises that enjoyed preferential tax treatment according to laws and regulations before the EIT Law took effect.

Simultaneously, under the EIT Law and its implementation rules, enterprises established under the laws of foreign jurisdictions with a "de facto management body" located in China are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Under the implementation rules of the EIT Law, a "de facto management body" is defined as a body that has real and overall management control over the business, personnel, accounts and properties of an enterprise.

In addition, dividends paid by a PRC subsidiary to its foreign shareholder will be subject to a withholding tax at a rate of 10% unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. According to the tax treaty entered into between the Mainland China and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in the Mainland China to its shareholders in Hong Kong will be subject to withholding tax at a rate of 5% if such Hong Kong shareholder directly holds a 25% or more interest in the Mainland China enterprise.

Value-added Tax

Pursuant to the Notice on Adjustment of Transfer Business Tax to Appreciation Tax (《關於全面推開營業稅改徵增值稅試點的通知》) issued on 23 March 2016 and respectively amended on 1 July 2017 and 1 April 2019 ("Circular 36") by the Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT"), PRC tax authorities have started imposing value added tax ("VAT") on revenues from various service sectors to replace the business tax that co-existed with VAT for over 20 years. Since the issuance of Circular 36, MOF and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of VAT on revenues from various service sectors.

On 19 November 2017, the State Council amended the Interim Regulation of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which renewed the applicable VAT rate for various service sectors. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》effective on May 1, 2018 and the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening Value-added Tax Reform (《財政部、國家稅務總局、海關總署關於深化增值稅改革有關政策的公告》) effective on 1 April 2019, the applicable VAT rate was adjusted respectively.

Municipal Maintenance Tax

Under the Law of the PRC on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅法》) promulgated by the Standing Committee of the National People's Congress on 11 August 2020 and implemented on 1 September 2021, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax is required to pay municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued by the State Council on 18 October 2010, the municipal maintenance tax is applicable to foreign-invested enterprises, foreign enterprises and foreign individuals from 1 December 2010.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council in April 1986 and amended on 7 June 1990, 20 August 2005 and 8 January 2011, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas Surcharge (《國務院關於籌措農村學校辦學經費的通知》). The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax. According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued by the State Council on 18 October 2010, the education surcharge will be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals since 1 December 2010.

Environmental Protection Tax

According to the Environmental Protection Tax Law of PRC (《中華人民共和國環境保護稅法》) promulgated by the State Council on 25 December 2016 and amended on 26 October 2018, the enterprises, public institutions and other producers and operators within the territory of PRC and other sea areas under the jurisdiction of PRC that directly discharge pollutants to the environment are taxpayers of environmental pollution tax, and shall pay environmental pollution tax.

The tax basis for taxable pollutants shall be determined by using the following methods:

(a) The tax basis for taxable air pollutants shall be determined on the basis of the pollution equivalents converted from pollutant emissions.

(b) The tax basis for taxable water pollutants shall be determined on the basis of the pollutant equivalents converted from pollutant discharges.

(c) The tax basis for taxable solid wastes shall be determined on the basis of the discharges of solid wastes.

(d) The tax basis for taxable noises shall be determined on the basis of the decibels in excess of the standards as prescribed by the state.

The amount of environmental protection tax payable shall be calculated by using the following methods:

(a) The amount of tax payable on taxable air pollutants shall be the pollution equivalent multiplied by the specific applicable tax amount.

(b) The amount of tax payable on taxable water pollutants shall be the pollution equivalent multiplied by the specific applicable tax amount.

(c) The amount of tax payable on solid wastes shall be the discharges of solid wastes multiplied by the specific applicable tax amount.

(d) The amount of tax payable on taxable noises shall be the specific applicable tax amount to which the decibels in excess of the standards as prescribed by the state correspond.

Buildings Tax

Under the PRC Interim Regulations on Buildings Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council in September 1986, and amended on 8 January 2011, buildings tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental.

According to the Notice on Issues Relating to Assessment of Buildings Tax against Foreign-invested Enterprises and Foreign Individuals (《關於對外資企業及外籍個人徵收房產稅有關問題的通知》) issued by the MOF and SAT in January 2009, the foreign-invested enterprises, foreign enterprises and foreign individuals are to be levied the same as domestic enterprises.

Stamp Tax

Under the PRC Stamp Tax Law (《中華人民共和國印花稅法》) promulgated by the Standing Committee of the National People's Congress on 10 June 2021 and implemented on 1 July 2022, the enterprises and individuals that conclude taxable vouchers or conduct securities trading within PRC or conclude taxable vouchers that are used in PRC shall pay stamp tax. For entering into contracts including but not limited to the warehousing contract, transportation contract, lease contract, construction contract and sale contract, the stamp tax shall be paid according to the value amount (excluding the VAT) listed in the contract, and the rate shall be governed by the attachment "Table of Taxable Items and Tax Rates" of this Law.

INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) which came into effect on 1 April 1985 with latest amendment on 17 October 2020 and the Detailed Rules for Implementation of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) which came into effect on 1 July 2001 with latest amendment on 11 December 2023, inventions and creations eligible for patent application are categorised into three types: inventions, utility models and designs. A patent is valid for a term of 20 years in the case of an invention and a term of 10 years in the case of a utility model and design, starting from the application date. The patent administrative authority under the State Council shall make decision to grant the patent right, issue the patent certificate and make registration and announcement. The patent right shall be valid from the date of announcement. The patentee shall pay an annual fee beginning with the year in which the patent right is granted. Unless otherwise provided in the Patent Law of the PRC, after the granting of patent right for an invention or utility model, no entity or individual is entitled to, without permission of the patentee, exploit the patent, that is, to make, use, promise the sale of, sell or import the patented product, or use the patented process and use, promise the sale of, sell or import the product directly obtained from the patented process, for production or business purposes. Infringer shall be liable for the compensation to the patentee or subject to administrative sanction by relevant administrative authorities or even criminal liabilities (depending on the circumstances).

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) which came into effect on 1 March 1983 with latest amendment on 23 April 2019 and the Regulation on Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) which came into effect on 15 September 2002 with latest amendment on 29 April 2014, the Trademark Office of the administrative department for industry and commerce under the State Council shall take charge of trademark registration and administration across the country. Application for trademark registration shall be approved by the Trademark Office of the National Intellectual Property Administration (the "Trademark Office of the PRC") which shall issue the trademark registration certificate and make relevant announcement. A trademark registrant shall have the right to exclusively use the registered trademark which is protected by law. The registered trademark shall be valid for a term of ten years from the date of approval for registration. The trademark registrant may renew the registration of registered trademark upon expiry and each registration renewal is valid for a term of ten years. Any person or entity who infringe the exclusive right of registered trademark as provided under the Trademark Law of the PRC shall be liable for the compensation to the holder of exclusive right of registered trademark or subject to administrative sanction by relevant administrative authorities or even criminal liabilities (depending on the circumstances).

Domain Name

According to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which came into effect on 1 November 2017, domain name refers to the character mark of hierarchical structure, which identifies and locates a computer on the Internet and corresponds to the Internet protocol (IP) address of that computer. Domain name registration service follows the principle of "first come, first serve". An agency of domain name registration that provides domain registration services shall require the applicant to provide the true, accurate and complete information about the domain name holder's identity for registration purpose. The registration and use of domain name by any organisation or person shall be in compliance with the requirements of the Measures for the Administration of Internet Domain Names, and the registration and use of domain in violation of the Measures for the Administration of Internet Domain Names, if constitutes a crime, shall be subject to criminal liability, otherwise it shall be subject to penalty by relevant authorities according to relevant laws.

Copyright Law

Pursuant to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) promulgated by the SCNPC on 7 September 1990 and most recently amended on 11 November 2020 and effective from 1 June 2021, Chinese citizens, legal persons or unincorporated organisations shall, whether published or not, enjoy copyright in their works in accordance with the law. Unless otherwise provided in the Copyright Law of the People's Republic of China and other related system, laws and regulations, reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impact, and offer an apology, pay damages and other civil liabilities. In exercising the rights, copyright owners and copyright-related rights holders shall not be in violation to the Constitution and laws nor prejudice to public interests. According to the Measures for the Registration of Computer Software Copyright issued by the Ministry of Machine Building and Electronics Industry (《計算機軟件著作權登記辦法》) (currently incorporated into the Ministry of Industry and Information Technology) on 6 April 1992 and most recently amended by the National Copyright Administration on 20 February 2002 and effective from the same date, and the Regulations on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on 4 June 1991 and most recently amended on 30 January 2013 and effective from 1 March 2013, the State Copyright Administration shall be responsible for the administration of software copyright registration nationwide, and the China Copyright Protection Center is recognised as the software registration authority. Applicants of computer software copyright satisfying the requirements of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computer Software will be issued a registration certificate by the China Copyright Protection Center.

MANAGEMENT

The current members of our board of directors are as follows:

Name	Age	Title
Ms. Cheung Yan	67	Chairlady
Mr. Liu Ming Chung	61	Deputy Chairman and Chief Executive Officer
Mr. Zhang Cheng Fei	56	Deputy Chairman and Deputy Chief Executive Officer
Mr. Ken Liu	32	Deputy Chairman and Vice President
Mr. Lau Chun Shun	42	Vice President
Mr. Zhang Lianpeng.	32	Vice President
Mr. Zhang Yuanfu	60	Chief Financial Officer
Ms. Zhang Lianru.	26	Deputy Chief Financial Officer
Mr. Ng Leung Sing.	74	Independent Non-executive Director
Mr. Lam Yiu Kin	69	Independent Non-executive Director
Ms. Chan Man Ki Maggie. .	55	Independent Non-executive Director
Dr. Li Huiqun	58	Independent Non-executive Director

Directors

The Board has the ultimate responsibility for the administration of the Company's affairs. The Company's memorandum of association and bye-laws as currently in effect, provide for a Board comprised of not less than two directors. If the director was appointed by the Board, such director holds office until the next annual meeting of shareholders at which time such director is eligible for re-election. The Board currently consists of twelve directors, four of whom are independent non-executive directors.

Under Bermuda law, the directors have a duty of loyalty and must act honestly, in good faith and in the Company's best interests. The directors also have a duty of exercising care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duties to the Company, the directors must ensure compliance with the Company's memorandum of association and the bye-laws.

A shareholder may in certain circumstances have the right to seek damages on behalf of the Company if a duty owed by the directors is breached.

Executive Directors

Ms. Cheung Yan, *JP*, 67, 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 27 years of experience in paper manufacturing and over 37 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 chairlady of the China Overseas Chinese Entrepreneurs Association, vice president of China Paper Association, president of China Paper Industry Chamber of Commerce, honorary life president of the Guangdong Overseas Chinese Enterprises Associations, honorary president of Guangdong Federation of Industry and Commerce, honorary president of World Dongguan Entrepreneurs, chairlady of Hong Kong Federation of Overseas Chinese Associations and chairlady, Supervisory Board 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, and 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. She was given the "National Poverty Alleviation Award" ("全國脱貧攻堅獎 — 奉獻獎") by the State Council of the PRC in 2018. Ms. Cheung was awarded the title of "Senior Economist" (Entrepreneur in Technology Field) ("正高級經濟師(科技型企業家)") by the Guangdong Province in January 2020. She was given the dual awards of "Outstanding Contribution to Poverty Alleviation and Other Areas of Charity" and "Outstanding Contribution to Fighting the Coronavirus Pandemic" in the 11th "China Charity Award" ("中華慈善獎") by the Ministry of Civil Affairs of the PRC in September 2021. 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, 61, 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 32 years of experience in international trade and over 24 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, 56, 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 29 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. Ken Liu, 32, has been the Executive Director and Deputy Chairman of the Company since 2018. He was appointed as the Vice President of the Company in 2020. He assists the Chairlady on the overall corporate development and strategic planning of the Group. 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 brother of Mr. Lau Chun Shun, the nephew of Mr. Zhang Cheng Fei and the cousin of Mr. Zhang Lianpeng.

Mr. Lau Chun Shun, 42, 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 was appointed as the vice president of the Company in 2020. He is a director of various subsidiaries of the Company. He is responsible for the Group's external liaison, intelligent production technology facilities and management, and affairs related to the energy sector. Mr. Lau has over 14 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 Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, 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 brother of Mr. Ken Liu, the nephew of Mr. Zhang Cheng Fei and the cousin of Mr. Zhang Lianpeng.

Mr. Zhang Lianpeng, 32, joined the Company as a Non-executive Director in 2017 and was re-designated as an Executive Director of the Company in August 2018. He was appointed as Vice President of the Company in 2020. Mr. Zhang is responsible for the management of the Group's sales department and the packaging business. 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, 60, 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 37 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.

Ms. Zhang Lianru, 26, has been appointed as an Executive Director of the Company from March 2024. She joined the Group as an Assistant Financial Controller in 2020 and has served as the Group's Deputy Chief Financial Officer in charge of financial management and internal control operation since January 2022. She graduated from Columbia University with a Bachelor of Financial Economics Degree. She is the daughter of Mr. Zhang Cheng Fei, the younger sister of Mr. Zhang Lianpeng, the niece of Ms. Cheung Yan and Mr. Liu Ming Chung and the cousin of Mr. Lau Chun Shun and Mr. Ken Liu.

Independent Non-executive Directors

Mr. Ng Leung Sing, SBS, JP, 74, 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 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 69, 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. Mr. Lam was an independent non-executive director of Vital Innovations Holdings Limited; Bestway Global Holding Inc.; WWPKG Holdings Company Limited; and Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. respectively. In all, Mr. Lam has over 41 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; Shougang Century Holdings Limited; COSCO SHIPPING Ports Limited; CITIC Telecom International Holdings Limited and Topsports International Holdings Limited.

Ms. Chan Man Ki Maggie, MH, JP, aged 55, has been appointed as an INED of the Company since February 2023. Ms. Chan obtained her Bachelor degree in Laws and Postgraduate Certificate in Laws from the University of Hong Kong in 1991 and 1992 respectively. She is the founder and managing partner of CMK lawyers, a law firm in Hong Kong, and has over 29 years of experience in providing legal advice and services as a solicitor in Hong Kong. Ms. Chan is also a lawyer in the Guangdong-Hong Kong-Macao Greater Bay Area and her practice institution is Sino-Win Law Firm in Guangdong. Ms. Chan is an Accredited Mediator and a China-Appointed Attesting Officer in Hong Kong. She is also the founding president of The Small and Medium Law Firms Association of Hong Kong. Furthermore, Ms. Chan is a Specially Invited Mediator of Guangdong Court for Cross-border Commercial Dispute Resolution in the Guangdong-Hong Kong-Macao Greater Bay Area, a Mediator of Shenzhen Qianhai International Commercial Mediation Centre, and an Arbitrator of China Guangzhou Arbitration Commission, Shenzhen Court of International Arbitration, Qingdao Arbitration Commission and South China International Arbitration Centre (Hong Kong).

Ms. Chan has also undertaken various community positions in Hong Kong including being an Ex-officio Member of Election Committee and Chairman of Appeal Tribunal Panel (Building Ordinance). She was awarded the Medal of Honour in 2012 and Justice of the Peace in 2015 by the Government of the Hong Kong Special Administrative Region. Ms. Chan was also conferred with Honorary Fellow by City University of Hong Kong in 2013. Ms. Chan was elected as a Hong Kong Deputy to the National People's Congress of the PRC (the 13th session and the 14th session) in 2017 and 2022, respectively, an executive member of the All-China Women's Federation Executive Committee in 2018, a president of All-China Women's Federation Hong Kong Delegates Association Ltd. in 2021 and a Legislative Council Member of the Hong Kong Special Administrative Region in 2022. Ms. Chan is also an independent non-executive director of Beijing Enterprises Holdings Limited (stock code: 392), Wine's Link International Holdings Limited (stock code: 8509) and China State Construction Development Holdings Limited (stock code: 830).

Dr. Li Huiqun, aged 58, has been appointed as an INED of the Company since February 2023. She obtained a bachelor's degree in economics, a master's degree in economics and a doctorate degree in economics from the School of Economics of Wuhan University, Hubei Province, China in 1988, 1991 and 1994, respectively. Dr. Li obtained the title of senior economist. She has extensive experience in the banking and financial markets sector. From April 1994 to October 2015, she served as head of several divisions and on vice-president level positions in the Shenzhen Central Branch of the People's Bank of China, in charge of the Money and Credit Division, the Financial Research Office, the Bullion Management Division, labour union work and management of human resources. From November 2015 to June 2021, she has been the vice president of Shenzhen Rural Commercial Bank in charge of asset management, financial market and interbank business, international business and management of the Qianhai branch. Dr. Li is also an independent non-executive director of Zensun Enterprises Limited (stock code: 185).

Senior Management

The following table sets forth certain information concerning our senior management.

Name	Age	Position
Mr. Geng Guanglin	49	Special Assistant and General Manager
Mr. Zhang Yian	49	General Manager
Mr. Meng Feng	51	General Manager
Mr. Yin Xianwen	55	General Manager
Mr. Zhang Zhu	42	General Manager
Mr. Xin Gang	49	General Manager
Mr. Li Dengzheng	49	General Manager
Mr. Zhou Guowei.	55	General Manager
Mr. Ye Jian	48	General Manager
Mr. Li Xin.	36	General Manager
Mr. Michael LaVerdiere . . .	52	Executive Vice President and Chief Operating Officer
Mr. Li Yuming.	39	General Manager

Mr. Geng Guanglin, 49, has served as the Special Assistant to the Deputy Chairman of Nine Dragons Worldwide (China) Investment Group Co., Ltd. and the General Manager of the production and operation department of the Group since June 2022, responsible for the supervision and management of the pulp and paper production of the Group. Mr. Geng has more than 30 years of production management experience in large paper industry. Before joining the Group, he was the group senior management of Shandong Chenming Paper Holdings Limited and served as the rotating president, executive vice president, general manager of subsidiaries, etc. He graduated from Central Radio and Television University (major in Business Administration).

Mr. Zhang Yian, 49, 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 22 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, 51, 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 30 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, 55, 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 31 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. Zhang Zhu, 42, joined the Group in 2002 and has been the General Manager of Nine Dragons Paper Industries (Hubei) Co., Ltd. since June 2022, responsible for the overall operation and management of the Hubei base. He has worked for the Group over 21 years of experience in the papermaking technology and production management. He graduated from Nanjing Forestry University and received his bachelor's degree in pulp and papermaking.

Mr. Xin Gang, 49, joined the Group in 1998 and has served as the General Manager of Selangor base in Malaysia of Nine Dragon's Group since April 2024. Mr. Xin is in charge of the overall management and operation of the Selangor base. Mr. Xin has over 27 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. Li Dengzheng, 49, joined the Group in 2016 and has served as the General Manager of Nine Dragons Paper Industries (Shenyang) Co., Ltd. since June 2023. Mr. Li has over 28 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. Zhou Guowei, 55, has served as the General Manager of Nine Dragons Paper Industries (Hebei) Co., Ltd. in charge of supervision and management since June 2023. He served as the Deputy General Manager of Nine Dragons Paper Industries (Tianjin) Co., Ltd from 2007 to 2023. He served as the Chief Engineer of Nine Dragons Paper Industries (Dongguan) Co., Ltd. from 2002 to 2007, responsible for the research and development and manufacturing of the kraftlinerboards production lines. Before joining the Group in August 1996, he worked as the DCS (Distributed Control System) engineer at Shandong First Paper Yantai Paper Co., Ltd. for 4 years. Mr. Zhou has approximately 30 years of experience in pulp and paper manufacturing industry in China. He graduated from the Tianjin Institute of Light Industry with a bachelor's degree in pulp and paper manufacturing.

Mr. Ye Jian, 48, 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 28 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. Li Xin, 36, joined the Group in 2010 and has served as the General Manager of the Chongqing base of Nine Dragon's Group since January 2021. Mr. Li is in charge of the overall management and operation of the Vietnam base. He has worked for the Group for over 13 years and accumulated extensive experience in paper management and operation. He graduated from Wuhan Engineering College with a bachelor degree in Mechanical Design Manufacturing and its Automation.

Mr. Michael LaVerdiere, 52, joined the Group in August 2020 and has served as Executive Vice President and Chief Operating Officer of ND Paper Inc. in the United States since April 2021. He is leading the mill operations and capital investment teams. Mr. LaVerdiere has over 30-year of experience in the paper manufacturing industry. Prior to joining the Group, he worked with International Paper and Verso Corporation where he served in a variety of leadership roles including Androscoggin Mill Operations Manager, Quinnesec Mill Manager, Vice President of Operations, and Vice President — Centre of Excellence and Technology. Mr. LaVerdiere holds a Bachelor of Science degree in Chemical Engineering from the University of Maine.

Mr. Li Yuming, 39, joined the Group in 2009 and has served as the General Manager of the Vietnam base of Nine Dragon's Group since January 2024. Mr. Li is in charge of the overall management and operation of the Vietnam base. He has worked for the Group for over 15 years and accumulated extensive experience in paper management and operation. He graduated from Northeast Electric Power University with a bachelor degree in manufacturing of paper and pulp.

Company Secretary

Ms. Cheng Wai Chu, Judy, 55, has served as the Company Secretary in charge of company secretarial matters since August 2005. Prior to joining our Group, Ms. Cheng had worked in two accounting firms, PricewaterhouseCoopers and C K Yau & Co., CPA, for an aggregate of more than three years and Master Glory Group Limited for more than seven years. She is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Cheng holds a bachelor of laws degree from Peking University.

Audit Committee

We established an audit committee in March 2006. The primary duties of the audit committee are to review and supervise our financial reporting process. All members of the audit committee are appointed by the Board. The audit committee currently consists of three independent non-executive directors, namely, Mr. Lam Yiu Kin, Mr. Ng Leung Sing and Ms. Chan Man Ki, Maggie, with Mr. Lam Yiu Kin as Chairman.

The responsibilities of the audit committee includes, among others, the following:

- to 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;

- to review the preliminary results, interim results and annual financial statements, monitor the compliance with statutory requirements and Listing Rules;

- to review the scope, extent and effectiveness of the Group's internal audit functions;

- to review arrangement for concerns about possible improprieties in financial reporting, internal control or other matters; and

- to commission independent investigations by legal advisers or other professionals, where necessary.

Executive Committee

We established an executive committee in March 2006 which is responsible for the management and administration of matters that are within the ordinary course of our business. The powers of the executive committee are set out in the Company's bye-laws. The executive committee members consist of Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei and Mr. Lau Chun Shun. The Chairlady of the executive committee is Ms. Cheung Yan.

Remuneration Committee

We established a remuneration committee in March 2006. The primary duties of the remuneration committee are to formulate the training and compensation policies and to determine and manage the compensation of the senior management of our Group. The remuneration committee currently consists of three independent non-executive directors and two executive directors, namely, Ms. Chan Man Ki Maggie, Mr. Ng Leung Sing, Mr. Lam Yiu Kin, Mr. Liu Ming Chung and Mr. Zhang Cheng Fei, with Ms. Chan Man Ki Maggie as Chairlady.

The responsibilities of the remuneration committee include, among others, the following:

- to make recommendations to the Board on the Company's policy and structure for remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; and

- to make recommendations to the Board on the remuneration of independent non-executive directors.

Corporate Governance Committee

We established a corporate governance committee in 2013. The primary duties of the corporate governance committee are to develop and review the Company's policy and practices on corporate governance. The corporate governance committee currently consists of three independent non-executive directors and two executive directors, namely, Mr. Ng Leung Sing, Mr. Lam Yiu Kin, Ms. Chan Man Ki, Maggie, Ms. Cheung Yan and Mr. Zhang Cheng Fei, with Mr. Ng Leung Sing as Chairman.

The responsibilities of the corporate governance committee include, among others, the following:

- to develop and review the Company's policy and practices on corporate governance and makes recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management;

- to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

- to develop, review and monitor the code of conduct applicable to employees and Directors;

- to review the Company's compliance with the corporate governance code of the Listing Rules and other related rules.

Nomination Committee

We established a nomination committee in 2018. The primary duties of the nomination committee are to formulate the policy for the nomination of Directors and review the composition of the Board. The nomination committee currently consists of three independent non-executive directors and two executive directors, namely, Mr. Ng Leung Sing, Mr. Lam Yiu Kin, Ms. Chan Man Ki, Maggie, Ms. Cheung Yan and Mr. Zhang Cheng Fei, with Ms. Cheung Yan as Chairlady.

The responsibilities of the nomination committee include, among others, the following:

- to review and make recommendations on the composition of the Board;

- to identify and select or make recommendations on the selection of individuals nominated for directorships;

- to assess the independence of independent non-executive directors;

- to review the Board Diversity Policy and to make recommendations on the appointment or re-appointment of Directors.

Risk Control Committee

We established a risk control committee in March 2006. The risk control committee consists of the senior and experienced members of management. The primary duties of the risk control committee are to supervise the risk management and internal control process; facilitate its implementation with appropriate guidelines and tools; track material risks and mitigating activities; and determine significant control failings or weaknesses that have been identified.

2016 Share Option Scheme

Our 2016 Share Option Scheme was an incentive scheme adopted on 11 December 2015 to recognise and acknowledge the contributions or potential contributions that eligible participants have made to our Group. Pursuant to the 2016 Share Option Scheme, the Board may, at its discretion, offer to grant an option to any director, employee, executive, officer or any supplier, customer, consultant, agent and adviser of the Group. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2016 Share Option Scheme to eligible participants in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of shareholders in 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 daily quotation sheets of the Stock Exchange of Hong Kong Limited on the date of grant; (ii) the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share. As of the date of this Offering Memorandum, no option was granted under the 2016 Share Option Scheme.

Compensation of Directors and Key Management Personnel

The directors receive compensation in the form of fees, salaries, allowances, bonus and other benefits-in-kind, including our contribution to the pension plan on their behalf. The aggregate fees or compensation we paid to the directors and key management personnel for the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023 were approximately RMB116.3 million, RMB148.2 million, RMB153.3 million, RMB55.0 million and RMB29.3 million, respectively.

The aggregate amount of compensation we paid to our five highest paid individuals for the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023 were approximately RMB48.2 million, RMB56.3 million, RMB51.8 million, RMB19.8 million and RMB16.2 million, respectively.

Directors' Interests

As of 31 December 2023, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code"):

(1) Interests in the Company

Name of Directors	Long Position/ Short Position	Personal Interests	Family Interests	Corporate Interests *(Note 1)*	Total	Approximate percentage of shareholdings *(Note 2)*
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. Ken Liu	Long Position	1,382,000	—	2,992,120,000	2,993,502,000	63.80%
Mr. Lau Chun Shun	Long Position	14,149,000	—	2,992,120,000	3,006,269,000	64.07%

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 Zedra 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 Zedra 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 Zedra 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 Zedra Jersey Trust Corporation Limited as the trustee of The Golden Nest Trust.

(2) The percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2023 (i.e. 4,692,220,811 ordinary shares).

(2) 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 shareholdings
Ms. Cheung Yan.	Long Position	Settlor of The Cheung Family Trust	37,073	37.073%
	Long Position	Interest of spouse	37,053	37.053%
Mr. Liu Ming Chung	Long Position	Settlor of The Liu Family Trust	37,053	37.053%
	Long Position	Interest of spouse	37,073	37.073%
Mr. Zhang Cheng Fei	Long Position	Settlor and beneficiary of The Zhang Family Trust and The Golden Nest Trust	25,874	25.874%
Mr. Ken Liu	Long Position	Beneficiary of trusts *(Note 4)*	90,000	90.000%
Mr. Lau Chun Shun	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 Zedra 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 Zedra 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 Zedra 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 Zedra 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 settlors 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 the 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 as at 31 December 2023, 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.

PRINCIPAL SHAREHOLDERS

To the best knowledge of the directors or chief executive of the Company, as of 31 December 2023, the interests and short positions of substantial shareholders (other than the directors or the chief executive of the Company) in the shares and the underlying shares of the Company which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or as otherwise notified to the Company and the Stock Exchange were as follows:

Name of shareholder	Long Position/ Short Position	Capacity	No. of issued ordinary shares held in Best Result	Approximate percentage of shareholding *(Note 2)*
Best Result *(Note 1)*	Long Position	Beneficial Owner	2,992,120,000	63.77%
YC 2013 Company Limited	Long Position	Interest of controlled corporation	2,992,120,000	63.77%
Goldnew Limited	Long Position	Interest of controlled corporation	2,992,120,000	63.77%
Zedra Jersey Trust Corporation Limited	Long Position	Trustee of The Cheung Family Trust and The Liu Family Trust	2,992,120,000	63.77%

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 Zedra 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 Zedra 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 Zedra 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 Zedra Jersey Trust Corporation Limited as the trustee of The Golden Nest Trust.

(2) The percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2023 (i.e. 4,692,220,811 ordinary shares).

Save as disclosed above, as at 31 December 2023, as far as the Company is aware of, there was no other person (other than any Director or the chief executive of the Company) 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.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with which they are affiliated. Related party transactions described in this section may not be the same as transactions that would be required to be disclosed under HKFRS.

The following table summarises our related party transactions for the periods indicated. All sales and purchase transactions were negotiated with the related parties on normal commercial terms in the ordinary course of business:

	Year ended 30 June			Six months ended 31 December	
	2021	2022	2023	2022	2023
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
			(in millions)		
Purchase of recovered paper and recycled pulp:					
— ACN Tianjin and ACN Hainan and their designated agents	26,976.1	29,462.6	19,140.2	6,410.4	10,237.8
— ACN Inc	3,886.3	3,355.8	2,289.0	1,579.1	615.5
Sales of goods:					
— Come Sure Quanzhou	129.7	25.5	—	—	—

Agreements with ACN, Tianjin ACN and Hainan ACN in Connection with Supplies of Recovered Paper, Recycled Pulp and Woodchips

ACN was founded by Ms. Cheung Yan and Mr. Liu Ming Chung in 1990 and is indirectly wholly owned by Ms. Cheung Yan and Mr. Liu Ming Chung, the directors of the Company. We began purchasing recovered paper from ACN in 1998 and ACN has been our main source of supply of recovered paper. Tianjin ACN is a company established in the PRC and is principally engaged in the business of sourcing of recovered paper, recycled pulp and woodchips in the PRC. Hainan ACN is a company established in the PRC and is principally engaged in the business of sourcing of recovered paper, recycled pulp and woodchips in the PRC. Tianjin ACN and Hainan ACN both are 70% indirectly owned by Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Zhang Cheng Fei, Mr. Lau Chun Shun, Mr. Zhang Lianpeng, all of whom are directors of the Company, and other parties, and indirectly owned as to 30% by the Company. We have been trading with ACN since 2006, with Tianjin ACN since 2013 and with Hainan ACN since 2021.

Recovered Paper and Recycled Pulp Agreement

We, ACN and Tianjin ACN entered into a recovered paper and recycled pulp agreement dated 2 June 2020 (the "Recovered Paper and Recycled Pulp Agreement"), which was negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business. The Recovered Paper and Recycled Pulp Agreement expired on 30 June 2023. Pursuant to the Recovered Paper and Recycled Pulp Agreement, we agreed to purchase recovered paper and recycled pulp from ACN and/or Tianjin ACN or their designated agents from 1 July 2020 to 30 June 2023. The purchase prices of the recovered paper and recycled pulp will be determined with reference to the prevailing market prices in the PRC and overseas markets and will be no less favourable than those offered by independent suppliers on comparable terms available to us.

Supplemental Agreement

We, ACN, Tianjin ACN and Hainan ACN entered into a supplemental agreement to the Recovered Paper and Recycled Pulp Agreement dated 26 March 2021 (the "Supplemental Agreement"), which was negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business. Pursuant to the Supplemental Agreement, Hainan ACN was added as a party to the Recovered Paper and Recycled Pulp Agreement and all other terms of the Recovered Paper and Recycled Pulp Agreement remain unchanged.

Second Supplemental Agreement

We, ACN, Tianjin ACN and Hainan ACN entered into a second supplemental agreement to the Recovered Paper and Recycled Pulp Agreement dated 29 August 2022 (the "Second Supplemental Agreement"), which was negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business. Pursuant to the Second Supplemental Agreement, we agreed to purchase, in addition to recovered paper and recycled pulp, woodchips from ACN, Tianjin ACN, and/or Hainan ACN or their respective subsidiaries and all other terms of the Recovered Paper and Recycled Pulp Agreement remain unchanged.

Paper, Recycled Pulp and Woodchips Agreement

We, ACN, Tianjin ACN and Hainan ACN entered into an agreement dated 25 May 2023 (the "Paper, Recycled Pulp and Woodchips Agreement") to renew the Recovered Paper and Recycled Pulp Agreement, which expired on 30 June 2023. The Paper, Recycled Pulp and Woodchips Agreement was negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business. The Paper, Recycled Pulp and Woodchips Agreement expires on 30 June 2026. Pursuant to the Paper, Recycled Pulp and Woodchips Agreement, we agreed to purchase recovered paper, recycled pulp and woodchips from ACN, Tianjin ACN, and/or Hainan ACN or their respective subsidiaries from 1 July 2023 to 30 June 2026. The purchase prices of the recovered paper, recycled pulp and woodchips will be determined with reference to the prevailing market prices in the PRC and overseas markets and will be no less favourable than those offered by independent suppliers on comparable terms available to us.

For the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023, the aggregate sales of recovered paper, recycled pulp and woodchips supplied by ACN, Tianjin ACN and Hainan ACN to us amounted to approximately RMB30,862.4 million, RMB32,818.4 million, RMB21,429.2 million, RMB7,989.5 million and RMB10,853.3 million, respectively.

Agreement with Come Sure Packing Products (Quanzhou) Co., Ltd. ("Come Sure Quanzhou")

Come Sure Quanzhou is a company established in the PRC and is principally engaged in the business of manufacturing and sale of corrugated paperboards and paper-based packaging products. Come Sure Quanzhou is a subsidiary of Come Sure Group (Holdings) Limited ("Come Sure"), an associate of the Group.

We and Come Sure entered into an agreement dated 6 March 2019 (the "Come Sure Agreement"), which was negotiated on an arm's length basis and on normal commercial terms in the parties' ordinary course of business. The Come Sure Agreement expired on 31 March 2022. Pursuant to the Come Sure Agreement, we agreed to supply raw paper materials to Come Sure Quanzhou. The sale price of raw paper materials will be determined based on prevailing market price.

For the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2022 and 2023, we recorded revenue of approximately RMB129.7 million, RMB25.5 million, nil, nil and nil, respectively, relating to such goods sold to Come Sure Quanzhou.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing projects and to finance our working capital requirements, we and our subsidiaries have entered into loan agreements with various financial institutions. We set forth below a summary of the material terms and conditions of certain of these loans and other indebtedness.

Syndicated Term Loan

On 13 December 2023, ND Paper Malaysia (Selangor) SDN. BHD. (the "ND Malaysia"), our indirect, wholly owned subsidiary, entered into a term facility agreement ("2023 Syndicated Facility Agreement") as borrower in connection with unsecured loan facilities of RMB2,630.0 million (including a tranche A facility with an aggregate amount of RMB1,293.75 million ("Tranche A") and a tranche B facility with an aggregate amount of RMB1,336.25 million ("Tranche B"), together "2023 Syndicated Facility") with a syndicate of five international and domestic banks and financial institutions led by Bank of China (Hong Kong) Limited as agent. The 2023 Syndicated Facility is guaranteed by the Company and was used by our Group to meet future capital expenditure and working capital requirements. As of 31 December 2023, we had borrowed RMB2,630.0 million principal amount under this term facility agreement.

Interest

Under the 2023 Syndicated Facility Agreement, the Tranche A of the 2023 Syndicated Facility bears an interest rate of applicable Loan Prime Rate (LPR) plus three basis points and the Tranche B of the 2023 Syndicated Facility bears the interest rate to be agreed between the agent and the borrower before each draw down of the loan. The interest period is one year for the Tranche A and three years for the Tranche B. Interest is payable on the last day of each interest period. Following the occurrence and during the continuance of an event of default, the rate of interest for an interest period equals the relevant interest rate of the unpaid interest plus two basis points.

Maturity and Prepayment

This 2023 Syndicated Facility is due on 13 December 2026. We have the right to prepay all or part of the outstanding balance of the loan on the last day of any interest period relating to such loan, upon not less than 14 business days' prior written notice to the agent.

Covenants

Pursuant to the 2023 Syndicated Facility Agreement, we agreed to the following financial covenants:

- ND Malaysia's ratio of the sum of total interest bearing debt divided by the total equity as at the end of each period of 12 months ending on the last day of the financial year and each period of 12 months ending on the last day of the first half of the financial year (each, a "Relevant Period") shall not exceed 2.5:1;

- ND Malaysia's tangible net worth shall not be less than US$250.0 million as at the end of each Relevant Period;

- the Company's consolidated tangible net worth (or its equivalent in RMB) shall not be less than RMB30.0 billion as at the end of each Relevant Period;

- the Company's ratio of consolidated net borrowings to consolidated tangible net worth shall not exceed (a) 1.5:1 at any time from the first draw down date to 30 June 2024; (b) 1.2:1 at any time from 1 July 2024 to 30 June 2025; and (c) 1:1 at any time during each Relevant Period after 30 June 2025;

We have further agreed, among others, not to:

- create or permit to subsist any security over any of ND Malaysia's or the Company's assets; or

- in circumstances where any arrangement or transaction described below is entered into primarily as a method of raising financial indebtedness or of financing the acquisition of an asset,

  — sell, transfer or otherwise dispose of any of ND Malaysia's or the Company's assets on terms whereby they are or may be leased to or re-acquired by ND Malaysia or the Company, or any member of our Group;

  — sell, transfer or otherwise dispose of any of our receivables on recourse terms;

  — enter into or permit to subsist any title retention arrangement;

  — enter into or permit to subsist any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

  — enter into or permit to subsist any other preferential arrangement having a similar effect.

Events of Default

The 2023 Syndicated Facility Agreement contains certain customary events of default, including, among others, non-payment of principal or interest, cross default, insolvency and breaches of its terms, including the financial covenants. The occurrence of an event of default would allow the majority lenders through this agent, by notice to us, to:

- cancel available commitments of each lender whereupon each of the available commitments shall immediately be cancelled and cease to be available for further utilisation;

- cancel any part of any commitments whereupon the relevant part shall immediately be cancelled;

- declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the term facility agreement, fee letter or other relevant document be immediately due and payable, whereupon they shall become immediately due and payable; and/or

- declare that all or any part of the loans be payable on demand, whereupon they shall immediately become payable on demand by the agent on the instructions of the majority lenders.

Offshore Facility Agreements

For the fiscal years ended 30 June 2021, 2022 and 2023 and the six months ended 31 December 2023, we also entered into offshore facility agreements with domestic and international banks, including, (a) the HK$620.0 million facility agreement between Nine Dragons Worldwide Investment Limited ("ND Worldwide"), our indirect wholly owned subsidiary, and Bank of China (Hong Kong) Limited entered into on 30 December 2022 (the "2022 BOC HK Facility"); (b) the US$312.0 million facility agreement between ND Worldwide and Bank of Communications (Hong Kong) Limited entered into on 3 January 2023 (the "2023 BOCOM HK Facility"); (c) the US$135.0 million facility agreement between ND Worldwide and Bank of Communications Co., Ltd. Hong Kong Branch entered into on 3 January 2023 (the "2023 BOCOM Facility"); (d) the RMB828.0 million facility agreement between ND Worldwide and Bank of China (Hong Kong) Limited entered into on 23 May 2023 (the "2023 BOC HK Facility"); and (e) the RMB300.0 million facility agreement between ND Worldwide and Bank of China Limited Macau Branch entered into on 15 December 2023 (the "2023 BOC Macau Facility"). As of 31 December 2023, the aggregate outstanding principal amount under these offshore facilities is approximately RMB3,732.6 million.

We have, since 31 December 2023, in the ordinary course of business, entered into additional offshore facility agreements, including the (i) RMB543.6 million facility agreement between ND Worldwide and Bank of China (Hong Kong) Limited entered into on 7 February 2024 (the "2024 BOC HK Facility"); and (ii) the RMB150.0 million between ND Worldwide and Bank of China Limited Macau Branch entered into on 23 February 2024 (the "2024 BOC Macau Facility").

Our offshore facilities typically have terms ranging from one year to three years.

Guarantee and Standby Letter of Credit

Certain offshore facilities benefit from certain forms of credit enhancement. For example, the obligations pursuant to the 2022 BOC HK Facility, the 2023 BOC HK Facility and the 2024 BOC HK Facility are guaranteed by our Company, where our Company agreed to pay to the borrower bank on demand all payments due but unpaid. The obligations pursuant to the 2023 BOCOM HK Facility and the 2023 BOCOM Facility are supported by standby letters of credit issued by bank of Communications, Co. Ltd. Guangdong Provincial Branch. The obligations pursuant to the 2023 BOC Macau Facility are supported by a standby letter of credit issued by Bank of China Limited Guangdong Branch. The obligations pursuant to the 2024 BOC Macau Facility are supported by a standby letter of credit issued by Bank of China Limited Guangdong Provincial Branch.

Interest

The principal amounts outstanding under these offshore facilities generally bear interest at fixed rates agreed between parties of approximately 3.5% per annum or floating rates calculated with reference to the Hong Kong Interbank Offered Rate for CNH (CNY HIBOR) plus margin.

Covenants

Our offshore facility agreements contain customary covenants and restrictions, including, amongst others, financial covenants including consolidated tangible net worth and the ratio of consolidated total borrowings to consolidated tangible net worth.

Events of Default

These offshore facility agreements contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs under a facility agreement, all amounts outstanding including all interest accrued thereon under such facility agreement may become immediately due and payable.

Domestic Loan Agreements

Our Company and certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily China Minsheng Banking Co., Ltd., Export-Import Bank of China, the Bank of China, the Agricultural Bank of China, Industrial & Commercial Bank of China, the Bank of Communications, the China Merchants Bank, Postal Savings Bank of China, China Construction Bank Corporation, Industrial Bank, China CITIC Bank, Chongqing Rural Commercial Bank, China Bohai Bank and Huaxia Bank. These loans are typically used to fund project development, our daily operations and working capital needs and have terms ranging from one to ten years.

Interest

The principal amounts outstanding under the loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks periodically. Interest payments are generally payable quarterly and must be made on each payment date as provided in the particular loan agreement. As of 31 December 2023, the weighted average interest rate on the aggregate outstanding amount of our domestic loans was approximately 3.0% per annum.

Covenants

Under these loans, some of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;

- grant guarantees to any third parties and increase debt financing that may adversely affect their ability to repay their loans;

- make any changes to their operations and corporate structures in a way that may adversely affect their ability to repay their loans, such as entering into joint ventures, mergers and acquisitions, equity transfers, equity investments and shareholding reform;

- reduce their registered capital or make amendments to their articles of association in a way that may adversely affect their ability to repay their loans; and

- transfer part or all of the liabilities under the loans to a third party.

Dividend Restriction and Subordination

Pursuant to the loans with the Export-Import Bank of China, the Bank of China, the Bank of Communications and the Agricultural Bank of China, some of our PRC subsidiaries, namely Nine Dragons Paper Industries (Dongguan) Co., Ltd (玖龍紙業(東莞)有限公司), Nine Dragons Paper Industries (Hubei) Co., Ltd. (玖龍紙業(湖北)有限公司) and Nine Dragons Paper Industries (Beihai) Co., Ltd. (玖龍紙業(北海)有限公司) have also agreed that (i) any of their shareholder loans will be subordinated to the relevant loans with the aforementioned banks and (ii) they will not distribute any dividends in a way that may adversely affect their ability to perform such loan agreements if the principal, interest and expenses due in the corresponding year have not been fully repaid.

Guarantee

Our Company has entered into guarantee agreements with the PRC banks in connection with some of the project loans pursuant to which our Company has guaranteed all liabilities of the subsidiary borrowers under these project loans.

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Securities, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Securities.

The U.S.$400,000,000 14.00 per cent. in aggregate principal amount of senior perpetual capital securities (each, a "Security" and, together, the "Securities", which expressions include any further securities issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Nine Dragons Paper (Holdings) Limited (the "Issuer") are constituted by, are subject to, and have the benefit of, a trust deed dated 11 June 2024 (as amended and/or supplemented from time to time, the "Trust Deed") between the Issuer and Citicorp International Limited as trustee (the "Trustee", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 11 June 2024 (as amended or supplemented from time to time, the "Agency Agreement") between the Issuer, Citicorp International Limited as registrar (the "Registrar", which expression includes any successor registrar appointed from time to time in connection with the Securities), Citibank, N.A., London Branch as principal paying agent (the "Principal Paying Agent", which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), the transfer agent named therein (the "Transfer Agent", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Securities), the calculation agent named therein (the "Calculation Agent", which expression includes any successor or additional calculation agent appointed from time to time in connection with the Securities), the paying agents named therein (together with the Principal Paying Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities) and the Trustee. References herein to the "Agents" are to the Registrar, the Principal Paying Agent, the Calculation Agent, the Transfer Agent and the Paying Agents and any reference to an "Agent" is to any one of them. Certain provisions of these terms and conditions (the "Conditions") are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Holders (as defined in Condition 3(a) (*Register, Title and Transfers — Register*)) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Holders during normal business hours, upon prior written notice and satisfactory proof of holdings, at the principal office for the time being of the Trustee, being at the date hereof 40/F, Champion Tower, Three Garden Road, Central, Hong Kong.

1. Form and Denomination

The Securities are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "Authorised Denomination").

2. Status of the Securities

The Securities constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which will at all times rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future, unsecured and unsubordinated obligations of the Issuer (including Parity Obligations), save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "Register") in respect of the Securities outside of Hong Kong and the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "Holder" of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a "Certificate") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

Upon issue, the Securities will be represented by a global certificate (the "Global Certificate") registered in the name of, and deposited with, a nominee of a common depositary for Euroclear SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). The Terms and Conditions of the Securities are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions Relating to the Securities in Global Form".

(b) *Title*: The Holder of each Security shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Securities or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

(c) *Transfers*: Subject to Conditions 3(f) (*Register, Title and Transfers — Closed periods*) and 3(g) (*Register, Title and Transfers — Regulations concerning transfers and registration*) below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Authorised Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor. No transfer of title to a Security will be valid unless and until entered on the Register.

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Certificates*: Within five business days of the surrender of a Certificate in accordance with Condition 3(c) (*Register, Title and Transfers — Transfers*), the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured mail to the address specified for the purpose by such relevant Holder. In this Condition 3 (*Register, Title and Transfers*), "business day" means a day, excluding a Saturday, a Sunday and a public holiday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Securities will not be entitled to receive physical delivery of Certificates.

(e) *No charge*: The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Holders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or Distribution (as defined in Condition 4(a) (*Distributions — Accrual of Distributions*)) in respect of the Securities.

(g) *Regulations concerning transfers and registration*: All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Holder upon prior written notice and satisfactory proof of holdings.

4. Distributions

(a) *Accrual of Distributions*:

(i) Subject to Condition 4(e) (*Distributions — Distribution Deferral*), the Securities confer a right to receive distributions (each, a "Distribution") from, and including, 11 June 2024 (the "Issue Date") at the applicable Distribution Rate (as defined in Condition 4(b) (*Distributions — Rate of Distributions*)) in accordance with this Condition 4 (*Distributions*). Subject to Condition 4(e) (*Distributions — Distribution Deferral*), Distributions shall be payable semi-annually in equal instalments in arrear on 11 June and 11 December of each year (each, a "Distribution Payment Date").

(ii) Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, the right to such Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgement) up to but excluding whichever is the earlier of (a) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

(iii) Subject to Condition 4(c) (*Distributions — Increase in Distribution Rate following Change of Control*), the amount of Distribution payable on each Distribution Payment Date up to and including the First Reset Date shall be U.S.$70 in respect of each Calculation Amount. If a Distribution is required to be paid in respect of a Security on any date, it shall be calculated by applying the prevailing Distribution Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Security divided by the Calculation Amount, where "Calculation Amount" means U.S.$1,000 and "Day Count Fraction" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

(iv) Distributions payable under this Condition 4 (*Distributions*) will be paid in accordance with Condition 6 (*Payments*).

(b) *Rate of Distributions*: Subject to Condition 4(c) (*Distributions — Increase in Distribution Rate following Change of Control*), the rate of distribution ("Distribution Rate") applicable to the Securities shall be:

(i) in respect of the period from, and including, the Issue Date to, but excluding, 11 June 2027 (the "First Reset Date"), 14.00 per cent. per annum; and

(ii) thereafter, in respect of the period from, and including, the First Reset Date and each Reset Date falling thereafter, to, but excluding, the immediately following Reset Date (each a "Reset Period"), the Reset Distribution Rate.

(c) *Increase in Distribution Rate following Change of Control*: Upon the occurrence of a Change of Control, unless an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders (in accordance with Condition 15 (*Notices*)) and to the Trustee and the Principal Paying Agent pursuant to Condition 5 (*Redemption and Purchase*) by the 30th day following the occurrence of such Change of Control, the Distribution Rate will increase by 5.00 per cent. per annum with effect from (i) the next Distribution Payment Date immediately following the occurrence of such Change of Control or (ii) if the date on which the Change of Control occurs is prior to the most recent preceding Distribution

Payment Date, such Distribution Payment Date, provided that the maximum aggregate increase in the Distribution Rate pursuant to this Condition 4(c) (*Distributions — Increase in Distribution Rate following Change of Control*) shall be 5.00 per cent. per annum. Any increase in the Distribution Rate pursuant to this Condition 4(c) (*Distributions — Increase in Distribution Rate following Change of Control*) is separate from and in addition to any increase in the Distribution Rate pursuant to sub-paragraph (b)(ii) (*Rate of Distributions*) of Condition 4 (*Distributions*).

Any increase in the Distribution Rate pursuant to this Condition 4(c) (*Distributions — Increase in Distribution Rate following Change of Control*) shall be notified by the Issuer to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Agents in writing no later than the 14th day following the occurrence of such Change of Control.

(d) *Calculation of Distribution Rate*: The Calculation Agent will, on the relevant Calculation Date, calculate the applicable Reset Distribution Rate payable in respect of the Securities. The Calculation Agent will cause the applicable Reset Distribution Rate determined by it to be notified to the Issuer, the Paying Agents, the Trustee, the Holders and each listing authority, stock exchange and/or quotation system (if any) on or by which the Securities have then been admitted to listing, trading and/or quotation as soon as practicable after the relevant Calculation Date. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4(d) (*Distributions — Calculation of Distribution Rate*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Trustee and the Holders and (in the absence of manifest error as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(e) *Distribution Deferral*:

(i) *Optional Deferral*: The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an "Optional Distribution Deferral Notice") to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date (an "Optional Deferral Event") unless during the three months ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred. Any partial payment of any outstanding Distributions (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro-rata* basis in accordance with the Trust Deed.

A "**Compulsory Distribution Payment Event**" occurs if either or both of the following criteria are met:

(A) a discretionary dividend, discretionary distribution or other discretionary payment is declared, paid or made on any Junior Obligations or (except on a *pro-rata* basis) Parity Obligations (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or

(B) the Issuer, at its discretion, redeems, reduces, cancels, buys-back or acquires for any consideration any of its Junior Obligations or Parity Obligations (except for (x) an exchange by the Issuer of any of its Parity Obligations for Junior Obligations or in relation to Parity Obligations, on a *pro-rata* basis, or (y) for a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants).

(ii) *No obligation to pay*: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(e)(i) (*Distributions — Distribution Deferral — Optional Deferral*).

(iii) *Requirements as to Notice*: Prior to publishing any Optional Distribution Deferral Notice, the Issuer shall deliver to each of the Trustee and the Principal Paying Agent a certificate in substantially in the form set out in the Trust Deed signed by two duly authorised officers of the Issuer confirming that an Optional Deferral Event has occurred and is continuing, and that no Compulsory Distribution Payment Event has occurred and is continuing. The Trustee and the Principal Paying Agent shall be entitled to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the occurrence of an Optional Deferral Event (and, if applicable, no Compulsory Distribution Payment Event has occurred and is continuing) and it shall be conclusive and binding on the Holders.

(iv) *Cumulative Deferral*:

(A) Any Distribution deferred pursuant to this Condition 4(e) (*Distributions — Distribution Deferral*) shall constitute "Arrears of Distribution". The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(e)(i) (*Distributions — Distribution Deferral — Optional Deferral*)) to further defer (in whole or in part) any Arrears of Distribution by complying with the notice requirements in Condition 4(e)(i) (*Distributions — Distribution Deferral — Optional Deferral*) applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times any Distribution and/or Arrears of Distribution may be deferred pursuant to this Condition 4(e) (*Distributions — Distribution Deferral*) except that this Condition

4(e)(iv) (*Distributions — Distribution Deferral — Cumulative Deferral*) shall be complied with until all outstanding Arrears of Distribution and Additional Distribution Amount have been paid in full.

(B) Each amount of Arrears of Distribution shall bear interest at the prevailing Distribution Rate as if it constituted the principal of the Securities and the amount of such distribution (the "Additional Distribution Amount") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 4 (*Distributions*) and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 4 (*Distributions*). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that such Additional Distribution Amount will itself become Arrears of Distribution.

(v) *Restrictions in the case of an Optional Deferral*: If on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Condition 4(e)(i) (*Distributions — Distribution Deferral — Optional Deferral*), the Issuer shall not:

(A) declare, pay or make any discretionary dividends, discretionary distributions or other discretionary payments on, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is declared, paid or made on any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(B) at its discretion redeem, reduce, cancel, buy-back or acquire for any consideration any of its Junior Obligations or its Parity Obligations (except in relation to Parity Obligations, on a *pro-rata* basis), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants,

in each case, unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders.

(vi) *Satisfaction of Arrears of Distribution by payment*: The Issuer:

(A) may at its option satisfy any Arrears of Distribution (in whole or in part) and any Additional Distribution Amount at any time by giving notice of such election to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent not more than 20 nor less than 10 Business Days prior to the relevant payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and any Additional Distribution Amount on the payment date specified in such notice). Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be paid to the Holders of all outstanding Securities on a *pro-rata* basis; and

(B) in any event shall satisfy any outstanding Arrears of Distribution deferred in accordance with Condition 4(e)(i) (*Distributions — Distribution Deferral — Optional Deferral*) (in whole but not in part, and including any Additional Distribution Amount) on the earliest to occur of:

(1) the next Distribution Payment Date falling immediately after a breach of Condition 4(e)(v) (*Distributions — Distribution Deferral — Restrictions in the case of an Optional Deferral*);

(2) the next Distribution Payment Date following the occurrence of a Compulsory Distribution Payment Event;

(3) the date of redemption of the Securities in accordance with Condition 5 (*Redemption and Purchase*);

(4) the date of any substitution or variation in accordance with Condition 13 (*Substitution or Variation*); and

(5) a Winding-Up of the Issuer.

(vii) *No default*: Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this Condition 4(e) (*Distributions — Distribution Deferral*) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 (*Non-payment*)) on the part of the Issuer.

(i) *Definitions*: For the purposes of these Conditions:

"**Affiliate**" means, with respect to any Person, any other Person (a) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; or (b) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (a) of this definition. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise;

"**Business Day**" means any day, excluding a Saturday, a Sunday and a public holiday, on which banks are open for general business (including dealings in foreign currencies) in Hong Kong, New York, London and the city in which the Specified Office of the Principal Paying Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in the equity of such Person, whether outstanding on the Issue Date (as defined below) or issued thereafter, including, without limitation, all Common Stock and Preferred Stock;

"**Change of Control**" means the occurrence of one or more of the following events:

(a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(b) the Issuer consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Issuer, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Issuer or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Voting Stock of the Issuer outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person immediately after giving effect to such transaction;

(c) the Permitted Holders are collectively the beneficial owners of less than 50.1 per cent. of the total voting power of the Voting Stock of the Issuer;

(d) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Issuer greater than such total voting power held beneficially by the Permitted Holders;

(e) the first day on which the majority of the members of the board of directors of the Issuer cease to be Continuing Directors; or

(f) the adoption of a plan relating to the liquidation or dissolution of the Issuer;

"**Common Stock**" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares;

"**Comparable Treasury Issue**" means, in relation to calculating the Reset Distribution Rate, the U.S. Treasury security selected by the Issuer and notified to the Calculation Agent in writing as having a maturity of three years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of three years;

"**Comparable Treasury Price**" means:

(a) the average of the Reference Treasury Dealer Quotations for the relevant Reset Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations;

(b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations; and

(c) if the Comparable Treasury Price cannot be determined in accordance with the above provisions, as determined by the Independent Investment Bank;

"**Comparable Treasury Rate**" means the rate notified by the Calculation Agent to the Issuer, the Trustee and the Holders (in accordance with Condition 15 (*Notices*)) in per cent. per annum equal to the yield, under the heading that represents the average for the week ending two New York Business Days prior to each Reset Date (the "Calculation Date") for calculating the Distribution Rate under sub-paragraph (b)(ii) (*Rate of Distributions*) of Condition 4 (*Distributions*), appearing in the most recently published statistical release designated "H.15(519)" (weblink: http://www.federalreserve.gov/releases/h15/current/default.htm) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the relevant date for calculation or does not contain such yields, "Comparable Treasury Rate" means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Calculation Date under paragraph Condition 4(b) (*Distributions — Rate of Distributions*);

If there is no Comparable Treasury Rate for the relevant Calculation Date, "**Comparable Treasury Rate**" means the rate in per cent. per annum notified by the Calculation Agent to the Issuer, the Trustee and the Holders equal to the yield, under the heading that represents the average for the week that was last available prior to the relevant Calculation Date, appearing in the most recently published statistical release designated "H.15(519)" (currently set out on the website http://www.federalreserve.gov/releases/h15/current/default.htm) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity of three years;

"**Continuing Director**" means, as of any date of determination, any member of the board of directors of the Issuer who:

(a) was a member of such board of directors on the Issue Date; or

(b) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election;

"**Exchange Act**" means United States Securities Exchange Act of 1934, as amended;

"**Extraordinary Resolution**" has the meaning set out in the Trust Deed;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

The term "**Guarantee**" used as a verb has a corresponding meaning;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases; and

(d) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected and appointed by the Issuer (at the expense of the Issuer) and notified to the Trustee and Calculation Agent in writing;

"**Initial Spread**" means 9.332 per cent.;

"**Junior Obligation**" means (a) any class of the Issuer's share capital (including preference shares) qualifying as equity under the Relevant Accounting Standard (as defined in Condition 5(c) (*Redemption and Purchase — Redemption upon an Accounting Event*), (b) any instrument or security issued or entered into by or other obligation of the Issuer which ranks or is expressed to rank junior to the Issuer's obligations under the Securities, and (c) any security or other obligation Guaranteed by the Issuer where the Issuer's obligations under the relevant Guarantee rank or are expressed to rank junior to the Issuer's obligations under the Securities, in each case where the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer;

"**New York Business Day**" means any day, excluding a Saturday, a Sunday and a public holiday, on which banks are open for general business (including dealings in foreign currencies) in New York;

"**Parity Obligation**" means any instrument or security issued, entered into or Guaranteed by the Issuer (i) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities and (ii) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer;

"**Permitted Holders**" means any or all of the following:

(a) Ms. Cheung Yan, Mr. Liu Ming Chung, Mr. Lau Chun Shun or Mr. Zhang Cheng Fei;

(b) any Affiliate (other than an Affiliate as defined in clause (b) of the definition of Affiliate) of a Person specified in clause (a); and

(c) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80 per cent. or more by Persons specified in clauses (a) and (b);

a "**Person**" includes any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**Preferred Stock**" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person;

"**Reference Treasury Dealer**" means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in New York, selected by the Issuer (at the expense of the Issuer);

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any Reset Date, the average as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5:00 p.m. on the third New York Business Day pursuant to Condition 4 (*Distributions*)) preceding such Reset Date;

"**Reset Date**" means the First Reset Date and each date that falls three, or a multiple of three, years following the First Reset Date;

"**Reset Distribution Rate**" means, in respect of any respective Reset Period, the applicable Distribution Rate per annum as calculated by the sum of (a) the Comparable Treasury Rate in relation to that Reset Period, (b) the Initial Spread and (c) the Step-Up Margin;

"**Specified Office**" has the meaning as defined in the Agency Agreement;

"**Step-Up Margin**" means 5.00 per cent.;

"**Subsidiary**" means any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Issuer and one or more other Subsidiaries of the Issuer and, when used with respect to any other Person, any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") from time to time, should have its accounts consolidated with those of that person; and

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

5. Redemption and Purchase

(a) *No fixed redemption date*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 (*Status of the Securities*) and without prejudice to Condition 8 (*Non-payment*)) only have the right to redeem or purchase the Securities in accordance with the following provisions of this Condition 5 (*Redemption and Purchase*).

(b) *Redemption for tax reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15 (*Notices*)) to the Holders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent at their principal amount, together with Distribution accrued and unpaid to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount, if any), if, immediately before giving such notice, the Issuer notifies the Trustee that:

(i) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 3 June 2024; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (a "Withholding Tax Event"),

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate, signed by two duly authorised officers of the Issuer, stating that the circumstances referred to in (i) and (ii) of this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*) prevail and setting out the details of such circumstances; and

(B) an opinion, in form and substance satisfactory to the Trustee, of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled, without being liable to Holders or any other person, to accept and rely upon such certificate and opinion (without any further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) of this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*) and they shall be conclusive and binding on the Holders, and the Trustee shall be protected and shall have no liability to any Holder or any person for so accepting and relying on such certificate or opinion.

Upon the expiry of any such notice period as is referred to in this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(b) (*Redemption and Purchase — Redemption for tax reasons*).

(c) *Redemption upon an Accounting Event*: The Securities may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15 (*Notices*)) to the Holders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent at their principal amount, together with Distribution accrued and unpaid to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount, if any), if, immediately before giving such notice, the Issuer notifies the Trustee that as a result of any changes or amendments to Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKFRS") or any other accounting standards that may replace HKFRS for the purposes of the consolidated financial statements of the Issuer (the "Relevant Accounting Standard"), the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard (an "Accounting Event").

Prior to the publication of any notice of redemption pursuant to this Condition 5(c) (*Redemption and Purchase — Redemption upon an Accounting Event*), the Issuer shall deliver or procure the delivery to the Trustee of:

(A) a certificate, signed by two duly authorised officers of the Issuer, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(B) an opinion, in form and substance satisfactory to the Trustee, of the Issuer's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Holders, and the Trustee shall be protected and shall have no liability to any Holder or any person for so accepting and relying on such certificate or opinion.

Upon the expiry of any such notice period as is referred to in this Condition 5(c) (*Redemption and Purchase — Redemption upon an Accounting Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c) (*Redemption and Purchase — Redemption upon an Accounting Event*) *provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard.

(d) *Redemption at the option of the Issuer*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on the First Reset Date or on any Distribution Payment Date thereafter (each, a "Call Date") on the Issuer's giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15 (*Notices*)) to the Holders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent and such notice shall oblige the Issuer to redeem the Securities on the relevant Call Date at their principal amount plus Distribution accrued and unpaid to such date (including any Arrears of Distribution and any Additional Distribution Amount, if any).

(e) *Redemption for a Change of Control*: Upon the occurrence of a Change of Control, the Issuer shall give notice to Holders in accordance with Condition 15 (*Notices*) and to the Trustee and the Principal Paying Agent by not later than 21 days following the first day on which it becomes aware of the occurrence of such Change of Control, stipulating that a Change of Control has occurred and whether or not it will redeem the Securities pursuant to this Condition 5(e) (*Redemption and Purchase — Redemption for a Change of Control*). A notice given by the Issuer stipulating that it will redeem the Securities pursuant to this Condition 5(e) (*Redemption and Purchase — Redemption for a Change of Control*) shall: (A) stipulate the Change of Control Call Date; (B) be irrevocable; and (C) oblige the Issuer to redeem the Securities on the Change of Control Call Date at the Early Redemption Amount, together with Distribution accrued and unpaid to such date (including any Arrears of Distribution and any Additional Distribution Amount, if any).

The "**Change of Control Call Date**" shall be a date not less than 30 nor more than 60 days from the date of the notice referred to in the paragraph above.

The "**Early Redemption Amount**" shall mean (i) (if the Change of Control Call Date falls prior to the First Reset Date), 101 per cent. of the principal amount of the Securities for the time being outstanding and (ii) (if the Change of Control Call Date falls on or after the First Reset Date), the principal amount of the Securities for the time being outstanding.

(f) *Redemption for minimum outstanding amount*: The Securities may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on the Issuer giving not less than 30 nor more than 60 days' notice (in accordance with Condition 15 (*Notices*)) to the Holders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent at their principal amount together with Distribution accrued and unpaid to such date (including any Arrears of Distribution and any Additional Distribution Amount, if any), if prior to the date of such notice at least 90 per cent. in principal amount of the Securities originally issued (including any further Securities issued pursuant to Condition 14 (*Further Issues*) and consolidated and forming a single series with the Securities) has already been redeemed or purchased and cancelled.

Upon expiry of any such notice period as is referred to in this Condition 5(f) (*Redemption and Purchase — Redemption in the case of minimal outstanding amount*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(f) (*Redemption and Purchase — Redemption in the case of minimal outstanding amount*).

(g) *No other redemption*: The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Conditions 5(b) (*Redemption and Purchase — Redemption for tax reasons*) to 5(f) (*Redemption in the case of minimal outstanding amount*) (both inclusive) and Condition 8 (*Non-payment*).

(h) *Notice of redemption*: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption, or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and none of them shall be liable to Holders, the Issuer or any other person for not doing so.

(i) *Purchase*: The Issuer and/or any of its Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price. Securities so purchased or subscribed, whilst held by or on behalf of the Issuer, any of its Subsidiaries or any Permitted Holder, shall not entitle such holder to vote at any meetings of Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Holders or for the purposes of Conditions 8 (*Non-payment*) or 12(a) (*Meetings of Holders*).

(j) *Cancellation*: All Securities redeemed or purchased by or on behalf of the Issuer and/or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

6. Payments

(a) *Principal*: Payments of principal shall be made in U.S. dollars by transfer to a U.S. dollar account (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Distributions*: Payments of Distributions (including any Arrears of Distribution and any Additional Distribution Amount) shall be made in U.S. dollars by transfer to a U.S. dollar account (in the case of Distributions payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 6(d) (*Payments — Payments on business days*), "**business day**" means any day, other than a Saturday, a Sunday and a public holiday, on which banks are open for general business (including dealings in foreign currencies) in London, Hong Kong, New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date*: Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date").

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system ("Alternative Clearing System"), each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

7. Taxation

All payments of principal and Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Bermuda, Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax (each, a "Relevant Jurisdiction"), unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is required by law and is made by the Issuer as a result of the Issuer being a PRC tax resident by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax at a rate of up to (and including) the rate applicable on 3 June 2024 (the "Applicable Rate"), the Issuer will pay such additional amounts (the "PRC Tax Additional Amount") as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event the Issuer is required to make a deduction or withholding (i) by or on behalf of the PRC or any political subdivision thereof or authority therein or thereof having power to tax in excess of the Applicable Rate; or (ii) by or within any Relevant Jurisdiction or any political subdivision thereof or authority therein or thereof having power to tax except the PRC, the Issuer shall pay such additional amounts (the "Additional Amounts") as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such PRC Tax Additional Amount or Additional Amounts shall be payable in respect of any Security:

(a) held by a Holder (or a third party on behalf of a Holder) which is subject to such taxes, duties, assessments or governmental charges in respect of such Security by reason of its having some connection with a Relevant Jurisdiction other than the mere holding of the Security; or

(b) where (in the case of a payment of principal or Distribution on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in New York City by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders.

Any reference in these Conditions to principal, Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any Additional Amounts in respect of principal, Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than a Relevant Jurisdiction, references in these Conditions to such Relevant Jurisdiction shall be construed as references to the Relevant Jurisdiction and such other jurisdiction or, as the case may be, such other jurisdiction only.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessment, charges, withholding or other payment referred to in this Condition 7 (*Taxation*) or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Holder or any third party to pay such tax, duty, assessment, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any amount under or in respect of the Securities without deduction or withholding for or on account of any tax, duty, assessment, charges, withholding or other payment imposed by or in any jurisdiction.

8. Non-payment

(a) *Limited rights to institute proceedings*: Notwithstanding any of the provisions below in this Condition 8 (*Non-payment*), the right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 4(e) (*Distributions — Distribution Deferral*). In addition, nothing in this Condition 8 (*Non-payment*), including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee to otherwise take any action against the Issuer, in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

(b) *Proceedings for Winding-Up*: Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or (ii) the Issuer failing to make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 8(d) (*Non-payment — Entitlement of Trustee*), institute proceedings for the Winding-Up of the Issuer and/or (without prejudice to Condition 4(a)(ii) (*Distributions — Accrual of Distributions*)) prove and/or claim in the Winding-Up of the Issuer for the principal amount of the Securities together with Distributions, Arrears of Distribution and any Additional Distribution Amount accrued to the day prior to the commencement of the Winding-Up.

(c) *Enforcement*: Without prejudice to Condition 8(b) (*Non-payment — Proceedings for Winding-Up*) but subject to the provisions of Condition 8(d) (*Non-payment — Entitlement of Trustee*), the Trustee may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations), *provided that* in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) *Entitlement of Trustee*: The Trustee at its discretion may and, if so requested in writing by Holders of at least one-quarter of the aggregate principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution, shall take any of the actions referred to in Condition 8(b) (*Non-payment — Proceedings for Winding-Up*) or Condition 8(c) (*Non-Payment — Enforcement*) against the Issuer to enforce the terms of the Trust Deed or the Securities subject in any such case to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction.

(e) *Right of Holders*: No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up of the Issuer or to prove or claim in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove or claim in such Winding-Up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 8 (*Non-payment*).

(f) *Extent of Holders' remedy*: No remedy against the Issuer, other than as referred to in this Condition 8 (*Non-payment*), shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities under the Trust Deed.

(g) *Definitions*: In these Conditions, "**Winding-Up**" means a final and effective order or resolution for the winding up, liquidation or similar proceedings in respect of the Issuer.

9. Prescription

Claims for principal and Distribution on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years (in the case of principal and premium) and five years (in the case of Distribution) of the appropriate Relevant Date.

10. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Holders as a class and will not be responsible for any consequence for individual Holders of Securities as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee may rely, without liability to Holders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely (without further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Holders.

Each Holder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Holders (in accordance with Condition 15 (*Notices*)).

12. Meetings of Holders; Modification and Waiver

(a) *Meetings of Holders*: The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee, and shall be convened by the Trustee upon the request in writing of Holders holding not less than one-tenth of the aggregate principal amount of the outstanding Securities, subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction by such Holders. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, two or more persons being or representing a Holder or Holders whatever the principal amount of the Securities held or represented; *provided*, *however*, *that* certain proposals (including any proposal to modify the circumstances in which the Securities may be redeemed or the circumstances in which Distribution (including any Arrears of Distribution and any Additional Distribution Amount) are payable or may be deferred, to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution, to change the deferral provisions in respect of Distributions in respect of the Securities, to effect the exchange, conversion or substitution of the Securities for, or the conversion of the Securities into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed, to amend any provision of Clause 7 (*Status of the Securities*) of the Trust Deed and to amend the scope of such proposals (each, a "Reserved Matter")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Securities shall form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders of not less than 90 per cent. of the aggregate principal amount of Securities for the time being outstanding and who are entitled to receive notice of a meeting of the Holders of the Securities pursuant to the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders. A resolution passed by way of electronic consents through the clearing systems by or on behalf of Holders of not less than 90 per cent. in aggregate principal amount of Securities for the time being outstanding shall take effect as if it were an Extraordinary Resolution, whether or not relating to a Reserved Matter.

So long as the Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Holders may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

(b) *Modification and waiver*: The Trustee may, without the consent of the Holders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of Holders and to any modification of these Conditions, the Securities or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified by the Issuer to the Holders (in accordance with Condition 15 (*Notices*)) as soon as practicable thereafter.

13. Substitution or Variation

If a Special Event has occurred and is continuing, then the Issuer may at its option, subject to Condition 4 (*Distributions*) (without any requirement for the consent or approval of the Holders) and subject to it having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 13 (*Substitution or Variation*) have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice in writing to the Trustee and the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), to the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 13 and subject to the receipt by it of the certificate of two duly authorised officers of the Issuer, on which the Trustee may rely absolutely) agree to such substitution or variation. Any such substitution or variation agreed to by the Trustee as aforesaid shall be binding on the Holders.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 13 (*Substitution or Variation*). In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amount) shall be satisfied in full in accordance with the provisions of Condition 4(e)(vi) (*Distributions — Distribution Deferral — Satisfaction of Arrears of Distribution by payment*).

In connection with any substitution or variation in accordance with this Condition 13 (*Substitution or Variation*), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with this Condition 13 (*Substitution or Variation*) shall not be permitted if any such substitution or variation would itself give rise to a Special Event with respect to the Securities or the Qualifying Securities.

For the purposes of these Conditions:

"**Qualifying Securities**" means securities that:

(a) have terms not materially less favourable to an investor than the terms of the Securities, *provided that*:

   (i) they are issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer having the benefit of a guarantee of the Issuer; and

   (ii) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Securities on a Winding-Up of the issuer or guarantor thereof, shall preserve the Holders' rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant securities, and shall contain terms which provide at least for the same Distribution Rate (including the distribution amount receivable thereunder), Distribution Payment Dates and redemption events, from time to time applying to the Securities and otherwise have substantially identical (as reasonably determined by the Issuer) terms to the Securities, save where any modifications to such terms are required to be made to resolve an Accounting Event or a Withholding Tax Event, as the case may be; and

(b) are listed on or by the Singapore Exchange Securities Trading Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets,

in each case as certified to the Trustee by (x) two duly authorised officers of the Issuer and (y) an Independent Investment Bank prior to the substitution or variation of the relevant Securities prior to the substitution or variation of the relevant Securities.

"**Special Event**" means, a Withholding Tax Event, an Accounting Event or any combination of the foregoing.

14. Further Issues

The Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first Distribution Payment Date) so as to form a single series with the Securities.

15. Notices

Notices to the Holders will be sent to them by uninsured mail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Securities are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to the Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Certificate.

16. Governing Law and Jurisdiction

(a) *Governing law*: The Securities and the Trust Deed and any non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by English law.

(b) *Jurisdiction:* The Issuer has in the Trust Deed (i) agreed that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "Dispute") arising out of or in connection with the Securities (including any non-contractual obligation arising out of or in connection with the Securities); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in Hong Kong to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Securities in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Securities set out in this Offering Memorandum. Terms defined in the Terms and Conditions of the Securities have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Securities will be represented by a Global Certificate which will be registered in the name of Citivic Nominees Limited as nominee for, and deposited with, the common depositary for Euroclear and Clearstream.

The Global Certificate will become exchangeable in whole, but not in part, for individual certificates ("Individual Certificates") if (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Non-payment*) occurs.

Whenever the Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Securities scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Certificate will contain provisions that modify the Terms and Conditions of the Securities as they apply to the Securities evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Payment Record Date: Each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "Record Date") where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Notices: Notwithstanding Condition 15 (*Notices*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an "Alternative Clearing System"), notices to Holders of Securities represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

Calculation of interest: the calculation of any amount of Distribution in respect of any Security which is represented by the Global Certificate will be calculated on the aggregate outstanding nominal amount of the Securities represented by the Global Certificate and not by reference to the Calculation Amount.

Determination of entitlement: The Global Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of the Global Certificate.

Electronic Consent and Written Resolution: While any Global Certificate is held on behalf of a clearing system, then:

(a) approval of a resolution proposed by the Company or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of the Securities for the time being outstanding (an "Electronic Consent" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which a special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Holders duly convened and held, and shall be binding on all Holders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Company and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Company and/or the Trustee, as the case may be, by (a) accountholders in the clearing system(s) with entitlements to such Global Certificate or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Company and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream or any other relevant clearing system (the "relevant clearing system") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Securities is clearly identified together with the amount of such holding. The Company or the Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Clearing System Accountholders

References in the Terms and Conditions of the Securities to “Holder” are references to the person in whose name the Global Certificate is for the time being registered in the Register which, for so long as the Global Certificate is held by or on behalf of a common depositary for Euroclear and/or Clearstream, will be that common depositary or a nominee for that common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, as being entitled to an interest in the Global Certificate (each an “Accountholder”) must look solely to Euroclear and/or Clearstream (as the case may be) for such Accountholder’s share of each payment made by the Company to the holder of the Global Certificate and in relation to all other rights arising under Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under Global Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream from time to time. For so long as the relevant Securities are represented by Global Certificate, Accountholders shall have no claim directly against the Company in respect of payments due under the Securities and such obligations of the Company will be discharged by payment to the holder of the Global Certificate.

TAXATION

The following summary of certain Bermuda, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the Securities is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Securities should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Securities.

Bermuda

At the date hereof, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its members, other than members ordinarily resident in Bermuda. Further, no such tax is imposed by withholding or otherwise on any payment to be made to or made by the Company.

An assurance has been received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 to the effect that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not until 31 March 2035 be applicable to the Company or to any of its operations or to the shares, debentures or other obligations of the Company except in so far as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Company or to any land leased or let to the Company.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Securities or in respect of any capital gains arising from the sale of the Securities.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Distribution on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- Distribution on the Securities is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

- Distribution on the Securities is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business, unless otherwise exempted;

- Distribution on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "IRO")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- Distribution on the Securities is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Securities will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Securities will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Securities will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Securities are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Security.

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Securities is based upon applicable laws, rules and regulations in effect as of the date of this exchange offer memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Securities should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Securities, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Distribution and Capital Gains

Under the PRC EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) must be withheld from interest payable to investors that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, or 20% for "non-resident individuals" investors (or lower treaty rate, if any), if we are deemed to be a PRC "resident enterprise" and the interest is deemed as PRC-source income. Any gain realised on the transfer of the Securities by such "non-resident enterprises" investors would be subject to a 10%, or 20% for "non-resident individuals" investors (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC in the case that we are treated as a PRC "resident enterprise". There is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. See "*Risk Factors — Risks Relating to the PRC — Under the Enterprise Income Tax Law, we may be classified as a 'resident enterprise' of the PRC. Such classification could result in unfavourable tax consequences to us and non-PRC holders of the Securities*." If we are treated as a PRC "resident enterprise," the interest we pay in respect of the Securities, and the gain any investor may realise from the transfer of the Securities, might be treated as income derived from sources within the PRC and be subject to PRC income tax.

Value-added Tax ("VAT")

According to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-Added Tax to Replace Business Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) ("Circular 36"), the entities and individuals providing the services within China shall be subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of the Securities is likely to be treated as the holders of the Securities providing loans to the Company, which thus shall be regarded as financial services subject to VAT. It is not clear from the interpretation of Circular 36 if the provision of loans to the Company could be consider services provided within the PRC, which thus could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Company will not be treated as "resident enterprises" under the EIT Law. PRC tax authorities could take the view that the holders of the Securities are providing loans within the PRC because the Company is treated as PRC tax residents. In which case, the issuance of the Securities could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Company is treated as a PRC tax resident and if PRC tax authorities could take the view that the holders of the Securities are providing loans within the PRC, or if the interest component of the amount payable by the Company to the holders of the Securities is viewed as interest income arising within the territory of the PRC, the holders of the Securities shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Securities. In addition, the holders of the Securities shall be subject to the local levies at approximately 12 per cent. of the VAT payment. Given that the Company pays interest income to the holders of the Securities who are located outside of the PRC, the Company, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to the holders of the Securities who are located outside of the PRC. Where a holder of the Securities who is an entity or individual located outside of the PRC resells the Securities to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Securities is located inside the PRC.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Securities is maintained outside the PRC) of a Security.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA ("FATCA"), a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Company may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional securities (as described under "*Terms and Conditions of the Securities — Further Issues*") that are not distinguishable from previously issued Securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Securities, including the Securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Securities.

SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement with the Sole Manager dated 3 June 2024 (the "Subscription Agreement"), pursuant to which, and subject to certain conditions contained in the Subscription Agreement, the Company has agreed to issue and the Sole Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Securities at the issue price of 100.00 per cent.

The Subscription Agreement provides that the obligations of the Sole Manager are subject to certain conditions precedent. The Subscription Agreement may be terminated by the Sole Manager in certain circumstances at any time prior to payment of the subscription monies for the Securities to the Company. The Subscription Agreement provides that the Company will indemnify the Sole Manager and its affiliates against certain liabilities in connection with the offer and sale of the Securities.

The Company has agreed to pay the Sole Manager a combined management and underwriting commission in connection with the offering and will reimburse the Sole Manager for certain fees and expenses incurred in connection with the offering.

In connection with the issue of the Securities, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot the Securities and effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Company. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Sole Manager.

The Sole Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("Banking Services or Transactions"). The Sole Manager and its affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with for which they have received, or will receive, fees and expenses.

In connection with the offering of the Securities, the Sole Manager and/or its affiliates, or affiliates of the Company, may act as investors and place orders, receive allocations and trade the Securities for their own account and such orders, allocations or trading of the Securities may be material. Such entities may hold or sell such Securities or purchase further Securities for their own account in the secondary market or deal in any other securities of the Company, and therefore, they may offer or sell the Securities or other securities otherwise than in connection with the offering of the Securities. Accordingly, references herein to the offering of the Securities should be read as including any offering of the Securities to the Sole Manager and/or its affiliates, or affiliates of the Company as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Securities may be impacted.

The Related Investors have subscribed for a substantial majority of the Securities. See also "*Risks Relating to the Securities — Certain initial investors may own a majority of the Securities to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of the Securities. Additionally, this may reduce the liquidity of the Securities in the secondary trading market*." If a significant proportion of the Securities are initially allocated to, and subsequently held by, a limited number of investors, the trading price and liquidity of trading in the Securities may be constrained. The Company and the Sole Manager are under no obligation to disclose the extent of the distribution of the Securities amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Sole Manager and its affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for its own account and for the accounts of its customers, and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investment and securities activities may involve securities and instruments of the Company or its subsidiaries, associates or associated companies, including the Securities and could adversely affect the trading price and liquidity of the Securities. The Sole Manager and its affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Securities or other financial instruments of the Company, and may recommend to their clients that they acquire long and/or short positions in the Securities or other financial instruments of the Company.

IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the SFC Code as having an Association with the Company, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Securities. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Company or any CMI (including its group companies) and inform the Sole Manager accordingly. CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Memorandum.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Securities (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Company (if any). In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Securities.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, the Sole Manager in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Securities, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the Sole Manager (if so affiliated) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: DCM.Omnibus@citi.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Company, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Sole Manager may be asked to demonstrate compliance with its obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the Sole Manager with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Sole Manager that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "Person"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i)–(vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "SSI List"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organised or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

GENERAL

The distribution of this Offering Memorandum or any offering material and the offering, sale or delivery of the Securities are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Offering Memorandum or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Company or the Sole Manager that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Securities, or possession or distribution of this Offering Memorandum, any amendment or supplement thereto issued in connection with the proposed resale of the Securities or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Memorandum comes are required by the Company and the Sole Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Securities or have in their possession, distribute or publish this Offering Memorandum or any other offering material relating to the Securities, in all cases at their own expense.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Sole Manager or any of its affiliate is a license broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Sole Manager or such affiliate on behalf of the Company in such jurisdiction.

UNITED STATES

The Securities have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Sole Manager has represented that it has not offered or sold, and agrees that it will not offer or sell, any of the Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Securities. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

UNITED KINGDOM

Prohibition of Sales to UK Retail Investors

The Sole Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are the subject of the offering contemplated by this Offering Memorandum to any retail investor in the UK. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the UK domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the UK domestic law by virtue of the EUWA.

Other regulatory restrictions

The Sole Manager has represented, warranted and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the UK.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Sole Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

HONG KONG

The Sole Manager has represented, warranted and undertaken that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the laws of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside of Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

The Sole Manager has represented, warranted and agreed that no Securities will be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any person to whom it is unlawful or make the offer or solicitation in the PRC.

SINGAPORE

The Sole Manager has acknowledged that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Manager has represented, warranted and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

JAPAN

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and, accordingly, the Sole Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

BERMUDA

No offer or invitation may be made to the public in Bermuda to subscribe for the Securities. The Securities have not been and will not be offered or sold in Bermuda.

LEGAL MATTERS

Certain legal matters with respect to the Securities will be passed upon for us by Conyers Dill and Pearman as to matters of Bermuda law, Sidley Austin as to matters of English law and Zhong Lun Law Firm as to matters of PRC law. Certain legal matters will be passed upon for the Sole Manager by Clifford Chance as to matters of English and Hong Kong law and Han Kun Law Offices as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial statements of Nine Dragons Paper (Holdings) Limited as of and for each of the fiscal years ended 30 June 2022 and 2023 included in this Offering Memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in their reports appearing herein and in the Company's annual reports for the fiscal years ended 30 June 2022 and 2023. The Company's unaudited interim condensed consolidated financial information as of and for the six months ended 31 December 2023 reproduced in this Offering Memorandum have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

GENERAL INFORMATION

CONSENTS

The Company has obtained all necessary consents, approvals and authorisations as may be required in connection with the issue and performance of the Securities. The issue of the Securities was authorised by a resolution of the Board of Directors of the Company passed on 20 May 2024.

LITIGATION

Except as disclosed in this Offering Memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Securities.

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this Offering Memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since 31 December 2023 that is material in the context of the issue of the Securities.

DOCUMENTS AVAILABLE

For so long as any of the Securities are outstanding, copies of the Trust Deed governing the Securities may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

For so long as any of the Securities are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

CLEARING SYSTEM AND SETTLEMENT

The Legal Entity Identifier of the Company is 529900TBMYEYJ2LEV906. The Securities have been accepted for clearance through Euroclear and Clearstream with the Common Code of 282553945. The International Securities Identification Number for the Securities is XS2825539450.

LISTING OF THE SECURITIES

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Securities on the official list of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle from the SGX-ST, admission of the Securities to the official list of the SGX-ST and quotation of the Securities on the SGX-ST are not to be taken as indications of the merits of the offering, the Company, any other subsidiary or associated company of the Company or the Securities. For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Securities if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

For so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Certificate is exchanged for definitive Certificates, we will appoint and maintain a paying agent in Singapore, where the definitive certificates may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

GLOSSARY OF TECHNICAL TERMS

"basis weight"	weight per unit area of a paper product. This can be expressed as the weight in grammes per sq.m. (g/m^2) or pounds per 1,000 sq.ft., among others
"boxboard"	the general term describing the type of paperboard used for fabricating boxes, which may be plain, lined or clay coated, and includes duplex board
"burst index"	a paper strength indicator derived from dividing bursting strength (measured in kPa) by basis weight (measured in g/m^2), and expressed as kPa m^2/g. Bursting strength is the combined tensile strength and stretch of a material as measured by the ability of the material to resist rupture when pressure is applied under specified conditions to one of its sides by an instrument used for testing the property
"CAGR"	compound annual growth rate
"coated duplex board"	a type of duplex board with a glossy coated surface on one side for superior printability
"containerboard"	the paperboard components used to manufacture corrugated containers. Containerboard primarily includes linerboard and corrugating medium and can also include coated duplex board
"corrugated board"	the structure formed by adhering one or more sheets of fluted corrugating medium to one or more layers of linerboard
"corrugating medium"	a paperboard used to form the corrugated or fluted component of corrugated board
"corrugator"	a machine that presses corrugations into the corrugating medium and glues linerboard to each side to make corrugated board, or a company that makes corrugated board
"DCS"	Distributed Control System, typically a large-scale process control system characterised by a distributed network of equipment that encompasses the functions of control, user interface, data collection, and system management

"design production capacity"	management's estimate of the amount of product or material that a production base or paper machine is capable of producing on an annual basis and is based on factors which affect normal operating limits such as the capacity of equipment to process a material, the type and basis weight of the product produced, the variability of and availability of raw materials, energy and water and regular and periodic maintenance. Design production capacity assumes utilisation rates of 100%. The actual utilisation rates, and therefore our actual production volumes, may vary and be above or below our estimates. Estimates of design production capacity are based on the assumption that paper machines will only be producing the planned primary product, at assumed basis weights.
"duplex board"	a type of boxboard made from two separate webs (with, for example, different finish or colour characteristics) combined together while still damp, without using adhesives
"dwt"	the deadweight of a ship expressed in tonnes. This measurement is the total weight of cargo, fuel, fresh water, stores and crew which the ship can carry
"flute" or "corrugation"	the wave shapes or ridges that are pressed into the corrugating medium by the corrugator
"fourdrinier"	a traditional forming technology employed in the manufacture of all grades of paper, including containerboard. The fourdrinier machine, for descriptive purposes, can be divided into four sections: the wet end, the press section, the dryer section and the calendar section
"GPS"	Global Positioning System. A system of satellites that was developed by the U.S. Department of Defense that is widely used, in addition to military uses, for marine and terrestrial navigation, and that allows one's position to be calculated with great accuracy by the use of an electronic receiver
"ISO"	International Organization for Standardization
"ISO 9001"	ISO standards for quality management which are primarily concerned with what an organisation does to ensure that its products conform to customer and applicable regulatory requirements and which set requirements for what an organisation must do to manage processes influencing product quality

"ISO 14001"	ISO standards for environmental management which are primarily concerned with what an organisation does to minimise harmful effects on the environment caused by its activities and which set requirements for what an organisation must do to manage processes influencing the impact of its activities on the environment
"kPa"	kilopascal(s), a unit of pressure or stress which measures perpendicular force per unit area. 1 kPa = 1,000 pascals
"kraftlinerboard"	a high grade of linerboard manufactured wholly or partially from kraft pulp
"kraft pulp"	pulp produced by the kraft or sulphate chemical process. The kraft process is the predominant chemical pulping process used globally, and involves cooking (digesting) wood chips in an alkaline solution for several hours during which time the chemicals attack the lignin in the wood. The dissolved lignin is later removed leaving behind the cellulose fibres, which is the primary constituent of pulp
"lignin"	one of the three main constituents of wood, along with cellulose and hemi-cellulose. Lignin acts as the cementing agent in wood, binding the cellulose fibres together
"linerboard"	the outer and inner facings of corrugated board
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"mtpa"	million tonnes per annum
"MW"	megawatt, a unit of power equal to 1,000,000 watts
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"packaging paperboard" or "paperboard"	a generic term encompassing primarily containerboard, boxboard and industrial, converted products. Packaging paperboard is generally heavier in basis weight, thicker and more rigid than paper
"PLC"	programmable logic controller, a device used to automatically monitor and control industrial plant processes and/or production operations by interfacing software control with input/output devices
"PM"	a prefix referring to our paper machines. For instance, PM1 refers to our first paper machine
"recovered paper"	used paper and board separately collected for re-use as fibre raw material in the manufacture of containerboard products

"RISI Inc."	RISI Inc., an internationally recognised source for independent economic analysis for the international forest products industry
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SEPA"	the State Environmental Protection Administration of the PRC (中華人民共和國國家環境保護總局)
"sq.ft."	square feet
"sq.m."	square metre(s)
"stacking strength"	a paper strength indicator that can be expressed in Newton metre/gram, or Nm/g, derived from the box compression test. A Newton metre is the unit of moment or torque.
"surface sizing"	the treatment of the surface of the paper after it has dried or partially dried with materials or chemicals to impart resistance to water, oils and other fluids, to seal down its surface fibres and to improve its surface strength
"tensile strength"	the maximum force required to break a strip of paper of a given width under prescribed laboratory conditions
"testlinerboard"	linerboard made entirely from recovered paper
"tonne(s)"	metric tonne(s), equivalent to 1,000 kilogrammes
"white top linerboard"	a type of linerboard comprising a multi-ply sheet composed of one bleached layer with the remaining layer(s) unbleached
"%"	per cent.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Notes:

(1) The unaudited condensed consolidated interim financial statements set out herein has been reproduced from the Company's interim report for the six months ended 31 December 2023, and page references are references to pages set forth in such report. The unaudited condensed consolidated interim financial information has not been specifically prepared for the inclusion in this Offering Memorandum.

(2) The audited consolidated financial statements set out herein have been reproduced from the Company's annual reports for the years ended 30 June 2022 and 2023, and page references are references to pages set forth in such reports. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Memorandum.

簡明綜合資產負債表
Condensed Consolidated Balance Sheet

		附註 Note	二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000 未經審核 Unaudited	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000 經審核 Audited
資產	**ASSETS**			
非流動資產	**Non-current assets**			
物業、廠房及設備	Property, plant and equipment	7	**91,601,729**	86,557,207
使用權資產	Right-of-use assets	7	**4,562,304**	3,019,260
無形資產	Intangible assets		**291,679**	300,248
於聯營公司及一間合營企業的投資	Investments in associates and a joint venture		**188,010**	175,400
預付款	Prepayments	9	**502,025**	1,013,424
遞延所得稅資產	Deferred income tax assets		**143,649**	130,969
總非流動資產	**Total non-current assets**		**97,289,396**	91,196,508
流動資產	**Current assets**			
存貨	Inventories	8	**9,410,876**	8,855,674
應收貿易賬款	Trade receivables	9	**3,360,052**	3,086,387
應收票據	Bills receivables	9	**5,248,195**	1,373,742
其他應收款項及預付款	Other receivables and prepayments	9	**6,069,846**	5,556,064
按公平值計入損益的金融資產	Financial assets at fair value through profit or loss		**85,774**	87,404
可退回稅項	Tax recoverable		**12,692**	32,330
受限制現金	Restricted cash		**104,965**	113,319
短期銀行存款	Short-term bank deposits		**45,186**	32,088
現金及現金等價物	Cash and cash equivalents		**7,285,320**	10,317,488
總流動資產	**Total current assets**		**31,622,906**	29,454,496
總資產	**Total assets**		**128,912,302**	120,651,004
權益	**EQUITY**			
本公司權益持有人應佔股本及儲備	**Capital and reserves attributable to equity holders of the Company**			
股本	Share capital	10	**480,531**	480,531
股份溢價	Share premium	10	**1,084,720**	1,084,720
其他儲備	Other reserves	11	**6,632,763**	6,812,482
保留盈利	Retained earnings		**36,541,624**	36,274,153
			44,739,638	44,651,886
非控制權益	**Non-controlling interests**		**469,861**	484,536
總權益	**Total equity**		**45,209,499**	45,136,422

簡明綜合資產負債表(續)
Condensed Consolidated Balance Sheet (Continued)

		附註 Note	二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000 未經審核 Unaudited	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000 經審核 Audited
負債	**LIABILITIES**			
非流動負債	**Non-current liabilities**			
貸款	Borrowings	12	**47,750,687**	43,180,730
租賃負債	Lease liabilities	7(a)	**1,108,274**	21,203
其他應付款項	Other payables	13	**37,851**	84,093
遞延所得稅負債	Deferred income tax liabilities		**4,358,254**	4,157,579
總非流動負債	**Total non-current liabilities**		**53,255,066**	47,443,605
流動負債	**Current liabilities**			
貸款	Borrowings	12	**13,275,753**	13,592,522
應付貿易賬款	Trade payables	13	**3,691,320**	3,277,468
應付票據	Bills payables	13	**8,529,944**	6,370,854
合約負債	Contract liabilities		**448,422**	454,378
租賃負債	Lease liabilities	7(a)	**67,410**	30,812
其他應付款項	Other payables	13	**4,383,457**	4,322,791
即期所得稅負債	Current income tax liabilities		**51,431**	22,152
總流動負債	**Total current liabilities**		**30,447,737**	28,070,977
總負債	**Total liabilities**		**83,702,803**	75,514,582
總權益及負債	**Total equity and liabilities**		**128,912,302**	120,651,004

上述簡明綜合資產負債表應與隨附附註一併閱讀。

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

簡明綜合損益表
Condensed Consolidated Income Statement

		附註 Note	截至十二月三十一日止六個月 Six months ended 31 December 二零二三年 2023 人民幣千元 RMB'000 未經審核 Unaudited	二零二二年 2022 人民幣千元 RMB'000 未經審核 Unaudited
收入	Revenue	14	**30,611,229**	31,198,020
銷售成本	Cost of goods sold	15	**(27,905,603)**	(30,511,935)
毛利潤	**Gross profit**		**2,705,626**	686,085
其他收入、其他開支及其他收益 — 淨額	Other income, other expenses and other gains — net	16	**741,522**	815,070
經營活動的匯兌虧損 — 淨額	Exchange losses on operating activities — net		**(12,834)**	(12,029)
銷售及市場推廣成本	Selling and marketing costs	15	**(1,111,548)**	(1,125,200)
行政開支	Administrative expenses	15	**(1,031,254)**	(1,225,541)
金融資產減值虧損淨額	Net impairment losses on financial assets		**(48,034)**	—
經營盈利/(虧損)	**Operating profit/(loss)**		**1,243,478**	(861,615)
財務費用 — 淨額	Finance costs — net		**(603,722)**	(560,189)
— 財務收入	— Finance income	17	**83,379**	81,130
— 財務費用	— Finance costs	17	**(687,101)**	(641,319)
融資活動的匯兌虧損 — 淨額	Exchange losses on financing activities — net		**(45,551)**	(39,397)
應佔聯營公司及一間合營企業的盈利 — 淨額	Share of profit of associates and a joint venture — net		**3,758**	19,286
除所得稅前盈利/(虧損)	**Profit/(loss) before income tax**		**597,963**	(1,441,915)
所得稅(開支)/抵免	Income tax (expense)/credit	18	**(295,418)**	43,005
本期間盈利/(虧損)	**Profit/(loss) for the Period**		**302,545**	(1,398,910)
以下人士應佔盈利/(虧損):	**Profit/(loss) attributable to:**			
— 本公司權益持有人	— Equity holders of the Company		**292,436**	(1,388,795)
— 非控制權益	— Non-controlling interests		**10,109**	(10,115)
			302,545	(1,398,910)

簡明綜合損益表(續)
Condensed Consolidated Income Statement (Continued)

		附註 Note	截至十二月三十一日止六個月 Six months ended 31 December 二零二三年 2023 人民幣千元 RMB'000 未經審核 Unaudited	二零二二年 2022 人民幣千元 RMB'000 未經審核 Unaudited
本公司權益持有人應佔盈利／(虧損)的每股基本盈利／(虧損) *(以每股人民幣元計)*	**Basic earnings/(losses) per share for profit/(loss) attributable to equity holders of the Company** *(expressed in RMB per share)*	19	**0.06**	(0.30)
本公司權益持有人應佔盈利／(虧損)的每股攤薄盈利／(虧損) *(以每股人民幣元計)*	**Diluted earnings/(losses) per share for profit/(loss) attributable to equity holders of the Company** *(expressed in RMB per share)*	19	**0.06**	(0.30)

上述簡明綜合損益表應與隨附附註一併閱讀。

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

簡明綜合全面收入表
Condensed Consolidated Statement of Comprehensive Income

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000 未經審核 Unaudited	二零二二年 2022 人民幣千元 RMB'000 未經審核 Unaudited
本期間盈利╱(虧損)	**Profit/(loss) for the period**	**302,545**	(1,398,910)
其他全面虧損 *(其後可能重新分類至損益的項目)* — 貨幣換算差額	**Other comprehensive loss** *(items that may be reclassified subsequently to profit or loss)* — currency translation differences	**(229,468)**	(220,122)
本期間全面收入╱(虧損)總額	**Total comprehensive income/(loss) for the Period**	**73,077**	(1,619,032)
以下人士應佔本期間全面收入╱(虧損)總額:	**Total comprehensive income/(loss) for the Period attributable to:**		
— 本公司權益持有人	— Equity holders of the Company	**87,752**	(1,608,765)
— 非控制權益	— Non-controlling interests	**(14,675)**	(10,267)
		73,077	(1,619,032)

上述簡明綜合全面收入表應與隨附附註一併閱讀。

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

簡明綜合權益變動表
Condensed Consolidated Statement of Changes in Equity

		未經審核 Unaudited						
		本公司權益持有人應佔 Attributable to equity holders of the Company						
		股本 Share capital 人民幣千元 RMB'000	股份溢價 Share premium 人民幣千元 RMB'000	其他儲備 Other reserves 人民幣千元 RMB'000	保留盈利 Retained earnings 人民幣千元 RMB'000	合計 Total 人民幣千元 RMB'000	非控制權益 Non-controlling interests 人民幣千元 RMB'000	權益總額 Total equity 人民幣千元 RMB'000
於二零二三年七月一日的結餘	**Balance at 1 July 2023**	**480,531**	**1,084,720**	**6,812,482**	**36,274,153**	**44,651,886**	**484,536**	**45,136,422**
全面收入	**Comprehensive income**							
本期間盈利	Profit for the period	**–**	**–**	**–**	**292,436**	**292,436**	**10,109**	**302,545**
其他全面虧損	**Other comprehensive loss**							
貨幣換算差額	Currency translation differences	**–**	**–**	**(204,684)**	**–**	**(204,684)**	**(24,784)**	**(229,468)**
全面收入總額	**Total comprehensive income**	**–**	**–**	**(204,684)**	**292,436**	**87,752**	**(14,675)**	**73,077**
法定儲備及企業發展基金的分配	Appropriation to statutory reserve and enterprise expansion fund	**–**	**–**	**24,965**	**(24,965)**	**–**	**–**	**–**
於二零二三年十二月三十一日的結餘	**Balance at 31 December 2023**	**480,531**	**1,084,720**	**6,632,763**	**36,541,624**	**44,739,638**	**469,861**	**45,209,499**
於二零二二年七月一日的結餘	**Balance at 1 July 2022**	480,531	1,084,720	6,403,756	39,085,792	47,054,799	450,527	47,505,326
全面虧損	**Comprehensive loss**							
本期間虧損	Loss for the period	–	–	–	(1,388,795)	(1,388,795)	(10,115)	(1,398,910)
其他全面虧損	**Other comprehensive loss**							
貨幣換算差額	Currency translation differences	–	–	(219,970)	–	(219,970)	(152)	(220,122)
全面虧損總額	**Total comprehensive loss**	–	–	(219,970)	(1,388,795)	(1,608,765)	(10,267)	(1,619,032)
與擁有人的交易	**Transactions with owners**							
向本公司權益持有人派付二零二二年末期股息	2022 final dividend to equity holders of the Company	–	–	(93,844)	–	(93,844)	–	(93,844)
法定儲備及企業發展基金的分配	Appropriation to statutory reserve and enterprise expansion fund	–	–	23,951	(23,951)	–	–	–
於二零二二年十二月三十一日的結餘	**Balance at 31 December 2022**	480,531	1,084,720	6,113,893	37,673,046	45,352,190	440,260	45,792,450

上述簡明綜合權益變動表應與隨附附註一併閱讀。

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

簡明綜合現金流量表
Condensed Consolidated Statement of Cash Flows

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000 未經審核 Unaudited	二零二二年 2022 人民幣千元 RMB'000 未經審核 Unaudited
來自經營活動的現金流量	**Cash flows from operating activities**		
經營業務(所用)/所得現金	Cash (used in)/generated from operations	**(1,401,130)**	3,631,354
(已付)/已收所得税	Income tax (paid)/received	**(57,772)**	18,515
已付利息	Interest paid	**(1,053,934)**	(931,782)
經營活動(所用)所得現金淨額	Net cash (used in)/generated from operating activities	**(2,512,836)**	2,718,087
來自投資活動的現金流量	**Cash flows from investing activities**		
物業、廠房及設備、使用權資產及無形資產付款	Payment for property, plant and equipment, right-of-use assets and intangible assets	**(6,602,715)**	(10,770,499)
已收聯營公司股息	Dividends received from associates	**–**	123,119
出售物業、廠房及設備所得款項	Proceeds from disposals of property, plant and equipment	**28,928**	25,263
已收利息	Interest received	**83,379**	81,130
政府補貼購買物業、廠房及設備以及土地使用權所得款項	Proceeds from government grants for purchase of property, plant and equipment and land use right	**5,779**	40,802
其他 — 淨額	Others — net	**(17,326)**	(65,013)
投資活動所用現金淨額	Net cash used in investing activities	**(6,501,955)**	(10,565,198)

簡明綜合現金流量表(續)
Condensed Consolidated Statement of Cash Flows (Continued)

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000 未經審核 Unaudited	二零二二年 2022 人民幣千元 RMB'000 未經審核 Unaudited
來自融資活動的現金流量	**Cash flows from financing activities**		
貸款所得款項	Proceeds from borrowings	**13,986,431**	12,969,641
償還貸款	Repayments of borrowings	**(9,690,802)**	(6,736,373)
應收票據折現所得款項 — 淨額	Proceeds from bills receivables discount — net	**1,766,111**	640,000
受限制現金變動	Changes in restricted cash	**(3,902)**	—
已付本公司權益持有人股息	Dividends paid to equity holders of the Company	**—**	(375,378)
本金部分及租賃付款	Principal elements and lease payment	**(75,703)**	(5,325)
融資活動所得現金淨額	Net cash generated from financing activities	**5,982,135**	6,492,565
現金及現金等價物減少淨額	**Net decrease in cash and cash equivalents**	**(3,032,656)**	(1,354,546)
期初現金及現金等價物	Cash and cash equivalents at beginning of the period	**10,317,488**	9,654,344
現金及現金等價物的匯兑收益	Exchange gains on cash and cash equivalents	**488**	5,838
期終現金及現金等價物	**Cash and cash equivalents at end of the period**	**7,285,320**	8,305,636

上述簡明綜合現金流量表應與隨附附註一併閱讀。

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

簡明綜合中期財務資料附註
Notes to the Condensed Consolidated Interim Financial Information

1. 一般資料

玖龍紙業(控股)有限公司(「本公司」)及其附屬公司(統稱「本集團」)主要從事包裝紙、文化用紙及高價特種紙產品以及漿品生產和銷售。

本公司於二零零五年八月十七日根據一九八一年公司法在百慕達註冊成立為獲豁免有限公司。其註冊辦事處地址為Clarendon House, 2 Church Street, Hamilton HM11, Bermuda。

本公司之股份在香港聯合交易所有限公司主板上市。

除另有列明者外,本簡明綜合中期財務資料以人民幣(「人民幣」)呈列。本簡明綜合中期財務資料已於二零二四年二月二十七日獲本公司董事會(「董事會」)批准刊發。

本簡明綜合中期財務資料乃未經審核。

2. 編製基準

截至二零二三年十二月三十一日止六個月之本簡明綜合中期財務資料乃根據香港會計準則(「香港會計準則」)第34號「中期財務報告」編製。本簡明綜合中期財務資料應與根據香港財務報告準則(「香港財務報告準則」)編製之截至二零二三年六月三十日止年度之年度財務報表一併閱讀。

編製中期財務資料須管理層作出影響會計政策之應用以及資產及負債、收入及開支的呈報金額之判斷、估計及假設。實際結果可能與該等估計有所不同。

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.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company ("BoD") on 27 February 2024.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

2. 編製基準(續)

於編製本簡明綜合中期財務資料時,管理層就應用本集團會計政策所作之主要判斷及估計之不確定性之主要來源乃與應用於截至二零二三年六月三十日止年度之綜合財務報表者相同。

2. BASIS OF PREPARATION (CONTINUED)

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2023.

3. 會計政策

除採納於二零二三年七月一日開始之財政年度生效之準則修訂外,所應用之會計政策與截至二零二三年六月三十日止年度之年度財務報表所應用者(如該等年度財務報表所述)貫徹一致。

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2023, as described in those annual financial statements, except for the adoption of amendments to standards effective for the financial year beginning on 1 July 2023.

(a) 本集團採納之新訂準則及準則修訂

下列新訂準則及準則修訂與本集團相關並於二零二三年七月一日開始之財政年度強制應用:

香港財務報告準則第17號	保險合約
香港會計準則第1號及香港財務報告準則實務報告第2號(修訂本)	會計政策之披露
香港會計準則第8號(修訂本)	會計估計之定義
香港會計準則第12號(修訂本)	與單一交易所產生資產及負債有關之遞延稅項

採納上述於本報告期間首次生效之新訂準則或準則修訂並無對本集團之業績及財務狀況造成任何重大影響。

(a) New standards and amendments to standards adopted by the Group

The following new standards and amendments to standards are relevant and mandatory for the Group's financial year beginning on 1 July 2023:

HKFRS 17	Insurance Contract
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction

The adoption of above new standards or amendments to standards that are effective for the first time for this reporting period does not have any significant impact to the results and financial position of the Group.

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

3. 會計政策(續)

(b) 與本集團相關且已頒佈但尚未生效之準則修訂

下列準則修訂與本集團相關且於二零二三年七月一日開始之財政年度已頒佈但尚未生效,而本集團並無提早採納:

香港會計準則第1號(修訂本)	負債分類為流動或非流動[1]
香港會計準則第1號(修訂本)	附帶契諾之非流動負債[1]
香港詮釋第5號(二零二零年)	財務報表之呈列 — 借款人對載有按要求償還條款之定期貸款之分類[1]
香港會計準則第7號及香港財務報告準則第7號(修訂本)	供應商融資安排[1]
香港財務報告準則第16號(修訂本)	售後租回交易中之租賃負債[1]
香港財務報告準則第21號(修訂本)	缺乏可兑換性[2]
香港財務報告準則第10號及香港會計準則第28號(修訂本)	投資者與其聯營公司或合營企業之間的資產出售或注資[3]

1 於二零二四年七月一日或之後開始之年度期間對本集團生效

2 於二零二五年七月一日或之後開始之年度期間對本集團生效

3 生效日期有待釐定

本集團仍在評估已頒佈但尚未生效的準則修訂的影響。

3. ACCOUNTING POLICIES (CONTINUED)

(b) Amendments to standards relevant to the Group have been issued but are not effective

The following amendments to standards relevant to the Group have been issued but are not effective for the financial year beginning on 1 July 2023 and have not been early adopted by the Group:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[1]
HKAS 1 (Amendments)	Non-current Liabilities with Covenants[1]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKFRS 21	Lack of Exchangeability[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for the Group for annual periods beginning on or after 1 July 2024

2 Effective for the Group for annual periods beginning on or after 1 July 2025

3 Effective date to be determined

The impact of amendments to standards that issued but not effective is still under assessment by the Group.

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

4. 財務風險管理

本集團業務面對多種財務風險：外匯風險、利率風險、信貸風險及流動資金風險。

本簡明綜合中期財務資料並無載列年度財務報表所須之所有財務風險管理資料及披露事項，並應與本集團截至二零二三年六月三十日止年度之年度財務報表一併閱讀。

於截至二零二三年十二月三十一日止六個月，任何風險管理政策概無任何變動。

(a) 外匯風險

本集團若干銷售交易(購買原料及收購廠房及設備)及貸款乃以美元、港元、歐元、人民幣、越南盾及其他外幣計值。人民幣不可自由兌換為其他外幣，其兌換受中國政府頒佈的外匯管理規則及規例限制。

為管理外匯風險，本集團可能以貨幣結構工具及其他適用的金融工具對沖重大風險。本集團可能因應市況變動調整其貸款的貨幣組合。本集團主要面對人民幣兌美元、歐元及港元以及馬來西亞令吉兌美元及歐元的波動影響。

於二零二三年十二月三十一日，倘人民幣兌上述外幣貶值／升值，財務影響並不重大。該等波動主要由於外幣計值金融工具(包括現金及現金等價物、短期銀行存款、受限制現金、應收貿易賬款及其他應收款項、應付貿易賬款及其他應付款項、貸款及租賃負債)換算成集團實體的功能貨幣，以及本集團外國業務財務報表換算成本集團的呈報貨幣而產生未實現的外匯虧損／收益所致。

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2023.

There have been no changes in any risk management policies during the six months ended 31 December 2023.

(a) Foreign exchange risk

Certain sales transactions, purchases of raw materials and acquisition of plant and equipment, and borrowings of the Group are denominated in United States Dollars ("US$"), Hong Kong Dollars ("HK$"), EURO, RMB, Vietnamese Dong ("VND") and other foreign currencies. RMB is not freely convertible into other foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange controls promulgated by the PRC government.

To manage the Group's foreign exchange risk, currency structured instruments and other appropriate financial instruments may be used to hedge material exposure. The Group may adjust the mix of currencies of its borrowings in response to change in market conditions. The Group is primarily exposed to the fluctuations of RMB versus US$, EURO and HK$, and MYR versus US$ and EURO.

At 31 December 2023, the financial impact was not material if RMB had weakened/strengthened against the foreign currencies mentioned above. The fluctuations are 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, borrowings and lease liabilities) 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.

簡明綜合中期財務資料附註（續）
Notes to the Condensed Consolidated Interim Financial Information (Continued)

4. 財務風險管理（續）

(b) 流動資金風險

審慎之流動資金風險管理即維持充裕的現金及現金等價物，以及取得足夠的已承諾信貸融通額以提供資金。由於相關業務性質多變，本集團旨在保持已承諾之可用信貸額以維持資金靈活性。

管理層以預期現金流量為基準，監控本集團流動資金儲備，包括未動用的貸款融通額（附註12）、現金及現金等價物以及短期銀行存款的滾動預測。

下表根據結算日至合約到期日的餘下期間按相關到期組別分析本集團的金融負債。下表所披露的金額為合約未折現現金流量（包括採用合約利率或按現行利率（如屬浮動）計算的利息付款）。

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve comprises undrawn borrowing facilities (Note 12), cash and cash equivalents 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, including interest payments computed using contractual rates, or, if floating, based on current rates.

		一年內 Less than 1 year 人民幣千元 RMB'000	一至二年 Between 1 and 2 years 人民幣千元 RMB'000	二至五年 Between 2 and 5 years 人民幣千元 RMB'000	五年以上 Over 5 years 人民幣千元 RMB'000	總合約現金流量 Total contractual cash flows 人民幣千元 RMB'000	負債賬面值 Carrying amount liabilities 人民幣千元 RMB'000
於二零二三年十二月三十一日	**At 31 December 2023**						
貸款	Borrowings	**15,070,803**	**28,128,247**	**16,934,276**	**5,121,116**	**65,254,442**	**61,026,440**
應付貿易賬款、應付票據及其他應付款項（不包括應付員工福利及其他應付稅項）	Trade, bills and other payables, excluding staff welfare benefits payable and other taxes payable	**16,057,536**	**–**	**–**	**–**	**16,057,536**	**16,057,536**
租賃負債	Lease liabilities	**159,937**	**190,512**	**467,116**	**1,113,204**	**1,930,769**	**1,175,684**
於二零二三年六月三十日	**At 30 June 2023**						
貸款	Borrowings	15,356,922	24,754,188	16,335,414	4,573,773	61,020,297	56,773,252
應付貿易賬款、應付票據及其他應付款項（不包括應付員工福利及其他應付稅項）	Trade, bills and other payables, excluding staff welfare benefits payable and other taxes payable	13,266,019	–	–	–	13,266,019	13,266,019
租賃負債	Lease liabilities	22,069	10,718	13,293	12,908	58,988	52,015

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

5. 分部資料

管理層根據本公司執行董事所審閱之報告釐定營運分部，並用作分配資源及評估表現。

本集團主要從事包裝紙、文化用紙、高價特種紙產品及漿品的生產和銷售。管理層將業務之經營業績統一為一個分部以作審閱，並作出資源分配之決定。因此，本公司執行董事認為，本集團只有一個分部用以作出策略性決定。主要產品之總收入明細於附註14披露。

本集團主要以中國為根據地。截至二零二三年十二月三十一日止六個月之來自中國外部客戶之收入為人民幣27,329,171,000元(截至二零二二年十二月三十一日止六個月：人民幣27,492,142,000元)，而來自其他國家外部客戶之總收入為人民幣3,282,058,000元(截至二零二二年十二月三十一日止六個月：人民幣3,705,878,000元)。

於二零二三年十二月三十一日，除遞延所得税資產外，位於中國之非流動資產總額為人民幣83,185,898,000元(二零二三年六月三十日：人民幣77,732,862,000元)，而位於其他國家之該等非流動資產總額為人民幣13,959,849,000元(二零二三年六月三十日：人民幣13,332,677,000元)。

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors of the Company and 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 executive directors of the Company regard that there is only one segment which is used to make strategic decisions. The breakdown of the major products of the total revenue is disclosed in Note 14.

The Group is primarily domiciled in the PRC. The revenue from external customers attributable to the PRC for the six months ended 31 December 2023 is RMB27,329,171,000 (six months ended 31 December 2022: RMB27,492,142,000), and the total of its revenue from external customers from other countries is RMB3,282,058,000 (six months ended 31 December 2022: RMB3,705,878,000).

As at 31 December 2023, other than deferred income tax assets, the total of non-current assets located in the PRC is RMB83,185,898,000 (30 June 2023: RMB77,732,862,000), and the total of these non-current assets located in other countries is RMB13,959,849,000 (30 June 2023: RMB13,332,677,000).

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. 重要會計估計及判斷

本集團持續評審用於編製財務報表的估計及判斷，且該等估計及判斷乃基於過往經驗及其他因素，包括在有關情況下相信是對未來事項的合理預測。所產生的會計估計按定義將甚少與相關實際結果相同。很有可能面臨對下一財政期間／年度內的資產及負債的賬面值作出重大調整的重大風險的估計及假設論述如下。

(a) 物業、廠房及設備與使用權資產可使用年期

本集團管理層釐定其物業、廠房及設備與使用權資產的估計可使用年期及相關折舊開支。該項估計以物業、廠房及設備與使用權資產的估計可使用年期及所預期產生之損耗為基準。每次保養及翻新後的損耗情況可能差異甚大。其亦會因推行技術創新而出現重大轉變。管理層定期檢討本集團物業、廠房及設備與使用權資產的估計可使用年期及相關折舊開支。當可使用年期有別於原先之估計可使用年期時，管理層將據此調整估計可使用年期，或其將撇銷或撇減已報廢或出售之過時技術或非策略性資產。按現有經驗作出的估計或與下一財政期間內的實際結果有差別，並可能對物業、廠房及設備與使用權資產的折舊及賬面值造成重大調整。

(b) 物業、廠房及設備的減值

當發生事件或情況變化顯示可能無法收回賬面值時，本集團會檢視生產資產的減值。可收回金額乃根據使用價值計算或公平值減出售成本而釐定。該等計算須運用判斷及估計。

6. 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 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 period/year are discussed below.

(a) Useful lives of property, plant and equipment and right-of-use assets

The Group's management determines the estimated useful lives and related depreciation expense for its property, plant and equipment and right-of-use assets. The estimate is based on the expected lifespan of the property, plant and equipment and right-of-use assets and expected wears and tears incurred. Wears and tears can be significantly different following maintenance and renovations each time. It could also change significantly as a result of technical innovations. Management regularly reviews the estimated useful lives and related depreciation charge of the Group's property, plant and equipment and right-of-use assets. 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 and right-of-use assets.

(b) Impairment of property, plant and equipment

Manufacturing assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less cost of disposals. These calculations require the use of judgements and estimates.

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. 重要會計估計及判斷(續)

(b) 物業、廠房及設備的減值(續)

管理層釐定資產減值須運用判斷,尤其為評估:(i)是否已發生事件顯示可能無法收回相關資產價值;(ii)可收回金額(即公平值減出售成本或按繼續在業務中使用資產而估計之未來現金流量現值淨額之較高者)是否足以支持資產賬面值;及(iii)編製現金流量預測所應用之適當主要假設,包括該等現金流量預測是否以適當利率折現。更改管理層就評估減值所選定的假設(包括現金流量預測中的折現率、預期銷售增長率、最終增長率或預期產能利用率)可能會對減值測試的淨現值產生重大影響,並繼而影響本集團的財務狀況及經營業績。倘預測表現及所得出的未來現金流量預測出現重大不利變動,則可能需要在綜合損益表中扣除減值費用。

(c) 所得稅

本集團在多個司法權區須繳納所得稅。釐定稅項撥備金額及有關稅項的支付時限須作出判斷。於產生遞延所得稅的有關暫時差額獲重複使用時,釐定目前享有優惠稅率之該等集團實體的適用稅率亦須作出判斷。多項交易及計算無法於日常業務過程中確切釐定最終稅額。倘該等事項的最終稅項結果與最初紀錄的金額不同,則有關差額將會影響作出有關決定期間的所得稅及遞延稅項撥備。

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Impairment of property, plant and equipment (Continued)

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rate, the expected sales growth rate, the terminal growth rate or the expected capacity utilization rate in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

(c) 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 taxation. Judgement is also required in determining the tax rate that would be applicable when related temporary difference that gives rise to deferred income tax is 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.

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

6. 重要會計估計及判斷(續)

(c) 所得稅(續)

倘管理層認為可能有未來應課稅盈利可用以抵銷暫時差額或稅項虧損,則會確認有關若干暫時差額及稅項虧損的遞延所得稅資產。倘預期之金額與原定估計有差異,則有關差額將會影響有關估計改變的期間內遞延所得稅資產及所得稅費用的確認。

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Income taxes (Continued)

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.

7. 物業、廠房及設備與使用權資產

7. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

		物業、廠房及設備 Property, plant and equipment 人民幣千元 RMB'000	使用權資產 Right-of-use assets 人民幣千元 RMB'000
截至二零二三年十二月三十一日止六個月	**Six months ended 31 December 2023**		
於二零二三年七月一日的期初賬面淨值	Opening net book amount as at 1 July 2023	**86,557,207**	**3,019,260**
添置(附註(a))	Additions (Note(a))	**6,938,562**	**1,619,470**
出售	Disposals	**(36,827)**	**–**
折舊(附註15)	Depreciation (Note 15)	**(1,602,242)**	**(64,619)**
匯兌差額	Exchange differences	**(254,971)**	**(11,807)**
於二零二三年十二月三十一日的期末賬面淨值	Closing net book amount as at 31 December 2023	**91,601,729**	**4,562,304**
截至二零二二年十二月三十一日止六個月	**Six months ended 31 December 2022**		
於二零二二年七月一日的期初賬面淨值	Opening net book amount as at 1 July 2022	70,669,667	2,155,567
添置	Additions	10,824,169	815,924
出售	Disposals	(42,919)	(11,280)
折舊(附註15)	Depreciation (Note 15)	(1,574,678)	(37,062)
匯兌差額	Exchange differences	255,342	5,978
於二零二二年十二月三十一日的期末賬面淨值	Closing net book amount as at 31 December 2022	80,131,581	2,929,127

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

7. 物業、廠房及設備與使用權資產(續)

(a) 新增的使用權資產及租賃負債主要包括5艘船舶(附帶購買選擇權),而本公司認為可合理確定將於租賃期限結束時行使該等購買選擇權。該5艘船舶隨附的使用權資產人民幣1,371百萬元於船舶的可使用年期30年內予以折舊。

7. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

(a) The additions of right-of use assets and lease liabilities were mainly comprised of 5 vessels with purchase options which were considered reasonably certain to be exercised by the Company at the end of the lease term. The accompanying right-of-use assets for the 5 vessels amounting to RMB1,371 million are depreciated over the useful life of the vessels as 30 years.

8. 存貨

8. INVENTORIES

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
原料	Raw materials	**5,990,313**	5,499,061
成品	Finished goods	**3,479,216**	3,625,390
存貨 — 總額	Inventories — gross	**9,469,529**	9,124,451
減值撥備	Provision for impairment	**(58,653)**	(268,777)
存貨 — 淨額	Inventories — net	**9,410,876**	8,855,674

簡明綜合中期財務資料附註（續）
Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. 應收貿易賬款、應收票據及其他應收款項及預付款

9. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
應收貿易賬款（附註(b)）	Trade receivables (Notes (b))		
— 第三方	— third parties	**3,379,163**	3,086,387
減：減值撥備（附註(c)）	less: allowance for impairment (Note (c))	**(19,111)**	—
		3,360,052	3,086,387
應收票據（附註(d)）	Bills receivables (Note (d))		
— 第三方	— third parties	**5,266,970**	1,373,742
減：減值撥備（附註(c)）	less: allowance for impairment (Note (c))	**(18,775)**	—
		5,248,195	1,373,742
可退回增值税	VAT recoverable	**3,067,975**	2,769,364
其他應收款項及按金	Other receivables and deposits		
— 第三方	— third parties	**540,031**	494,563
— 有關連人士（附註22(d)）	— related parties (Note 22(d))	**53,017**	52,319
減：減值撥備（附註(c)）	less: allowance for impairment (Note (c))	**(10,148)**	—
		582,900	546,882
預付款	Prepayments		
— 第三方	— third parties	**1,394,282**	1,924,869
— 有關連人士（附註22(d)）	— related parties (Note 22(d))	**1,526,714**	1,328,373
		2,920,996	3,253,242
減：計入非流動資產的預付款	Less: prepayments included in non-current assets	**(502,025)**	(1,013,424)
其他應收款項及預付款	Other receivables and prepayments	**6,069,846**	5,556,064

(a) 於二零二三年十二月三十一日，由於到期日較短，應收貿易賬款、應收票據及其他應收款項之公平值與其賬面值相若。

(a) As at 31 December 2023, the fair value of trade, bills and other receivables approximate their carrying amounts due to their short term maturities.

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. 應收貿易賬款、應收票據及其他應收款項及預付款(續)

(b) 本集團向客戶作出之銷售所訂立之信貸期主要為不多於60日。

於二零二三年十二月三十一日，應收貿易賬款根據發票日期之賬齡分析如下：

9. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) The Group's sales to customers are mainly entered into on credit terms of not more than 60 days.

As at 31 December 2023, the ageing analysis of trade receivables based on invoice date was as follows:

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
0至30日	0–30 days	**3,206,269**	2,575,787
31至60日	31–60 days	**159,572**	432,809
逾60日	Over 60 days	**13,322**	77,791
		3,379,163	3,086,387

(c) 本集團應用香港財務報告準則第9號簡化方法計量預期信貸虧損，並就所有應收貿易賬款及應收票據使用全期預期虧損撥備。就第三方及關聯人士的其他應收款項而言，本集團已根據12個月預期虧損法評估該等應收款項的預期信貸虧損。

(c) The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables and bills receivables. For other receivables from third parties and related parties, the Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

(d) 於二零二三年十二月三十一日的應收票據主要指銀行承兑匯票(二零二三年六月三十日：相同)。本集團持有銀行承兑匯票作收取合約現金流量及出售之用。因此，該等應收承兑票據乃按公平值計入其他全面收入計量。應收票據的期限主要為90至180日(二零二三年六月三十日：180至360日)。

(d) Bills receivables as at 31 December 2023 mainly represent bank acceptance notes (30 June 2023: same). The Group holds bank acceptance notes for collection of contractual cash flows and for selling. Therefore, these acceptance bills receivables are measured at fair value through other comprehensive income. Bills receivables are mainly with maturity period of 90 to 180 days (30 June 2023: 180 to 360 days).

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

10. 股本及股份溢價 10. SHARE CAPITAL AND SHARE PREMIUM

		普通股數目 千股計 Number of ordinary shares in thousands	普通股面值 Nominal value of ordinary shares 千港元 HK$'000	普通股面值等值 Equivalent nominal value of ordinary shares 人民幣千元 RMB'000	股份溢價 Share premium 人民幣千元 RMB'000	合計 Total 人民幣千元 RMB'000
已發行及繳足：	**Issued and fully paid:**					
截至二零二三年十二月三十一日止六個月	**Six months ended 31 December 2023**					
於二零二三年七月一日及二零二三年十二月三十一日的結餘	Balance as at 1 July 2023 and 31 December 2023	**4,692,221**	**469,222**	**480,531**	**1,084,720**	**1,565,251**
已發行及繳足：	**Issued and fully paid:**					
截至二零二二年十二月三十一日止六個月	**Six months ended 31 December 2022**					
於二零二二年七月一日及二零二二年十二月三十一日的結餘	Balance as at 1 July 2022 and 31 December 2022	4,692,221	469,222	480,531	1,084,720	1,565,251

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

11. 其他儲備

11. OTHER RESERVES

		繳納盈餘 Contributed surplus 人民幣千元 RMB'000 (附註(a)) (note (a))	資本儲備 Capital reserve 人民幣千元 RMB'000	法定儲備及企業發展基金 Statutory reserve and enterprise expansion fund 人民幣千元 RMB'000 (附註(b)) (note (b))	合併儲備 Merger reserve 人民幣千元 RMB'000 (附註(c)) (note (c))	貨幣換算儲備 Currency translation reserve 人民幣千元 RMB'000	合計 Total 人民幣千元 RMB'000
截至二零二三年十二月三十一日止六個月	**Six months ended 31 December 2023**						
於二零二三年七月一日的結餘	Balance as at 1 July 2023	**1,389,550**	**246,267**	**5,707,689**	**(335,183)**	**(195,841)**	**6,812,482**
法定儲備及企業發展基金的分配	Appropriation to statutory reserve and enterprise expansion fund	**–**	**–**	**24,965**	**–**	**–**	**24,965**
貨幣換算差額	Currency translation differences	**–**	**–**	**–**	**–**	**(204,684)**	**(204,684)**
於二零二三年十二月三十一日的結餘	Balance as at 31 December 2023	**1,389,550**	**246,267**	**5,732,654**	**(335,183)**	**(400,525)**	**6,632,763**
截至二零二二年十二月三十一日止六個月	**Six months ended 31 December 2022**						
於二零二二年七月一日的結餘	Balance as at 1 July 2022	1,483,394	246,267	5,279,426	(335,183)	(270,148)	6,403,756
向本公司權益持有人派付二零二二年末期股息(附註20(a))	2022 final dividend to equity holders of the Company (Note 20(a))	(93,844)	–	–	–	–	(93,844)
法定儲備及企業發展基金的分配	Appropriation to statutory reserve and enterprise expansion fund	–	–	23,951	–	–	23,951
貨幣換算差額	Currency translation differences	–	–	–	–	(219,970)	(219,970)
於二零二二年十二月三十一日的結餘	Balance as at 31 December 2022	1,389,550	246,267	5,303,377	(335,183)	(490,118)	6,113,893

(a) 本集團繳納盈餘指根據重組所收購附屬公司的股本與本公司作為交換所發行股本面值,以及自股份溢價轉撥之金額的差額。

(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 and the amount transferred from share premium.

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

11. 其他儲備(續)

(b) 法定儲備及企業發展基金

根據中國的相關規則及法規,除中外合資企業外,所有其他中國公司均須將按照中國會計規則及法規計算的除稅後盈利10%轉撥至法定儲備基金,直至該基金的累計總額達註冊股本50%為止。法定儲備基金在相關機構的批准下,僅可用於彌補相關公司過往年度虧損或增加股本。企業發展基金的分配僅由中國公司的董事會釐定。企業發展基金在相關機構的批准下,僅可用於增加相關公司的股本或擴展生產業務。

根據適用於中外合資企業之中國相關規則及法規,法定儲備基金及企業發展基金之分配由相關公司的董事會釐定。

(c) 合併儲備

合併儲備指本集團向本公司控股股東所收購之附屬公司股本總面值減已付代價。

11. OTHER RESERVES (CONTINUED)

(b) 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.

(c) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital of the subsidiaries acquired by the Group from the controlling shareholders of the Company less considerations paid.

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

12. 貸款 12. BORROWINGS

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
非流動	Non-current		
— 長期銀行及其他貸款	— Long-term bank and other borrowings	**47,750,687**	43,180,730
流動	Current		
— 短期銀行貸款	— Short-term bank borrowings	**4,294,042**	5,889,013
— 長期銀行貸款即期部分	— Current portion of long-term bank borrowings	**8,981,711**	7,703,509
		13,275,753	13,592,522
		61,026,440	56,773,252

(a) 本集團之貸款償還情況如下：

(a) The Group's borrowings were repayable as follows:

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
一年內	Within 1 year	**13,275,753**	13,592,522
一年至兩年	Between 1 and 2 years	**27,018,021**	23,510,231
兩年至五年	Between 2 and 5 years	**15,961,547**	15,426,361
逾五年	Over 5 years	**4,771,119**	4,244,138
		61,026,440	56,773,252

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

12. 貸款(續)
12. BORROWINGS (CONTINUED)

(b) 貸款之實際利率主要如下：

(b) The effective interest rates of borrowings are mainly as follows:

		二零二三年十二月三十一日 31 December 2023				
		人民幣 RMB	**美元 US$**	**歐元 EURO**	**馬來西亞令吉 MYR**	**越南盾 VND**
長期銀行及其他貸款	Long-term bank and other borrowings	**3.39%**	**2.63%**	**1.03%**	**不適用 Not applicable**	**不適用 Not applicable**
短期銀行貸款	Short-term bank borrowings	**3.07%**	**不適用 Not applicable**	**0.97%**	**4.42%**	**2.57%**

		二零二三年六月三十日 30 June 2023				
		人民幣 RMB	美元 US$	歐元 EURO	馬來西亞令吉 MYR	越南盾 VND
長期銀行及其他貸款	Long-term bank and other borrowings	3.33%	7.68%	1.03%	不適用 Not applicable	不適用 Not applicable
短期銀行貸款	Short-term bank borrowings	2.82%	7.48%	0.94%	4.26%	不適用 Not applicable

(c) 本集團之貸款以下列貨幣計值：

(c) The Group's borrowings were denominated:

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
人民幣	RMB	**59,556,461**	52,932,722
歐元	EURO	**750,357**	860,967
越南盾	VND	**377,151**	–
馬來西亞令吉	MYR	**292,893**	155,118
美元	US$	**49,578**	2,824,445
		61,026,440	56,773,252

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

12. 貸款(續) 12. BORROWINGS (CONTINUED)

(d) 本集團尚未提取之貸款融通額如下：

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

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
按浮動利率：	At floating rates:		
— 一年內到期	— expiring within one year	**20,491,510**	33,114,870
— 一年後到期	— expiring beyond one year	**21,832,321**	22,119,163
		42,323,831	55,234,033

13. 應付貿易賬款、應付票據及其他應付款項 13. TRADE, BILLS AND OTHER PAYABLES

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
應付貿易賬款(附註(a))	Trade payables (Note (a))		
— 第三方	— third parties	**2,708,966**	2,301,753
— 有關連人士(附註22(d))	— related parties (Note 22(d))	**982,354**	975,715
		3,691,320	3,277,468
應付票據(附註(b))	Bills payables (Note (b))		
— 第三方	— third parties	**8,529,944**	6,370,854
其他應付款項 — 第三方	Other payables — third parties		
— 應付員工福利	— Staff welfare benefits payable	**332,655**	359,459
— 其他(附註(c))	— Others (Note (c))	**4,088,653**	4,047,425
		4,421,308	4,406,884
減：非流動負債 應付員工福利及其他	Less: non-current liabilities Staff welfare benefits payable and others	**(37,851)**	(84,093)
其他應付款項 — 即期部分	Other payables — current portion	**4,383,457**	4,322,791

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

13. 應付貿易賬款、應付票據及其他應付款項(續)

(a) 應付貿易賬款根據與供應商協定的條款結算。於二零二三年十二月三十一日，應付貿易賬款根據發票日期之賬齡分析如下：

13. TRADE, BILLS AND OTHER PAYABLES (CONTINUED)

(a) Trade payables are settled in accordance with agreed terms with suppliers. The ageing analysis of trade payables based on invoice date as at 31 December 2023 is as follows:

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
0至90日	0–90 days	**3,372,398**	2,746,127
逾90日	Over 90 days	**318,922**	531,341
		3,691,320	3,277,468

(b) 應付票據的期限大部分為90至180日(二零二三年六月三十日：90日至360日)，實際利率為1.14%。

(b) Bills payables are mainly with maturity period of 90 to 180 days (30 June 2023: 90 to 360 days) with effective interest rates of 1.14%.

(c) 其他應付款項主要指購買物業、廠房及設備應付款項、其他應付稅項，以及應計財務費用及其他經營開支。

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

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

14. 收入 / 14. REVENUE

本集團截至二零二三年十二月三十一日止六個月之收入如下：

Revenues of the Group during the six months ended 31 December 2023 are as follows:

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000	二零二二年 2022 人民幣千元 RMB'000
銷售包裝紙	Sales of packaging paper	**28,146,246**	27,756,328
銷售文化用紙	Sales of printing and writing paper	**2,119,937**	2,808,705
銷售高價特種紙產品	Sales of high value specialty paper products	**321,402**	339,888
銷售漿品	Sales of pulp	**23,644**	293,099
		30,611,229	31,198,020

15. 按性質劃分的開支 / 15. EXPENSES BY NATURE

主要計入銷售成本、銷售及市場推廣成本和行政開支的開支分析如下：

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

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000	二零二二年 2022 人民幣千元 RMB'000
已耗用原料及耗用品	Raw materials and consumables used	**24,903,111**	25,512,684
成品變動	Changes in finished goods	**179,217**	2,428,966
僱員福利開支	Employee benefit expenses	**2,021,605**	1,946,290
物業、廠房及設備折舊費用(附註7)	Depreciation charges of property, plant and equipment (Note 7)	**1,602,242**	1,574,678
撥回存貨減值撥備	Reversal of provision for inventory impairment	**(210,124)**	–
使用權資產折舊費用(附註7)	Depreciation charges of right-of-use assets (Note 7)	**64,619**	37,062
減：已於物業、廠房及設備資本化之金額	Less: amount capitalised in property, plant and equipment	**(15,430)**	(9,053)
		49,189	28,009

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

16. 其他收入、其他開支及其他收益 — 淨額
16. OTHER INCOME, OTHER EXPENSES AND OTHER GAINS — NET

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000	二零二二年 2022 人民幣千元 RMB'000
其他收入	Other income		
— 增值税退税	— value added tax refund	**661,813**	713,227
— 補助金	— subsidy income	**35,462**	52,292
— 其他	— others	**22,780**	29,222
其他開支	Other expenses	**(28,233)**	(29,887)
其他收益 — 淨額	Other gains — net	**49,700**	50,216
		741,522	815,070

17. 財務收入及財務費用
17. FINANCE INCOME AND FINANCE COSTS

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000	二零二二年 2022 人民幣千元 RMB'000
財務收入:	Finance income:		
銀行存款利息收入	Interest income from bank deposits	**83,379**	81,130
財務費用:	Finance costs:		
貸款及租賃負債之利息	Interest on borrowings and lease liabilities	**(1,056,644)**	(876,965)
其他附帶貸款成本	Other incidental borrowing costs	**(17,231)**	(40,117)
減:已於物業、廠房及設備資本化之金額(附註(a))	Less: amounts capitalised on property, plant and equipment (Note (a))	**410,966**	308,125
		(662,909)	(608,957)
其他財務費用	Other finance costs	**(24,192)**	(32,362)
		(687,101)	(641,319)

(a) 截至二零二三年十二月三十一日止六個月,資本化利率約為3.7%(截至二零二二年十二月三十一日止六個月:3.9%)。

(a) The capitalisation interest rate is approximately 3.7% for the six months ended 31 December 2023 (six months ended 31 December 2022: 3.9%).

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

18. 所得稅開支/(抵免)
18. INCOME TAX EXPENSE/(CREDIT)

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000	二零二二年 2022 人民幣千元 RMB'000
即期所得稅	Current income tax		
— 中國企業所得稅及預扣所得稅(附註(a)及(b))	— PRC corporate income tax and withholding income tax (Notes (a) and (b))	**100,188**	(4,208)
— 馬來西亞所得稅(附註(c))	— Malaysia income tax (Note (c))	**6,260**	—
— 越南所得稅(附註(d))	— Vietnam income tax (Note (d))	**235**	—
		106,683	(4,208)
遞延所得稅	Deferred income tax		
— 中國企業所得稅及預扣所得稅	— PRC corporate income tax and withholding income tax	**165,188**	(109,727)
— 馬來西亞所得稅	— Malaysia income tax	**14,692**	—
— 越南所得稅	— Vietnam income tax	**8,855**	(4,370)
— 美國所得稅	— USA income tax	**—**	75,300
		188,735	(38,797)
		295,418	(43,005)

(a) 中國企業所得稅

本集團於中國內地之附屬公司按25%稅率繳納企業所得稅，惟當中若干附屬公司於截至二零二三年十二月三十一日止六個月期間享有15%的優惠稅率(根據相關規則及法規，該等附屬公司符合高新技術企業(「高新技術企業」)資格)除外(截至二零二二年十二月三十一日止六個月：相同)。根據相關規則及法規，高新技術企業資格需每三年重新評定。

(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 six months ended 31 December 2023 as those subsidiaries fulfil the requirements of High and New Technology Enterprise ("HNTE") according to relevant rules and regulations (six months ended 31 December 2022: same). The HNTE designation should be reassessed every three years according to relevant rules and regulations.

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

18. 所得稅開支/(抵免)(續)

(a) 中國企業所得稅(續)

根據《財政部、國家稅務總局關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》財稅[2008]47號及財政部、國家稅務總局、國家發展和改革委員會及生態環境部於二零二一年十二月十六日頒佈的《資源綜合利用企業所得稅優惠目錄(2021年版)》,企業以目錄規定的原材料生產目錄規定的再生資源產品以及符合國家或行業標準的產品,有權獲得優惠稅務安排,僅90%的產品銷售收入須計入應課稅收入。本集團銷售的再生產品合資格享有該項優惠稅務安排,因此,在計算二零二一年一月一日起的企業所得稅時,已自本集團應課稅收入扣除10%來自本集團銷售再生產品的收入。

(b) 中國預扣所得稅

於中國內地成立的公司向其海外投資者宣派自二零零八年一月一日起賺取盈利的股息應按10%的稅率繳納中國預扣所得稅。倘於香港註冊成立的海外投資者符合中國內地與香港訂立的雙邊稅務條約安排項下的條件及規定,則相關預扣稅稅率將從10%降至5%。截至二零二三年十二月三十一日止六個月,本公司中國內地附屬公司的中間控股公司適用預扣所得稅稅率為5%(截至二零二二年十二月三十一日止六個月:5%)。

18. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

(a) PRC corporate income tax (Continued)

In accordance with the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Implementing the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources Cai Shui [2008] No. 47 (《財政部、國家稅務總局關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》財稅[2008]47號), and the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources (2021) (《資源綜合利用企業所得稅優惠目錄(2021年版)》) issued by the Circular of the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Ecology and Environment on 16 December 2021, an enterprise, which uses the raw materials under the catalogue to produce recycled resource products under the catalogue and the products meet the national or industrial standards, is entitled to incentive tax arrangement such that only 90% of the sales revenue of the products is subject to the calculation of the taxable income. The Group's sales of recycled products qualifies for the incentive tax arrangement and therefore 10% of the Group's revenue from sales of recycled products was deducted from the taxable income of the Group in the calculation of CIT from 1 January 2021 onwards.

(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 six months ended 31 December 2023 was 5% (six months ended 31 December 2022: 5%).

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

18. 所得税開支／(抵免)(續)

(c) **馬來西亞所得税**
馬來西亞所得税已按於馬來西亞之營運於截至二零二三年十二月三十一日止六個月之估計應課税盈利(截至二零二二年十二月三十一日止六個月：相同)以所得税税率計提撥備。

(d) **越南所得税**
越南所得税已按於越南之營運於截至二零二三年十二月三十一日止六個月之估計應課税盈利(截至二零二二年十二月三十一日止六個月：相同)以所得税税率計提撥備。

(e) **美國所得税**
由於本集團於截至二零二三年十二月三十一日止六個月並無任何應課税盈利(截至二零二二年十二月三十一日止六個月：相同)，故此並未為美國所得税計提撥備。

(f) **香港利得税**
由於本集團於截至二零二三年十二月三十一日止六個月並無任何應課税盈利(截至二零二二年十二月三十一日止六個月：相同)，故此並未為香港利得税計提撥備。

18. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

(c) **Malaysia income tax**
Malaysia income tax has been provided at the income tax rate on the estimated assessable profit during the six months ended 31 December 2023 in respect of operations in Malaysia (six months ended 31 December 2022: same).

(d) **Vietnam income tax**
Vietnam income tax has been provided at the income tax rate on the estimated assessable profit during the six months ended 31 December 2023 in respect of operations in Vietnam (six months ended 31 December 2022: same).

(e) **USA income tax**
USA income tax has not been provided as the Group did not have any assessable profits during the six months ended 31 December 2023 (six months ended 31 December 2022: same).

(f) **Hong Kong profits tax**
Hong Kong profits tax has not been provided as the Group did not have any assessable profits during the six months ended 31 December 2023 (six months ended 31 December 2022: same).

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

19. 每股盈利／(虧損)
— 基本

19. EARNINGS/(LOSSES) PER SHARE
— Basic

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023	二零二二年 2022
本公司權益持有人應佔盈利／(虧損)(人民幣千元)	Profit/(loss) attributable to equity holders of the Company (RMB'000)	**292,436**	(1,388,795)
已發行普通股的加權平均股數(千股計)	Weighted average number of ordinary shares in issue (shares in thousands)	**4,692,221**	4,692,221
每股基本盈利／(虧損)(每股人民幣元)	Basic earnings/(losses) per share (RMB per share)	**0.06**	(0.30)

— 攤薄

由於在截至二零二三年十二月三十一日止六個月期間並沒有任何發行在外的潛在攤薄普通股，因此每股攤薄盈利／(虧損)與每股基本盈利／(虧損)相同(截至二零二二年十二月三十一日止六個月：相同)。

— Diluted

Diluted earnings/(losses) per share is the same as basic earnings/(losses) per share as there were no potential diluted ordinary shares outstanding during the six months ended 31 December 2023 (six months ended 31 December 2022: same).

20. 股息

20. DIVIDENDS

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000	二零二二年 2022 人民幣千元 RMB'000
中期股息(附註(b))	Interim dividend (Note (b))	**–**	–

(a) 本公司於二零二二年十二月六日舉行的股東週年大會上批准以本公司其他儲備派付二零二二年末期股息每股普通股人民幣2.0分,合共約為人民幣93,844,000元,該等股息已於二零二三年一月二十日支付。

(a) 2022 final dividend of RMB2.0 cents per ordinary share, totalling approximately RMB93,844,000 has been approved in the Company's Annual General Meeting on 6 December 2022 out of other reserves of the Company and paid on 20 January 2023.

(b) 董事會不建議就截至二零二三年十二月三十一日止六個月派發中期股息(截至二零二二年十二月三十一日止六個月:無)。

(b) The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: nil).

21. 資本承擔

本集團在物業、廠房及設備有已訂約但未撥備的重大資本承擔如下:

21. CAPITAL COMMITMENTS

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

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
物業、廠房及設備	Property, plant and equipment	**7,811,945**	7,545,689

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

22. 重大關連人士交易
22. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) 主要有關連人士名稱及關係
(a) Name and relationship with major related parties

名稱 Name	關係 Relationship
美國中南有限公司(「美國中南有限公司」) America Chung Nam, Inc. ("ACN Inc")	本公司執行董事張茵女士及劉名中先生實益擁有的公司 A company beneficially owned by Ms. Cheung Yan and Mr. Liu Ming Chung, executive directors of the Company
中南(天津)再生資源有限公司(「中南天津」)及其指定代理 ACN (Tianjin) Resources Co., Ltd. ("ACN Tianjin") and its designated agents	本集團的一間聯營公司 An associate of the Group
海南中南再生資源有限公司(「中南海南」)及其指定代理 Hainan ACN Resources Co., Ltd. ("ACN Hainan") and its designated agents	本集團的一間聯營公司 An associate of the Group
揚威發展有限公司(「揚威」) Global Fame Developments Limited ("Global Fame")	本集團的一間合營企業 A joint venture of the Group

(b) 與有關連人士進行之交易

於截至二零二三年十二月三十一日止六個月,本集團曾與有關連人士進行以下重大交易。該等交易於本集團的日常業務過程中進行:

(b) Transactions with related parties

During the six months ended 31 December 2023, the Group had the following significant transactions with related parties. These transactions are conducted in the normal course of the Group's business:

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000	二零二二年 2022 人民幣千元 RMB'000
採購廢紙及再生漿:	Purchase of recovered paper and recycled pulp:		
— 中南天津及中南海南以及其指定代理	— ACN Tianjin and ACN Hainan and their designated agents	**10,237,757**	6,410,393
— 美國中南有限公司	— ACN Inc	**615,531**	1,579,112
		10,853,288	7,989,505

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

22. 重大關連人士交易(續)

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) 與有關連人士進行之交易(續)

所有上述交易均按相互協定的條款與相關的有關連人士訂立。

(b) Transactions with related parties (Continued)

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

(c) 主要管理層薪酬

主要管理層之薪酬(包括董事之薪酬)如下:

(c) Key management compensation

Compensation for key management including the compensation for directors is as follow:

		截至十二月三十一日止六個月 Six months ended 31 December	
		二零二三年 2023 人民幣千元 RMB'000	二零二二年 2022 人民幣千元 RMB'000
薪金及其他短期僱員福利	Salaries and other short-term employee benefits	**29,330**	55,048

(d) 與關連人士之結餘

(d) Balances with related parties

		二零二三年 十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年 六月三十日 30 June 2023 人民幣千元 RMB'000
應收下列人士之結餘:	Balances due from:		
— 美國中南有限公司	— ACN Inc	**1,057,944**	1,154,646
— 中南天津及中南海南以及其指定代理	— ACN Tianjin and ACN Hainan and their designated agents	**468,770**	173,727
— 揚威	— Global Fame	**53,017**	52,317
— 其他關聯人士	— Other related parties	**–**	2
		1,579,731	1,380,692

簡明綜合中期財務資料附註(續)
Notes to the Condensed Consolidated Interim Financial Information (Continued)

22. 重大關連人士交易(續)

(d) 與關連人士之結餘(續)

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (Continued)

		二零二三年十二月三十一日 31 December 2023 人民幣千元 RMB'000	二零二三年六月三十日 30 June 2023 人民幣千元 RMB'000
應付下列人士之結餘：	Balances due to:		
— 中南天津及中南海南以及其指定代理	— ACN Tianjin and ACN Hainan and their designated agents	**733,891**	776,251
— 美國中南有限公司	— ACN Inc	**248,463**	199,464
		982,354	975,715

於二零二三年十二月三十一日，與有關連人士之結餘為無抵押、免息且按與有關連人士協定的條款收取／償還(二零二三年六月三十日：相同)。

Balances with related parties as at 31 December 2023 were unsecured, interest free and receivable/repayable in accordance with agreed terms with related parties (30 June 2023: same).

(e) 向合營企業提供之擔保

於二零二三年十二月三十一日，本集團就揚威有關之貸款向其提供人民幣21,216,000元(二零二三年六月三十日：人民幣22,804,000元)之擔保。

(e) Provision of guarantee to the joint venture

As at 31 December 2023, the Group provided guarantee of RMB21,216,000 to Global Fame related to its borrowings (30 June 2023: RMB22,804,000).

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"), which are set out on pages 119 to 180, comprise:

- the consolidated balance sheet as at 30 June 2023;
- 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 significant accounting policies and other explanatory information.

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 2023, 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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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 and note 19 to the consolidated financial statements. During the year ended 30 June 2023, the Group has recognised revenue from sales of goods of RMB56,739,440,000. 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 relevant controls in respect of the Group's sales transactions from sales contracts, sales orders, 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 templates 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 on a sample basis goods delivery notes accepted by customers relevant to selected sales during the year. We circulated confirmations to selected customers to confirm the balances of trade receivables as at the balance sheet date. 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 sales 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, actions taken to eliminate threats or safeguards applied.

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 Cheng Lap Yam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 September 2023

CONSOLIDATED BALANCE SHEET

	Note	**30 June 2023 RMB'000**	30 June 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**86,557,207**	70,669,667
Right-of-use assets	7	**3,019,260**	2,155,567
Intangible assets	8	**300,248**	312,318
Investments in associates and a joint venture	10	**175,400**	270,832
Prepayments	12	**1,013,424**	896,824
Deferred income tax assets	17	**130,969**	154,146
Total non-current assets		**91,196,508**	74,459,354
Current assets			
Inventories	11	**8,855,674**	12,170,100
Trade and bills receivables	12	**4,460,129**	4,951,111
Other receivables and prepayments	12	**5,556,064**	5,418,883
Financial assets at fair value through profit or loss		**87,404**	79,533
Tax recoverable		**32,330**	237,240
Restricted cash		**113,319**	67,774
Short-term bank deposits		**32,088**	42,485
Cash and cash equivalents	13	**10,317,488**	9,654,344
Total current assets		**29,454,496**	32,621,470
Total assets		**120,651,004**	107,080,824
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	**480,531**	480,531
Share premium	14	**1,084,720**	1,084,720
Other reserves	15	**6,812,482**	6,403,756
Retained earnings		**36,274,153**	39,085,792
		44,651,886	47,054,799
Non-controlling interests		**484,536**	450,527
Total equity		**45,136,422**	47,505,326

	Note	30 June 2023 RMB'000	30 June 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	16	**43,180,730**	36,861,721
Other payables	18	**105,296**	107,468
Deferred income tax liabilities	17	**4,157,579**	4,414,832
Total non-current liabilities		**47,443,605**	41,384,021
Current liabilities			
Borrowings	16	**13,592,522**	7,379,280
Trade and bills payables	18	**9,648,322**	6,667,945
Contract liabilities	19	**454,378**	374,065
Other payables	18	**4,353,603**	3,516,906
Current income tax liabilities		**22,152**	253,281
Total current liabilities		**28,070,977**	18,191,477
Total liabilities		**75,514,582**	59,575,498
Total equity and liabilities		**120,651,004**	107,080,824

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

The consolidated financial statements on pages 119 to 180 were approved by the board of directors of the Company on 25 September 2023 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 2023 RMB'000	2022 RMB'000
Revenue	19	**56,739,440**	64,538,102
Cost of goods sold	21	**(55,209,226)**	(57,546,222)
Gross profit		**1,530,214**	6,991,880
Other income, other expenses and other gains — net	20	**1,403,089**	968,095
Exchange gains/(losses) on operating activities — net		**172,835**	(94,929)
Selling and marketing costs	21	**(2,124,365)**	(1,955,444)
Administrative expenses	21	**(2,576,995)**	(2,322,490)
Operating (loss)/profit		**(1,595,222)**	3,587,112
Finance costs — net		**(1,126,805)**	(711,296)
— Finance income	23	**162,110**	187,617
— Finance costs	23	**(1,288,915)**	(898,913)
Exchange gains on financing activities — net		**27,839**	380,692
Share of results of associates and a joint venture — net	10	**(31,842)**	116,514
(Loss)/profit before income tax		**(2,726,030)**	3,373,022
Income tax credit/(expense)	24	**355,191**	(62,521)
(Loss)/profit for the year		**(2,370,839)**	3,310,501
(Loss)/profit attributable to:			
— Equity holders of the Company		**(2,383,376)**	3,275,360
— Non-controlling interests		**12,537**	35,141
		(2,370,839)	3,310,501
Basic (loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*	25	**(0.51)**	0.70
Diluted (loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*	25	**(0.51)**	0.70

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	
	2023	2022
	RMB'000	RMB'000
(Loss)/profit for the year	**(2,370,839)**	3,310,501
Other comprehensive income/(loss)		
(Items that may be reclassified subsequently to profit or loss)		
— currency translation differences	**95,779**	(205,277)
Total comprehensive (loss)/income for the year	**(2,275,060)**	3,105,224
Total comprehensive (loss)/income for the year attributable to:		
— Equity holders of the Company	**(2,309,069)**	3,055,257
— Non-controlling interests	**34,009**	49,967
	(2,275,060)	3,105,224

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 2021	480,531	3,884,720	4,593,424	36,969,817	45,928,492	467,185	46,395,677
Comprehensive income							
Profit for the year	–	–	–	3,275,360	3,275,360	35,141	3,310,501
Other comprehensive income							
Currency translation differences	–	–	(220,103)	–	(220,103)	14,826	(205,277)
Total comprehensive income	–	–	(220,103)	3,275,360	3,055,257	49,967	3,105,224
Transactions with owners							
Reduction of share premium and transfer to contributed surplus (Note 14(a))	–	(2,800,000)	2,800,000	–	–	–	–
2021 final and 2022 interim dividends to equity holders of the Company	–	–	(1,548,433)	(375,378)	(1,923,811)	–	(1,923,811)
Acquisition of non-controlling interests in a subsidiary	–	–	(5,139)	–	(5,139)	(66,625)	(71,764)
Appropriation to statutory reserve and enterprise expansion fund	–	–	784,007	(784,007)	–	–	–
Balance at 30 June 2022	480,531	1,084,720	6,403,756	39,085,792	47,054,799	450,527	47,505,326

	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 2022	480,531	1,084,720	6,403,756	39,085,792	47,054,799	450,527	47,505,326
Comprehensive loss							
Loss for the year	–	–	–	(2,383,376)	(2,383,376)	12,537	(2,370,839)
Other comprehensive income							
Currency translation differences	–	–	74,307	–	74,307	21,472	95,779
Total comprehensive (loss)/income	–	–	74,307	(2,383,376)	(2,309,069)	34,009	(2,275,060)
Transactions with owners							
2022 final dividends to equity holders of the Company	–	–	(93,844)	–	(93,844)	–	(93,844)
Appropriation to statutory reserve and enterprise expansion fund	–	–	428,263	(428,263)	–	–	–
Balance at 30 June 2023	480,531	1,084,720	6,812,482	36,274,153	44,651,886	484,536	45,136,422

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 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	27(a)	**9,004,968**	4,394,171
Income tax paid		**(62,951)**	(263,979)
Interest paid		**(2,017,530)**	(1,099,696)
Net cash generated from operating activities		**6,924,487**	3,030,496
Cash flows from investing activities			
Payments for property, plant and equipment and right-of-use assets		**(17,697,628)**	(12,621,417)
Dividends received from associates		**170,159**	—
Interest received		**162,110**	187,617
Payments for business combination		**—**	(61,556)
Proceeds from government grants for purchase of property, plant and equipment and land use right		**80,999**	109,708
Investment in associates		**(108,453)**	—
Others — net		**(31,213)**	64,094
Net cash used in investing activities		**(17,424,026)**	(12,321,554)
Cash flows from financing activities			
Proceeds from borrowings		**47,326,577**	35,768,469
Repayments of borrowings		**(35,738,137)**	(25,902,065)
Proceeds from bills receivables discount		**47,866**	1,150,000
Dividends paid to equity holders of the Company		**(469,360)**	(2,017,474)
Payments for the acquisition of non-controlling interests in a subsidiary		**—**	(71,764)
Changes in restricted cash		**(7,106)**	3,110
Principal elements of lease payment		**(23,368)**	(9,653)
Net cash generated from financing activities		**11,136,472**	8,920,623
Net increase/(decrease) in cash and cash equivalents		**636,933**	(370,435)
Cash and cash equivalents at beginning of the year		**9,654,344**	10,031,059
Exchange gains/(losses) on cash and cash equivalents		**26,211**	(6,280)
Cash and cash equivalents at end of the year	13	**10,317,488**	9,654,344

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.

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 ("BoD") on 25 September 2023.

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.

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

2.2 New standards, amendments and interpretations to standards

(a) 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 2022:

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020 Cycle
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger

The adoption of the above amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

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

The following new standards and amendments to standards have been issued but are not mandatory for annual period beginning after 1 July 2022 and have not been early adopted:

HKFRS 17	Insurance Contract[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
HKAS 8 (Amendments)	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[2]
HKAS 1 (Amendments)	Non-current Liabilities with Covenants[2]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for the Group for annual periods beginning on or after 1 July 2023
2 Effective for the Group for annual periods beginning on or after 1 July 2024
3 Effective date to be determined

The Group will apply the above new standards and amendments to standards when they become effective. The Group anticipates that the application of the above new standards and amendments to standards will have no material impact on the results and financial positions of the Group.

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

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.

(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.

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

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

(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 associates and a joint venture — net" in the consolidated income statement.

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

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

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

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

(f) Associates

Associates are all entities 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 associates 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

(a) Business combinations under common control

The consolidated financial statements incorporate the consolidated financial statements items of the entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement and the consolidated statement of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

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

2.4 Business combinations *(continued)*

(b) Business combinations not under common control

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 gain/(loss) on financing activities — net". All other foreign exchange gains and losses are presented in the consolidated income statement within "exchange loss on operating activities — net".

(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.

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

2.6 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

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

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Freehold lands are not depreciated and are measured at historical cost less subsequent accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Buildings	20–48 years
Plants and machineries	12–35 years
Furniture, fixtures and equipment	5–12 years
Motor vehicles, transportation and logistics equipment	6–15 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 — 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 represent up-front prepayment made for operating leases for land use rights paid to the counterparties. Land use rights are presented in right-of-use assets, 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 24 years to 62 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 right of use of the "Xueshan" brand which delivers an earning stream and generates value for the Group. The trademark can be re-registered 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 right of use of odor treatment equipment which is designed to 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 purpose 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

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

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.

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 the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade, bills and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.20 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.

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

2.20 Current and deferred income tax *(continued)*

(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 considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(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.

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

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

2.21 Employee benefits *(continued)*

(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

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.

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.

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 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.

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

2.23 Revenue and other income recognition *(continued)*

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 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.

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

Other income from sales of electricity is 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 service**

Other income from rendering of transportation service 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

The Group leases office buildings and land use rights on both short-term and long-term contracts.

Land use rights represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term or the operating period, whichever is shorter.

Rental contracts for office buildings and land use rights are typically made for fixed periods of 1 to 62 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

2.25 Leases *(continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

2.25 Leases *(continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2.26 Government grants

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

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

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

2.27 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) **Foreign exchange risk**

The Group mainly operates in Chinese mainland, Hong Kong, the United States of America ("USA"), Macau, Socialist Republic of Vietnam ("Vietnam") and Malaysia and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollars ("US$"), Euros ("EURO"), Hong Kong Dollars ("HK$"), Vietnamese Dong ("VND") and Malaysian Ringgit ("MYR"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Foreign exchange risk *(continued)*

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. The Group may adjust the mix of currencies of its borrowings in response to change in market conditions. The Group is primarily exposed to the fluctuations of RMB versus US$, EURO and HK$, and MYR versus US$ and EURO.

At 30 June 2023, 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 2023 would have been RMB271,531,000 lower/higher (2022: RMB532,549,000) and other reserves would have been RMB77,373,000 lower/higher (2022: RMB239,711,000). If MYR had weakened/strengthened by 5.0% against US$ and EURO, with all other variables held constant, post-tax profit for the year ended 30 June 2023 would have been RMB101,494,000 lower/higher (2022: RMB43,906,000) and other reserves would have not been affected. The fluctuations are 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.

As at 30 June 2023, 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 RMB56,512,000 lower/higher (2022: RMB70,117,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

(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.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

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 expected credit loss ("ECL") which uses a lifetime expected loss allowance. Other receivables are 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 establishes ECL model based on historical settlement records, past experience and available forward-looking information. Majority of the Group's bills receivables are issued by banks with good reputation. The Group's other receivables are deposits or receivables arisen from normal operations, of which the credit risk is not significant based on management's assessment. Management does not expect any significant credit losses of the debtors as at 30 June 2023.

(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 comprising undrawn borrowing facilities (Note 16), cash and cash equivalents (Note 13) and short-term bank deposits on the basis of expected cash flows.

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, including interest payments computed using contractual rates, or, if floating, based on current rates.

	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 2023						
Borrowings	**15,356,922**	**24,754,188**	**16,335,414**	**4,573,773**	**61,020,297**	**56,773,252**
Trade, bills and other payables, excluding staff welfare benefits payable and other taxes payable	**13,288,088**	**10,718**	**13,293**	**12,908**	**13,325,007**	**13,318,034**
At 30 June 2022						
Borrowings	8,522,389	21,326,654	15,937,612	1,254,597	47,041,252	44,241,001
Trade, bills and other payables, excluding staff welfare benefits payable and other taxes payable	9,478,834	6,244	6,619	12,478	9,504,175	9,498,454

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 2023 **RMB'000**	30 June 2022 RMB'000
Total borrowings (Note 16)	**56,773,252**	44,241,001
Less: cash and cash equivalents, restricted cash and short-term bank deposits	**(10,462,895)**	(9,764,603)
Net debt	**46,310,357**	34,476,398
Total equity	**45,136,422**	47,505,326
Gearing ratio	**102.6%**	72.6%

The increase in the gearing ratio during the year ended 30 June 2023 was primarily resulted from the increase in borrowings.

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:

— Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

— Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

— Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial assets measured and recognised at fair value at 30 June 2023 on a recurring basis:

	30 June 2023	30 June 2022
	Level 1	Level 1
	RMB'000	RMB'000
Financial assets at fair value through profit or loss	**87,404**	79,533

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 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 and impairment of buildings, plants and machineries

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

During the year ended 30 June 2023, the Group reviewed the estimated useful lives of its buildings, and concluded that due to proper periodic maintenance carried out by the Group, most of the Group's buildings are in good conditions, and are expected to be utilised beyond their original estimated useful lives. As a result, the Group has revised the estimated useful lives of its buildings from 20 to 35 years to 20 to 48 years. The change in accounting estimates is accounted for prospectively from 1 April 2023. The effect of this change in estimated useful lives is estimated to have decreased depreciation expense by approximately RMB73,000,000 for the year ended 30 June 2023.

Manufacturing assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less cost of disposals. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

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 taxation. Judgement is also required in determining the tax rate that would be applicable when related temporary difference that gives rise to deferred income tax is 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 and 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 breakdown of the major products of the total revenue is disclosed in Note 19.

The Group is domiciled in the PRC. The revenue from external customers attributable to the PRC for the year ended 30 June 2023 is RMB50,495,610,000 (2022: RMB58,166,174,000), and the total of its revenue from external customers from other countries is RMB6,243,830,000 (2022: RMB6,371,928,000).

As at 30 June 2023, other than deferred income tax assets, the total of non-current assets located in the PRC is RMB77,732,862,000 (30 June 2022: RMB65,186,395,000), and the total of these non-current assets located in other countries is RMB13,332,677,000 (30 June 2022: RMB9,118,813,000).

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Plants and machineries 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 2021							
Cost	108,358	12,080,869	64,134,092	1,489,146	765,309	4,527,514	83,105,288
Accumulated depreciation	–	(4,460,661)	(16,988,456)	(964,059)	(493,642)	–	(22,906,818)
Net book amount	108,358	7,620,208	47,145,636	525,087	271,667	4,527,514	60,198,470
Year ended 30 June 2022							
Opening net book amount	108,358	7,620,208	47,145,636	525,087	271,667	4,527,514	60,198,470
Additions	445,882	8,463	413,626	28,669	60,657	12,234,922	13,192,219
Acquisition of a subsidiary	–	48,944	30,702	114	322	–	80,082
Transfer	–	499,205	1,178,244	45,541	–	(1,722,990)	–
Disposals	–	(12,924)	(92,606)	(1,303)	(1,486)	–	(108,319)
Depreciation (Notes (a) and 21)	–	(526,677)	(2,236,952)	(115,279)	(58,809)	–	(2,937,717)
Exchange differences	4,038	44,340	179,356	1,548	219	15,431	244,932
Closing net book amount	558,278	7,681,559	46,618,006	484,377	272,570	15,054,877	70,669,667
At 30 June 2022							
Cost	558,278	12,660,945	65,806,903	1,536,715	808,647	15,054,877	96,426,365
Accumulated depreciation	–	(4,979,386)	(19,188,897)	(1,052,338)	(536,077)	–	(25,756,698)
Net book amount	558,278	7,681,559	46,618,006	484,377	272,570	15,054,877	70,669,667
Year ended 30 June 2023							
Opening net book amount	**558,278**	**7,681,559**	**46,618,006**	**484,377**	**272,570**	**15,054,877**	**70,669,667**
Additions	**5,220**	**290,100**	**730,374**	**166,589**	**50,158**	**17,800,873**	**19,043,314**
Transfer	**–**	**7,385,117**	**5,065,347**	**350,927**	**11,141**	**(12,812,532)**	**–**
Disposals	**–**	**(3,492)**	**(31,017)**	**(441)**	**(408)**	**–**	**(35,358)**
Depreciation (Notes (a) and 21)	**–**	**(673,145)**	**(2,829,018)**	**(126,079)**	**(63,355)**	**–**	**(3,691,597)**
Exchange differences	**16,260**	**75,783**	**377,696**	**5,882**	**763**	**94,797**	**571,181**
Closing net book amount	**579,758**	**14,755,922**	**49,931,388**	**881,255**	**270,869**	**20,138,015**	**86,557,207**
At 30 June 2023							
Cost	**579,758**	**21,675,875**	**70,720,356**	**2,050,631**	**877,682**	**20,138,015**	**116,042,317**
Accumulated depreciation	**–**	**(6,919,953)**	**(20,788,968)**	**(1,169,376)**	**(606,813)**	**–**	**(29,485,110)**
Net book amount	**579,758**	**14,755,922**	**49,931,388**	**881,255**	**270,869**	**20,138,015**	**86,557,207**

(a) Depreciation was included in the following categories in the consolidated income statement:

	For the year ended 30 June 2023 RMB'000	2022 RMB'000
Cost of goods sold	**3,368,476**	2,654,821
Administrative expenses	**245,948**	217,710
Selling and marketing costs	**77,173**	65,186
	3,691,597	2,937,717

7. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Office buildings RMB'000	Total RMB'000
At 1 July 2021			
Cost	2,173,290	35,100	2,208,390
Accumulated amortisation	(546,483)	(11,373)	(557,856)
Net book amount	1,626,807	23,727	1,650,534
Year ended 30 June 2022			
Opening net book amount	1,626,807	23,727	1,650,534
Additions	518,417	11,856	530,273
Acquisition of a subsidiary	30,177	—	30,177
Amortisation (Notes (a) and 21)	(51,266)	(8,955)	(60,221)
Exchange differences	4,742	62	4,804
Closing net book amount	2,128,877	26,690	2,155,567
At 30 June 2022			
Cost	2,724,456	46,965	2,771,421
Accumulated amortisation	(595,579)	(20,275)	(615,854)
Net book amount	2,128,877	26,690	2,155,567
Year ended 30 June 2023			
Opening net book amount	**2,128,877**	**26,690**	**2,155,567**
Additions	**911,748**	**44,485**	**956,233**
Sale of land use rights	**(11,280)**	**—**	**(11,280)**
Amortisation (Notes (a) and 21)	**(70,438)**	**(21,235)**	**(91,673)**
Exchange differences	**9,513**	**900**	**10,413**
Closing net book amount	**2,968,420**	**50,840**	**3,019,260**
At 30 June 2023			
Cost	**3,634,773**	**92,796**	**3,727,569**
Accumulated amortisation	**(666,353)**	**(41,956)**	**(708,309)**
Net book amount	**2,968,420**	**50,840**	**3,019,260**

(a) Amortisation of RMB40,822,000, RMB21,235,000 and RMB29,616,000 (2022: RMB44,640,000, RMB8,955,000 and RMB6,626,000) are charged to the "cost of goods sold" and "administrative expenses" 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 2021			
Cost	146,694	298,145	444,839
Accumulated amortisation	—	(131,702)	(131,702)
Net book amount	146,694	166,443	313,137
Year ended 30 June 2022			
Opening net book amount	146,694	166,443	313,137
Additions	—	11,196	11,196
Acquisition of a subsidiary	8,412	—	8,412
Amortisation (Notes (a) and 21)	—	(22,673)	(22,673)
Exchange differences	—	2,246	2,246
Closing net book amount	155,106	157,212	312,318
At 30 June 2022			
Cost	155,106	311,587	466,693
Accumulated amortisation	—	(154,375)	(154,375)
Net book amount	155,106	157,212	312,318
Year ended 30 June 2023			
Opening net book amount	**155,106**	**157,212**	**312,318**
Additions	**—**	**13,002**	**13,002**
Amortisation (Notes (a) and 21)	**—**	**(29,721)**	**(29,721)**
Exchange differences	**—**	**4,649**	**4,649**
Closing net book amount	**155,106**	**145,142**	**300,248**
At 30 June 2023			
Cost	**155,106**	**329,238**	**484,344**
Accumulated amortisation	**—**	**(184,096)**	**(184,096)**
Net book amount	**155,106**	**145,142**	**300,248**

8. INTANGIBLE ASSETS *(continued)*

(a) Amortisation of RMB21,876,000 and RMB7,845,000 (2022: RMB14,722,000 and RMB7,951,000) are charged to the administrative expenses and cost of goods sold of the consolidated income statement.

(b) **Impairment test for goodwill**

Goodwill is allocated to the Group's CGU identified. The goodwill of the Group is mainly 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 that there was no impairment on goodwill as at 30 June 2023 (30 June 2022: nil).

(c) As at 30 June 2023, other intangible assets mainly represent patent, trademark, computer software and sea area use right (30 June 2022: same).

9. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2023:

	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%
Indirectly held:				
Nine Dragons Worldwide Investment Limited	Hong Kong, limited liability company	Investment holdings/ Hong Kong	HK$1	100%
Nine Dragons Worldwide (China) Investment Group Co., Ltd.	PRC, limited liability company	Investment holdings/PRC	US$3,217,491,000	100%
Nine Dragons Paper Industries (Dongguan) Co., Ltd.	PRC, limited liability company	Manufacture of paper and pulp/PRC	US$863,181,000	100%
Nine Dragons Paper Industries (Taicang) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$740,720,000	100%
Nine Dragons Paper Industries (Chongqing) Co., Ltd.	PRC, limited liability company	Manufacture of paper and pulp/PRC	US$763,847,770	100%

9. SUBSIDIARIES *(continued)*

	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
Nine Dragons Paper Industries (Tianjin) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$756,468,000	100%
Nine Dragons Paper Industries (Quanzhou) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$362,100,000	100%
Nine Dragons Paper Industries (Leshan) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	RMB462,210,000	100%
Nine Dragons Paper Industries (Shenyang) Co. Ltd.	PRC, limited liability company	Manufacture of paper and pulp/PRC	US$518,057,000	100%
Nine Dragons Paper Industries (Hebei) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$163,193,000	100%
Nine Dragons Paper Industries (Hubei) Co., Ltd.	PRC, limited liability company	Manufacture of paper and pulp/PRC	RMB3,000,000,000	100%
Nine Dragons Paper Industries (Beihai) Co., Ltd.	PRC, limited liability company	Manufacture of paper and pulp/PRC	RMB10,000,000,000	100%
Cheng Yang Paper Mill Co., Ltd. (Note (a))	Vietnam, limited liability company	Manufacture of paper/ Vietnam	US$100,000,000	67%
ND Paper Inc.	USA, limited liability company	Manufacture of paper and pulp/USA	US$848,578,000	100%
ND Group Holding (Malaysia) Sdn Bhd.	Malaysia, limited liability company	Manufacture of paper and pulp/Malaysia	MYR1,488,081,000	100%

(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's financial information 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 ASSOCIATES AND A JOINT VENTURE

There was no associate nor joint venture of the Group as at 30 June 2023 which, in the opinion of the executive directors, are individually material to the Group. For those individually immaterial associates 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:

	Associates RMB'000 (Note (a))	**Joint venture** RMB'000 (Note (b))	**Total** RMB'000
At 1 July 2021	175,423	23,663	199,086
Share of results	116,907	(393)	116,514
Disposals	(44,253)	—	(44,253)
Exchange differences	—	(515)	(515)
At 30 June 2022	248,077	22,755	270,832
At 1 July 2022	248,077	22,755	270,832
Addition	108,453	—	108,453
Share of results	(32,938)	1,096	(31,842)
Dividends declared	(170,159)	—	(170,159)
Disposals	(336)	—	(336)
Exchange differences	—	(1,548)	(1,548)
At 30 June 2023	153,097	22,303	175,400

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

Name of entity	**Place of incorporation**	**% of ownership interest** **2023**	2022	**Principal activities**
ACN (Tianjin) Resources Co., Ltd. ("ACN Tianjin")	PRC	**30**	30	Sales of recovered paper
Hainan ACN Resources Co., Ltd. ("ACN Hainan")	PRC	**30**	30	Sales of recovered paper
Beihai Minerals Environmental Technology Co, Ltd.	PRC	**49**	—	Resource recycling technology research and development
Ganglong (Guangxi Beihai) Terminal Co., Ltd.	PRC	**49**	—	Port operations

10. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE *(continued)*

(b) Particulars of the Group's joint venture are set out below:

Name of entity	Place of incorporation	% of ownership interest 2023	% of ownership interest 2022	Principal activities
Global Fame Developments Limited ("Global Fame")	BVI	**50**	50	Leasing

11. INVENTORIES

	30 June 2023 RMB'000	30 June 2022 RMB'000
Raw materials	**5,499,061**	5,551,699
Finished goods	**3,625,390**	6,618,401
Inventories — gross	**9,124,451**	12,170,100
Provision for impairment	**(268,777)**	—
Inventories — net	**8,855,674**	12,170,100

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB54,940,449,000 for the year ended 30 June 2023 (2022: RMB57,546,222,000).

Write-downs of inventories to net realisable value amounted to RMB268,777,000 for the year ended 30 June 2023 (2022: nil). These were recognised as an expense during the year ended 30 June 2023 and included in cost of goods sold in the consolidated income statement.

12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2023 RMB'000	30 June 2022 RMB'000
Trade receivables (Note (b))		
— third parties	**3,086,387**	3,682,958
Bills receivables (Note (d))		
— third parties	**1,373,742**	1,268,153
Trade and bills receivables	**4,460,129**	4,951,111
VAT recoverable	**2,769,364**	1,484,845
Other receivables and deposits		
— third parties	**494,563**	587,696
— related parties (Note 29(d))	**52,319**	47,675
	546,882	635,371
Prepayments		
— third parties	**1,924,869**	1,739,184
— related parties (Note 29(d))	**1,328,373**	2,456,307
	3,253,242	4,195,491
Less: prepayments included in non-current assets	**(1,013,424)**	(896,824)
Other receivables and prepayments — current portion	**5,556,064**	5,418,883

(a) As at 30 June 2023, the fair values of trade, bills and other receivables approximate their carrying amounts due to their short term maturities (30 June 2022: same).

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 2023, the ageing analysis of trade receivables based on invoice date was as follows:

	30 June 2023 RMB'000	30 June 2022 RMB'000
0–30 days	**2,575,787**	3,113,623
31–60 days	**432,809**	527,862
Over 60 days	**77,791**	41,473
	3,086,387	3,682,958

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) As at 30 June 2023, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB233,400,000 (2022: RMB306,276,000) which are past due as at the reporting date. 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. No provision was made for trade receivables as at 30 June 2023 as the credit losses for these balances were not material (30 June 2022: same).

(d) Bills receivables are mainly with maturity period of 180 to 360 days. Bills receivables as at 30 June 2023 mainly represent bank acceptance notes (30 June 2022: 90 to 180 days).

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

	30 June 2023 RMB'000	30 June 2022 RMB'000
RMB	**4,223,030**	4,676,693
US$	**573,322**	641,665
HK$	**63,256**	103,538
Others	**147,403**	164,586
	5,007,011	5,586,482

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

(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 2023 as the credit losses for these balances were not material (2022: same).

(g) Prepayments mainly represent advance to suppliers for purchase of raw materials and prepayments for acquisition of equipment and land use rights.

13. CASH AND CASH EQUIVALENTS

	30 June 2023 RMB'000	30 June 2022 RMB'000
Cash and cash equivalents		
— Cash at banks	**10,315,559**	9,652,968
— Cash in hand	**1,929**	1,376
	10,317,488	9,654,344
Cash and cash equivalents were denominated in:		
— RMB	**8,659,902**	8,429,794
— US$	**1,377,756**	883,207
— HK$	**35,012**	42,216
— Others	**244,818**	299,127
	10,317,488	9,654,344

(a) As at 30 June 2023, the maximum exposure to credit risk is the carrying amount of cash at banks of RMB10,315,559,000 (30 June 2022: RMB9,652,968,000).

(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.

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:					
Year ended 30 June 2023					
Balance as at 1 July 2022 and 30 June 2023	**4,692,220,811**	**469,222**	**480,531**	**1,084,720**	**1,565,251**
Issued and fully paid:					
Year ended 30 June 2022					
Balance as at 1 July 2021	4,692,220,811	469,222	480,531	3,884,720	4,365,251
Reduction of share premium and transfer to contributed surplus (Note (a))	–	–	–	(2,800,000)	(2,800,000)
Balance as at 30 June 2022	4,692,220,811	469,222	480,531	1,084,720	1,565,251

(a) A reduction of RMB2,800,000,000 standing to the credit of the share premium account of the Company and the transfer of such amount to the contributed surplus account was approved by the shareholders at the Annual General Meeting on 6 December 2021.

15. OTHER RESERVES

	Contributed surplus RMB'000 (Note (a))	Capital reserve RMB'000	Statutory reserve and enterprise expansion fund RMB'000 (Note (b))	Merger reserve RMB'000 (Note (c))	Currency translation reserve RMB'000	Total RMB'000
Year ended 30 June 2022						
Balance as at 1 July 2021	231,827	251,406	4,495,419	(335,183)	(50,045)	4,593,424
Reduction of share premium and transfer to contributed surplus	2,800,000	–	–	–	–	2,800,000
Acquisition of non-controlling interests in a subsidiary	–	(5,139)	–	–	–	(5,139)
Appropriation to statutory reserve and enterprise expansion fund	–	–	784,007	–	–	784,007
Dividends	(1,548,433)	–	–	–	–	(1,548,433)
Currency translation differences	–	–	–	–	(220,103)	(220,103)
Balance at 30 June 2022	1,483,394	246,267	5,279,426	(335,183)	(270,148)	6,403,756
Year ended 30 June 2023						
Balance as at 1 July 2022	**1,483,394**	**246,267**	**5,279,426**	**(335,183)**	**(270,148)**	**6,403,756**
Appropriation to statutory reserve and enterprise expansion fund	**–**	**–**	**428,263**	**–**	**–**	**428,263**
Dividends	**(93,844)**	**–**	**–**	**–**	**–**	**(93,844)**
Currency translation differences	**–**	**–**	**–**	**–**	**74,307**	**74,307**
Balance at 30 June 2023	**1,389,550**	**246,267**	**5,707,689**	**(335,183)**	**(195,841)**	**6,812,482**

(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 and the amount transferred from share premium.

(b) 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 capital of respective companies. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC companies. The enterprise expansion fund can only be used to increase capital of respective companies or to expand their production operations upon approval by the relevant authority.

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

(c) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital of the subsidiaries acquired by the Group from the controlling shareholders of the Company less considerations paid.

16. BORROWINGS

	30 June 2023 RMB'000	30 June 2022 RMB'000
Non-current		
— Long-term bank and other borrowings	**43,180,730**	36,861,721
Current		
— Short-term bank borrowings	**5,889,013**	4,492,142
— Current portion of long-term bank borrowings	**7,703,509**	2,887,138
	13,592,522	7,379,280
	56,773,252	44,241,001

(a) As at 30 June 2023, borrowings of RMB50,103,089,000 (30 June 2022: RMB41,941,001,000) are guaranteed by the Company, and borrowings of RMB2,670,163,000 (30 June 2022: RMB1,500,000,000) are guaranteed by a subsidiary.

(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 2023 RMB'000	30 June 2022 RMB'000
6 months or less	**31,766,210**	31,516,583
6–12 months	**16,012,226**	8,282,920
1–5 years	**8,889,816**	4,359,478
Over 5 years	**105,000**	82,020
	56,773,252	44,241,001

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

	30 June 2023 RMB'000	30 June 2022 RMB'000
Within 1 year	**13,592,522**	7,379,280
Between 1 and 2 years	**23,510,231**	20,528,865
Between 2 and 5 years	**15,426,361**	15,280,836
Over 5 years	**4,244,138**	1,052,020
	56,773,252	44,241,001

16. BORROWINGS *(continued)*

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

	30 June 2023					
	RMB	**US$**	**EURO**	**HK$**	**MYR**	**VND**
Long-term bank and other borrowings	**3.33%**	**7.68%**	**1.03%**	**Not applicable**	**Not applicable**	**Not applicable**
Short-term bank borrowings	**2.82%**	**7.48%**	**0.94%**	**Not applicable**	**4.26%**	**Not applicable**

	30 June 2022					
	RMB	US$	EURO	HK$	MYR	VND
Long-term bank and other borrowings	3.33%	2.46%	1.08%	2.22%	Not applicable	Not applicable
Short-term bank borrowings	2.55%	1.73%	1.58%	1.52%	Not applicable	3.29%

(e) The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

(f) The Group's borrowings were denominated in:

	30 June 2023 RMB'000	30 June 2022 RMB'000
RMB	**52,932,722**	24,338,276
US$	**2,824,445**	15,079,917
EURO	**860,967**	1,704,618
MYR	**155,118**	—
HK$	**—**	2,958,303
VND	**—**	159,887
	56,773,252	44,241,001

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

	30 June 2023 RMB'000	30 June 2022 RMB'000
At floating rates:		
— expiring within one year	**33,114,870**	36,876,146
— expiring beyond one year	**22,119,163**	30,451,672
	55,234,033	67,327,818

17. DEFERRED INCOME TAX

	30 June 2023 **RMB'000**	30 June 2022 RMB'000
Deferred income tax assets	**(130,969)**	(154,146)
Deferred income tax liabilities	**4,157,579**	4,414,832
Deferred income tax liabilities, net	**4,026,610**	4,260,686

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

	For the year ended 30 June **2023** **RMB'000**	2022 RMB'000
Beginning of the year	**4,260,686**	4,119,018
(Credited)/charged to the consolidated income statement (Note 24)	**(235,911)**	135,874
Acquisition of a subsidiary	**—**	9,840
Exchange differences	**1,835**	(4,046)
End of the year	**4,026,610**	4,260,686

(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 2021	(585,304)	4,704,322
(Credited)/charged to the consolidated income statement	(182,377)	318,251
Acquisition of a subsidiary	–	9,840
Exchange difference	(18,957)	14,911
At 30 June 2022	(786,638)	5,047,324
At 1 July 2022	(786,638)	5,047,324
(Credited)/charged to the consolidated income statement	(696,337)	460,426
Exchange difference	289	1,546
At 30 June 2023	(1,482,686)	5,509,296

As at 30 June 2023, 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 RMB1,779,725,000 (30 June 2022: RMB1,799,994,000) 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

	30 June 2023 RMB'000	30 June 2022 RMB'000
Trade payables		
— third parties	**2,301,753**	2,231,685
— related parties (Note 29(d))	**975,715**	419,283
	3,277,468	2,650,968
Bills payables		
— third parties	**6,370,854**	4,016,977
	9,648,322	6,667,945
Other payables		
— Staff welfare benefits payable	**359,459**	363,444
— Lease liabilities	**52,015**	27,483
— Others (Note (c))	**4,047,425**	3,233,447
	4,458,899	3,624,374
Less: non-current portion		
Lease liabilities	**(21,203)**	(20,314)
Staff welfare benefits payable and others	**(84,093)**	(87,154)
	(105,296)	(107,468)
Other payables — current portion	**4,353,603**	3,516,906

(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 2023 is as follows:

	30 June 2023 RMB'000	30 June 2022 RMB'000
0–90 days	**2,746,127**	2,484,165
Over 90 days	**531,341**	166,803
	3,277,468	2,650,968

(b) Bills payables are mainly with maturity period of 90 to 360 days.

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

19. REVENUE

	For the year ended 30 June 2023 RMB'000	2022 RMB'000
Sales of packaging paper	51,009,294	59,922,416
Sales of printing and writing paper	4,699,885	3,655,895
Sales of high value specialty paper products	675,291	662,116
Sales of pulp	354,970	297,675
	56,739,440	64,538,102
Timing of revenue recognition		
A point in time	56,739,440	64,538,102

(a) The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the year ended 30 June 2023 and 2022.

(b) **Contract liabilities:**

The Group has recognised the following revenue-related contract liabilities:

	For the year ended 30 June 2023 RMB'000	2022 RMB'000
Related to sales of paper goods and pulp	454,378	374,065

(i) **Revenue recognised in relation to contract liabilities**

Revenue recognised related to carried-forward contract liabilities amounted to RMB374,065,000 for the year ended 30 June 2023 (2022: RMB361,072,000).

(ii) **Unsatisfied performance obligations**

The Group has adopted a practical expedient methodology by omitting disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

20. OTHER INCOME, OTHER EXPENSES AND OTHER GAINS — NET

	For the year ended 30 June	
	2023	2022
	RMB'000	RMB'000
Other income		
— VAT refund (Note (a))	**1,231,774**	723,186
— subsidy income	**116,960**	133,390
— sales of electricity	**51,643**	33,771
— income from transportation services	**5,155**	19,887
Other expenses		
— cost of sales of electricity	**(57,880)**	(47,915)
— cost of transportation services	**(4,861)**	(14,342)
Other gains — net		
— losses on disposal of property, plant and equipment	**(28,170)**	(40,842)
— Others	**88,468**	160,960
	1,403,089	968,095

(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 recycled paper as raw materials is eligible for refund of 50%.

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	
	2023	2022
	RMB'000	RMB'000
Raw materials and consumables used	**45,959,412**	55,290,217
Changes in finished goods	**2,993,011**	(3,135,242)
Employee benefit expenses (Note 22)	**4,014,510**	3,652,758
Depreciation (Note 6)	**3,691,597**	2,937,717
Repairs and maintenance expenses	**744,555**	924,538
Transportation expenses	**1,023,559**	937,311
Write-down of inventories (Note 11)	**268,777**	—
Other taxes	**588,726**	432,251
Amortisation of right-of-use assets (Note 7)	**91,673**	60,221
Less: amount capitalised in property, plant and equipment	**(29,616)**	(6,626)
	62,057	53,595
Amortisation of intangible assets (Note 8)	**29,721**	22,673
Auditor's remuneration	**9,480**	9,120
Others	**525,181**	699,218
	59,910,586	61,824,156

22. EMPLOYEE BENEFIT EXPENSES

	For the year ended 30 June 2023 RMB'000	2022 RMB'000
Wages and salaries	**3,524,335**	3,217,371
Allowances and benefits	**490,175**	435,387
	4,014,510	3,652,758

(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 2023 RMB'000	2022 RMB'000
Gross scheme contributions	**167,343**	148,606

(b) Directors' and senior management's emoluments

The remuneration of each of the directors and chief executive officer of the Company for the year ended 30 June 2023 is set out below:

Name of director	Fees RMB'000	Allowance RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Ms. Cheung Yan	8,928	–	–	1,500	–	10,428
Mr. Liu Ming Chung (i)	8,376	–	–	5,500	–	13,876
Mr. Zhang Cheng Fei (i)	8,100	–	–	–	–	8,100
Mr. Zhang Yuan Fu	922	–	6,269	–	16	7,207
Mr. Lau Chun Shun	4,800	–	–	1,500	16	6,316
Mr. Ken Liu	4,109	–	–	4,000	–	8,109
Mr. Zhang Lianpeng	2,400	–	–	3,500	–	5,900
Independent non-executive directors						
Ms. Tam Wai Chu, Maria (ii)	317	–	–	80	–	397
Mr. Lam Yiu Kin	479	–	–	80	–	559
Mr. Ng Leung Sing	479	–	–	80	–	559
Mr. Chen Kefu	436	–	–	73	–	509
Ms. Chan Man Ki (ii)	184	–	–	–	–	184
Dr. Li Huiqun (ii)	184	–	–	–	–	184
	39,714	–	6,269	16,313	32	62,328

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

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

The remuneration of each of the directors and chief executive officer of the Company for the year ended 30 June 2022 is set out below:

Name of director	Fees RMB'000	Allowance RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Ms. Cheung Yan	8,928	–	–	6,000	–	14,928
Mr. Liu Ming Chung (i)	8,376	–	–	3,000	–	11,376
Mr. Zhang Cheng Fei (i)	8,100	–	–	2,995	–	11,095
Mr. Zhang Yuan Fu	836	–	5,687	–	15	6,538
Mr. Lau Chun Shun	4,800	–	–	3,000	15	7,815
Mr. Ken Liu	3,883	–	–	5,000	–	8,883
Mr. Zhang Lianpeng	2,400	–	–	5,000	–	7,400
Independent non-executive directors						
Ms. Tam Wai Chu, Maria	442	–	–	128	–	570
Mr. Lam Yiu Kin	442	–	–	128	–	570
Mr. Ng Leung Sing	442	–	–	128	–	570
Mr. Chen Kefu	401	–	–	116	–	517
	39,050	–	5,687	25,495	30	70,262

(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) Ms. Tam Wai Chu, Maria was resigned on 31 March 2023. Ms. Chan Man Ki and Dr. Li Huiqun were appointed on 6 February 2023.

During the year ended 30 June 2023, 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 (2022: same).

During the year ended 30 June 2023, no director waived or has agreed to waive any emoluments during the years presented (2022: same).

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2023 include three (2022: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2022: two) individuals during the year ended 30 June 2023 are as follows:

	For the year ended 30 June	
	2023	2022
	RMB'000	RMB'000
Wages and salaries	**19,290**	18,750
Allowances and benefits	**144**	149
	19,434	18,899

The emoluments of these remaining individuals of the Group fell within the following bands:

	For the year ended 30 June	
	2023	2022
Annual emolument band		
RMB8,890,000 to RMB9,330,000 (equivalent to HK$10,000,000 to HK$10,500,000)	**–**	1
RMB9,330,000 to RMB9,780,000 (equivalent to HK$10,500,000 to HK$11,000,000)	**1**	1
RMB9,780,000 to RMB10,220,000 (equivalent to HK$11,000,000 to HK$11,500,000)	**1**	–

23. FINANCE INCOME AND FINANCE COSTS

	For the year ended 30 June	
	2023	2022
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	**162,110**	187,617
Finance costs:		
Interest on borrowings	**(1,863,598)**	(985,467)
Other incidental borrowing costs	**(120,143)**	(72,155)
Less: amounts capitalised on property, plant and equipment (Note (a))	**746,863**	217,262
	(1,236,878)	(840,360)
Other finance costs	**(52,037)**	(58,553)
	(1,288,915)	(898,913)

(a) The capitalisation interest rate is 4.02% for the year ended 30 June 2023 (2022: 2.88%).

24. INCOME TAX CREDIT/(EXPENSE)

	For the year ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax and withholding income tax (Notes (a) and (b))	**120,870**	93,196
— USA income tax (Note (c))	**—**	—
— Vietnam income tax (Note (d))	**(1,590)**	(19,843)
— Hong Kong profits tax (Note (e))	**—**	—
	119,280	73,353
Deferred income tax (Note 17)		
— PRC corporate income tax and withholding income tax	**322,950**	(129,194)
— USA income tax	**(77,925)**	—
— Vietnam income tax	**(9,114)**	(6,680)
	235,911	(135,874)
	355,191	(62,521)

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

(a) PRC corporate income tax

The Group's subsidiaries in Chinese mainland 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 2023 as those subsidiaries fulfil the requirements of High and New Technology Enterprise ("HNTE") according to relevant rules and regulations (2022: 15%). The HNTE designation should be reassessed every three years according to relevant rules and regulations.

In accordance with the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Implementing the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources Cai Shui [2008] No. 47 (《財政部、國家稅務總局關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》財稅[2008]47號), and the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources (2021) (《資源綜合利用企業所得稅優惠目錄(2021年版)》) issued by the Circular of the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Ecology and Environment on 16 December 2021, an enterprise, which uses the raw materials under the catalogue to produce recycled resource products under the catalogue and the products meet the national or industrial standards, is entitled to incentive tax arrangement such that only 90% of the sales revenue of the products is subject to the calculation of the taxable income. The Group's sales of certain recycled products is qualified for the incentive tax arrangement and therefore 10% of the Group's revenue from sales of qualified recycled products was deducted from the taxable income of the Group in the calculation of CIT from 1 January 2021 onwards.

(b) PRC withholding income tax

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the Chinese mainland 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 Chinese mainland 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 subsidiaries in Chinese mainland for the year ended 30 June 2023 was 5% (2022: 5%).

(c) USA income tax

USA income tax has not been provided as the Group did not have any assessable profits for the year ended 30 June 2023 (2022: same).

(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 2023 in respect of operations in Vietnam (2022: same).

(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 2023 (2022: same).

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

(f) The taxation on the Group's loss/(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	
	2023	2022
	RMB'000	RMB'000
Loss/(profit) before income tax	**2,726,030**	(3,373,022)
Less: share of results of associates and a joint venture	**(31,842)**	116,514
	2,694,188	(3,256,508)
Tax calculated at applicable tax rates of the group entities	**594,931**	(899,592)
Effect of preferential tax rates	**90,170**	915,106
Tax losses for which no deferred income tax assets was recognised	**(368,635)**	(155,069)
Others	**38,725**	77,034
Income tax credit/(expense)	**355,191**	(62,521)

25. (LOSS)/EARNINGS PER SHARE

— Basic

	For the year ended 30 June	
	2023	2022
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(2,383,376)**	3,275,360
Weighted average number of ordinary shares in issue (shares in thousands)	**4,692,221**	4,692,221
Basic (loss)/earnings per share (RMB per share)	**(0.51)**	0.70

— Diluted

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year ended 30 June 2023 (2022 : same).

26. DIVIDENDS

	For the year ended 30 June 2023 RMB'000	2022 RMB'000
Interim dividend, paid, of RMB nil cents (2022: RMB8.0 cents) per ordinary share (Note (a))	–	375,378
Final dividend, proposed, of RMB nil cents (2022: RMB2.0 cents) per ordinary share (Note (b))	–	93,844
	–	469,222

(a) The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: RMB8.0 cents per ordinary share).

(b) The Board does not recommend the payment of a final dividend for the year ended 30 June 2023.

27. NOTES OF CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	For the year ended 30 June 2023 RMB'000	2022 RMB'000
(Loss)/profit for the year	**(2,370,839)**	3,310,501
Adjustments for		
Income tax (credit)/expense (Note 24)	**(355,191)**	62,521
Depreciation (Note 6)	**3,691,597**	2,937,717
Amortisation (Notes 7, 8 and 21)	**91,778**	76,268
Provision for impairment loss of inventories	**268,777**	—
Share of loss/(profit) of associates and a joint venture (Note 10)	**31,842**	(116,514)
Finance income (Note 23)	**(162,110)**	(187,617)
Finance costs (Note 23)	**1,288,915**	898,913
Exchange gains on financing activities — net	**(27,839)**	(380,692)
Exchange losses on operating activities — net	**(172,835)**	94,929
Others	**24,356**	39,073
	2,308,451	6,735,099
Changes in working capital		
Inventories	**3,045,649**	(3,955,608)
Trade, bills and other receivables, and prepayments	**(85,583)**	(154,478)
Trade, bills and other payables and contract liabilities	**3,736,451**	1,769,158
Cash generated from operations	**9,004,968**	4,394,171

27. NOTES OF CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

	1 July 2022 RMB'000	Financing cash inflows — net RMB'000	Other changes (i) RMB'000	30 June 2023 RMB'000
Borrowings	**44,241,001**	**11,588,440**	**943,811**	**56,773,252**
Lease liabilities	**27,483**	**(23,368)**	**47,900**	**52,015**
Dividend payable	**376,307**	**(469,360)**	**93,799**	**746**
	44,644,791	**11,095,712**	**1,085,510**	**56,826,013**

	1 July 2021 RMB'000	Financing cash inflows — net RMB'000	Other changes (i) RMB'000	30 June 2022 RMB'000
Borrowings	34,110,884	9,866,404	263,713	44,241,001
Lease liabilities	24,383	(9,653)	12,753	27,483
Dividend payable	470,223	(2,017,474)	1,923,558	376,307
	34,605,490	7,839,277	2,200,024	44,644,791

(i) Other changes mainly comprise foreign exchange adjustment.

28. CAPITAL COMMITMENTS

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

	30 June 2023 RMB'000	30 June 2022 RMB'000
Property, plant and equipment	**7,545,689**	8,316,524

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Name and relationship with major related parties

Name	Relationship
America Chung Nam Inc. ("ACN Inc")	A company beneficially owned by Ms. Cheung Yan and Mr. Liu Ming Chung, executive directors of the Company
ACN Tianjin and its designated agents	An associate of the Group
ACN Hainan and its designated agents	An associate of the Group
Global Fame	A joint venture of the Group

(b) Transactions with related parties

During the year ended 30 June 2023, the Group had the following significant transactions with related parties. These transactions are conducted in the normal course of the Group's business:

	For the year ended 30 June	
	2023	2022
	RMB'000	RMB'000
Purchase of recovered paper and pulp:		
— ACN Tianjin and ACN Hainan and their designated agents	**19,140,216**	29,462,555
— ACN Inc	**2,289,043**	3,355,828
	21,429,259	32,818,383

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

(c) Key management compensation

Compensation for key management including the compensation for directors as disclosed in Note 22 is as follows:

	For the year ended 30 June	
	2023	2022
	RMB'000	RMB'000
Salaries, allowance and benefits	**90,951**	77,943

29. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties

	30 June 2023 RMB'000	30 June 2022 RMB'000
Balances due from:		
— ACN Inc	1,154,646	1,198,461
— ACN Tianjin and ACN Hainan and their designated agents	173,727	1,257,846
— Global Fame	52,317	43,401
— Other related parties	2	4,274
	1,380,692	2,503,982

	30 June 2023 RMB'000	30 June 2022 RMB'000
Balances due to:		
— ACN Tianjin and ACN Hainan and their designated agents	776,251	92,570
— ACN Inc	199,464	326,713
	975,715	419,283

Balances with related parties as at 30 June 2023 were unsecured, interest free and repayable in accordance with agreed terms with related parties (30 June 2022: same).

(e) Provision of guarantee to the joint venture

As at 30 June 2023, the Group has provided guarantee of RMB22,804,000 to Global Fame related to its borrowings (30 June 2022: RMB23,862,000).

30. 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.

31. BALANCE SHEET OF THE COMPANY STANDING ALONE

	Note	30 June 2023 RMB'000	30 June 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		104	104
Interests in subsidiaries		10,978,572	10,978,572
		10,978,676	10,978,676
Current assets			
Amounts due from subsidiaries		2,914,529	550,450
Cash and cash equivalents		25,406	31,501
		2,939,935	581,951
Total assets		13,918,611	11,560,627
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		480,531	480,531
Share premium		1,084,720	1,084,720
Other reserves	(a)	2,803,708	2,897,552
Retained earnings	(b)	161,685	37,199
Total equity		4,530,644	4,500,002
LIABILITIES			
Non-current liabilities			
Borrowings		5,832,663	2,300,000
Current liabilities			
Amounts due to subsidiaries		2,709,596	4,382,441
Other payables		8,208	378,184
Borrowings		837,500	–
		3,555,304	4,760,625
Total liabilities		9,387,967	7,060,625
Total equity and liabilities		13,918,611	11,560,627

Ms. Cheung Yan
Chairlady

Mr. Liu Ming Chung
Deputy Chairman and Chief Executive Officer

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

(a) Movement of other reserves

	Contributed surplus RMB'000
At 1 July 2021	1,645,985
Reduction of share premium and transfer to contributed surplus	2,800,000
2021 final dividends	(1,548,433)
At 30 June 2022	2,897,552
At 1 July 2022	**2,897,552**
2022 final dividends	**(93,844)**
At 30 June 2023	**2,803,708**

(b) Movement of retained earnings

	RMB'000
At 1 July 2021	217,156
Profit of the year	195,421
2022 interim dividends	(375,378)
At 30 June 2022	37,199
At 1 July 2022	**37,199**
Profit of the year	**124,486**
At 30 June 2023	**161,685**

INDEPENDENT AUDITOR'S REPORT

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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"), which are set out on pages 118 to 180, comprise:

- the consolidated balance sheet as at 30 June 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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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Independent Auditor's Report *(continued)*
To the Shareholders of Nine Dragons Paper (Holdings) Limited
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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 to the consolidated financial statements. During the year ended 30 June 2022, the Group has recognised revenue from sales of goods of RMB64,538,102,000. 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 relevant controls in respect of the Group's sales 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 templates 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 sales 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
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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, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report *(continued)*
To the Shareholders of Nine Dragons Paper (Holdings) Limited
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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 Cheng Lap Yam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 September 2022

CONSOLIDATED BALANCE SHEET

	Note	30 June 2022 RMB'000	30 June 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**70,669,667**	60,198,470
Right-of-use assets	7	**2,155,567**	1,650,534
Intangible assets	8	**312,318**	313,137
Investments in associates and a joint venture	10	**270,832**	199,086
Prepayments	12	**896,824**	1,012,244
Deferred income tax assets	17	**154,146**	80,454
Total non-current assets		**74,459,354**	63,453,925
Current assets			
Inventories	11	**12,170,100**	8,214,492
Trade and bills receivables	12	**4,951,111**	6,365,530
Other receivables and prepayments	12	**5,418,883**	3,889,194
Financial assets at fair value through profit or loss		**79,533**	77,633
Tax recoverable		**237,240**	26,404
Restricted cash		**67,774**	76,427
Short-term bank deposits		**42,485**	37,785
Cash and cash equivalents	13	**9,654,344**	10,031,059
Total current assets		**32,621,470**	28,718,524
Total assets		**107,080,824**	92,172,449
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	**480,531**	480,531
Share premium	14	**1,084,720**	3,884,720
Other reserves	15	**6,403,756**	4,593,424
Retained earnings		**39,085,792**	36,969,817
		47,054,799	45,928,492
Non-controlling interests		**450,527**	467,185
Total equity		**47,505,326**	46,395,677

	Note	30 June 2022 RMB'000	30 June 2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	16	**36,861,721**	17,523,289
Other payables	18	**107,468**	122,303
Deferred income tax liabilities	17	**4,414,832**	4,199,472
Total non-current liabilities		**41,384,021**	21,845,064
Current liabilities			
Borrowings	16	**7,379,280**	16,587,595
Trade and bills payables	18	**6,667,945**	4,349,598
Contract liabilities	19	**374,065**	361,072
Other payables	18	**3,516,906**	2,253,014
Current income tax liabilities		**253,281**	380,429
Total current liabilities		**18,191,477**	23,931,708
Total liabilities		**59,575,498**	45,776,772
Total equity and liabilities		**107,080,824**	92,172,449

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

The consolidated financial statements on pages 118 to 180 were approved by the board of directors of the Company on 27 September 2022 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 2022 RMB'000	2021 RMB'000
Revenue	19	**64,538,102**	61,574,060
Cost of goods sold	21	**(57,546,222)**	(49,883,117)
Gross profit		**6,991,880**	11,690,943
Other income, other expenses and other gains — net	20	**968,095**	755,191
Exchange loss on operating activities — net		**(94,929)**	(27,266)
Selling and marketing costs	21	**(1,955,444)**	(1,811,618)
Administrative expenses	21	**(2,322,490)**	(2,065,516)
Operating profit		**3,587,112**	8,541,734
Finance costs — net		**(711,296)**	(635,999)
— Finance income	23	**187,617**	123,535
— Finance costs	23	**(898,913)**	(759,534)
Exchange gain on financing activities — net		**380,692**	383,711
Share of results of associates and a joint venture — net	10	**116,514**	186,103
Profit before income tax		**3,373,022**	8,475,549
Income tax expense	24	**(62,521)**	(1,307,531)
Profit for the year		**3,310,501**	7,168,018
Profit attributable to:			
— Equity holders of the Company		**3,275,360**	7,101,141
— Non-controlling interests		**35,141**	66,877
		3,310,501	7,168,018
Basic earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*	25	**0.70**	1.51
Diluted earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*	25	**0.70**	1.51

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	
	2022	2021
	RMB'000	RMB'000
Profit for the year	**3,310,501**	7,168,018
Other comprehensive income		
(Items that may be reclassified subsequently to profit or loss)		
— currency translation differences	**(205,277)**	(67,225)
Total comprehensive income for the year	**3,105,224**	7,100,793
Total comprehensive income for the year attributable to:		
— Equity holders of the Company	**3,055,257**	7,059,382
— Non-controlling interests	**49,967**	41,411
	3,105,224	7,100,793

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 2020	480,531	3,884,720	4,729,359	31,276,011	40,370,621	425,774	40,796,395
Comprehensive income							
Profit for the year	–	–	–	7,101,141	7,101,141	66,877	7,168,018
Other comprehensive income							
Currency translation differences	–	–	(41,759)	–	(41,759)	(25,466)	(67,225)
Total comprehensive income	–	–	(41,759)	7,101,141	7,059,382	41,411	7,100,793
Transactions with owners							
2020 final and 2021 interim dividends to equity holders of the Company	–	–	(1,032,289)	(469,222)	(1,501,511)	–	(1,501,511)
Appropriation to statutory reserve and enterprise expansion fund	–	–	938,113	(938,113)	–	–	–
Balance at 30 June 2021	480,531	3,884,720	4,593,424	36,969,817	45,928,492	467,185	46,395,677

	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 2021	480,531	3,884,720	4,593,424	36,969,817	45,928,492	467,185	46,395,677
Comprehensive income							
Profit for the year	–	–	–	3,275,360	3,275,360	35,141	3,310,501
Other comprehensive income							
Currency translation differences	–	–	(220,103)	–	(220,103)	14,826	(205,277)
Total comprehensive income	–	–	(220,103)	3,275,360	3,055,257	49,967	3,105,224
Transactions with owners							
Reduction of share premium and transfer to contributed surplus (Note 14(a))	–	(2,800,000)	2,800,000	–	–	–	–
2021 final and 2022 interim dividends to equity holders of the Company	–	–	(1,548,433)	(375,378)	(1,923,811)	–	(1,923,811)
Acquisition of non-controlling interests in a subsidiary	–	–	(5,139)	–	(5,139)	(66,625)	(71,764)
Appropriation to statutory reserve and enterprise expansion fund	–	–	784,007	(784,007)	–	–	–
Balance at 30 June 2022	480,531	1,084,720	6,403,756	39,085,792	47,054,799	450,527	47,505,326

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 2022 RMB'000	 2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	27(a)	**4,394,171**	4,283,646
Income tax paid		**(263,979)**	(912,856)
Interest paid		**(1,099,696)**	(854,023)
Net cash generated from operating activities		**3,030,496**	2,516,767
Cash flows from investing activities			
Payments for property, plant and equipment and right-of-use assets		**(12,621,417)**	(6,060,190)
Dividends received from an associate		**—**	177,762
Interest received		**187,617**	123,535
Payments for business combination		**(61,556)**	—
Proceeds from government grants for purchase of property, plant and equipment and land use right		**109,708**	146,728
Others — net		**64,094**	(23,448)
Net cash used in investing activities		**(12,321,554)**	(5,635,613)
Cash flows from financing activities			
Proceeds from borrowings		**35,768,469**	25,146,897
Repayments of borrowings		**(25,902,065)**	(16,039,725)
Proceeds from bills receivables discount		**1,150,000**	—
Dividends paid to equity holders of the Company		**(2,017,474)**	(1,507,182)
Payments for the acquisition of non-controlling interests in a subsidiary		**(71,764)**	—
Changes in restricted cash		**3,110**	36,795
Principal elements of lease payment		**(9,653)**	(7,272)
Net cash generated from financing activities		**8,920,623**	7,629,513
Net (decrease)/increase in cash and cash equivalents		**(370,435)**	4,510,667
Cash and cash equivalents at beginning of the year		**10,031,059**	5,559,508
Exchange loss on cash and cash equivalents		**(6,280)**	(39,116)
Cash and cash equivalents at end of the year	13	**9,654,344**	10,031,059

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.

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 ("BoD") on 27 September 2022.

The outbreak of the 2019 Novel Coronavirus ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the packaging paperboard industry including production and raw material supply, demand for packaging paper, etc. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements are authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

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.

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

2.2 New standards, amendments and interpretations to standards

(a) 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 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2

The adoption of the above amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

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

The following new standards and amendments to standards have been issued but are not mandatory for annual period beginning after 1 July 2021 and have not been early adopted:

Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger[1]
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020 Cycle[1]
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use[1]
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract[1]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework[1]
HKFRS 17	Insurance Contract[2]
HKAS 8 (Amendments)	Definition of Accounting Estimates[2]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for the Group for annual periods beginning on or after 1 July 2022
2 Effective for the Group for annual periods beginning on or after 1 July 2023
3 Effective date to be determined

The Group will apply the above new standards and amendments to standards when they become effective. The Group anticipate that the application of the above new standards and amendments to standards have no material impact on the results and financial positions of the Group.

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

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.

(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.

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

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

(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 associates and a joint venture — net" in the consolidated income statement.

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

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

(f) Associates

Associates are all entities 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 associates are accounted for using the equity method of accounting, after initially being recognised at cost.

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

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

(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

(a) Business combinations under common control

The consolidated financial statements incorporate the consolidated financial statements items of the entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement and the consolidated statement of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

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

2.4 Business combinations *(continued)*

(b) Business combinations not under common control

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 gain/(loss) on financing activities — net". All other foreign exchange gains and losses are presented in the consolidated income statement within "exchange loss on operating activities — net".

(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.

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

2.6 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

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

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Freehold lands are not depreciated and are measured at historical cost less subsequent accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment other than freehold lands 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	6–15 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 — 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 presented in right-of-use assets, 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 99 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 right of use of the "Xueshan" brand which delivers an earning stream and generates value for the Group. The trademark can be re-registered 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 right of use of odor treatment equipment which is designed to 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 purpose 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

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

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.

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 the amount of consideration that is unconditional unless significant financing components, when they are recognised at fair value. The Group holds the trade, bills and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.20 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.

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

2.20 Current and deferred income tax *(continued)*

(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 considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(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.

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

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

2.21 Employee benefits *(continued)*

(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

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.

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.

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.

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

2.23 Revenue and other income recognition *(continued)*

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 service**

Other income from rendering of transportation service 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

The Group leases office buildings and land use rights on both short-term and long-term contracts.

Land use rights represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term or the operating period, whichever is shorter.

Rental contracts for office buildings and land use rights are typically made for fixed periods of 1 to 99 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

2.25 Leases *(continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

2.25 Leases *(continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2.26 Government grants

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

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

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

2.27 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Foreign exchange risk *(continued)*

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 2022, 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 2022 would have been RMB576,455,000 lower/higher (2021: RMB442,866,000) and other reserves would have been RMB239,711,000 lower/higher (2021: RMB190,416,000), 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.

As at 30 June 2022, 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 RMB70,117,000 lower/higher (2021: RMB37,264,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

(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.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Credit risk *(continued)*

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 expected credit loss ("ECL") which uses a lifetime expected loss allowance. Other receivables are 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 establishes ECL model based on historical settlement records, past experience and available forward-looking information. Majority of the Group's bills receivables are issued by banks with good reputation. The Group's other receivables are deposits or receivables arisen from normal operations, of which the credit risk is not significant based on management's assessment. Management does not expect any credit losses of the debtors as at 30 June 2022.

(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 comprising undrawn borrowing facilities (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, including interest payments computed using contractual rates, or, if floating, based on current rates.

	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 2022						
Borrowings	**8,522,389**	**21,326,654**	**15,937,612**	**1,254,597**	**47,041,252**	**44,241,001**
Trade, bills and other payables, excluding staff welfare benefits payable and other taxes payable	**9,478,834**	**6,244**	**6,619**	**12,478**	**9,504,175**	**9,498,454**
At 30 June 2021						
Borrowings	17,200,049	8,847,461	9,073,429	54,745	35,175,684	34,110,884
Trade, bills and other payables, excluding staff welfare benefits payable and other taxes payable	6,215,719	4,947	4,598	13,337	6,238,601	6,232,876

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 2022 RMB'000	30 June 2021 RMB'000
Total borrowings (Note 16)	**44,241,001**	34,110,884
Less: cash and cash equivalents, restricted cash and short-term bank deposits	**(9,764,603)**	(10,145,271)
Net debt	**34,476,398**	23,965,613
Total equity	**47,505,326**	46,395,677
Gearing ratio	**72.6%**	51.7%

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 2022 on a recurring basis:

	30 June 2022 Level 1 RMB'000	30 June 2021 Level 1 RMB'000
Financial assets at fair value through profit or loss	**79,533**	77,633

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 manufacturing machinery 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.

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 taxation. Judgement is also required in determining the tax rate that would be applicable when related temporary difference that gives rise to deferred income tax is 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 and 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 breakdown of the major products of the total revenue is disclosed in Note 19.

The Group is domiciled in the PRC. The revenue from external customers attributable to the PRC for the year ended 30 June 2022 is RMB58,166,174,000 (2021: RMB56,647,302,000), and the total of its revenue from external customers from other countries is RMB6,371,928,000 (2021: RMB4,926,758,000).

As at 30 June 2022, other than deferred income tax assets, the total of non-current assets located in the PRC is RMB65,186,395,000 (30 June 2021: RMB56,055,184,000), and the total of these non-current assets located in other countries is RMB9,118,813,000 (30 June 2021: RMB7,318,287,000).

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold 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 2020						
Cost	10,843,171	58,402,111	1,404,306	733,105	7,595,335	78,978,028
Accumulated depreciation	(4,003,998)	(15,131,745)	(875,499)	(434,156)	–	(20,445,398)
Net book amount	6,839,173	43,270,366	528,807	298,949	7,595,335	58,532,630
Year ended 30 June 2021						
Opening net book amount	6,839,173	43,270,366	528,807	298,949	7,595,335	58,532,630
Additions	1,504	701,602	36,324	45,066	4,217,289	5,001,785
Transfer	1,507,594	5,588,538	84,820	–	(7,180,952)	–
Disposals	(29,689)	(72,689)	(4,782)	(877)	–	(108,037)
Depreciation (Notes (a) and 21)	(490,624)	(2,002,266)	(114,555)	(67,774)	–	(2,675,219)
Exchange differences	(99,392)	(339,915)	(5,527)	(3,697)	(104,158)	(552,689)
Closing net book amount	7,728,566	47,145,636	525,087	271,667	4,527,514	60,198,470
At 30 June 2021						
Cost	12,189,227	64,134,092	1,489,146	765,309	4,527,514	83,105,288
Accumulated depreciation	(4,460,661)	(16,988,456)	(964,059)	(493,642)	–	(22,906,818)
Net book amount	7,728,566	47,145,636	525,087	271,667	4,527,514	60,198,470
Year ended 30 June 2022						
Opening net book amount	**7,728,566**	**47,145,636**	**525,087**	**271,667**	**4,527,514**	**60,198,470**
Additions	**454,345**	**413,626**	**28,669**	**60,657**	**12,234,922**	**13,192,219**
Acquisition of a subsidiary (Note 29)	**48,944**	**30,702**	**114**	**322**	**–**	**80,082**
Transfer	**499,205**	**1,178,244**	**45,541**	**–**	**(1,722,990)**	**–**
Disposals	**(12,924)**	**(92,606)**	**(1,303)**	**(1,486)**	**–**	**(108,319)**
Depreciation (Notes (a) and 21)	**(526,677)**	**(2,236,952)**	**(115,279)**	**(58,809)**	**–**	**(2,937,717)**
Exchange differences	**48,378**	**179,356**	**1,548**	**219**	**15,431**	**244,932**
Closing net book amount	**8,239,837**	**46,618,006**	**484,377**	**272,570**	**15,054,877**	**70,669,667**
At 30 June 2022						
Cost	**13,219,223**	**65,806,903**	**1,536,715**	**808,647**	**15,054,877**	**96,426,365**
Accumulated depreciation	**(4,979,386)**	**(19,188,897)**	**(1,052,338)**	**(536,077)**	**–**	**(25,756,698)**
Net book amount	**8,239,837**	**46,618,006**	**484,377**	**272,570**	**15,054,877**	**70,669,667**

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

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

	For the year ended 30 June 2022 RMB'000	2021 RMB'000
Cost of goods sold	**2,654,821**	2,381,041
Administrative expenses	**217,710**	220,161
Selling and marketing costs	**65,186**	67,851
Other expenses	**–**	6,166
	2,937,717	2,675,219

7. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Office buildings RMB'000	Total RMB'000
At 1 July 2020			
Cost	2,146,482	25,358	2,171,840
Accumulated amortisation	(500,425)	(7,214)	(507,639)
Net book amount	1,646,057	18,144	1,664,201
Year ended 30 June 2021			
Opening net book amount	1,646,057	18,144	1,664,201
Additions	35,199	12,109	47,308
Amortisation (Notes (b) and 21)	(45,179)	(6,557)	(51,736)
Exchange differences	(9,270)	31	(9,239)
Closing net book amount	1,626,807	23,727	1,650,534
At 30 June 2021			
Cost	2,173,290	35,100	2,208,390
Accumulated amortisation	(546,483)	(11,373)	(557,856)
Net book amount	1,626,807	23,727	1,650,534
Year ended 30 June 2022			
Opening net book amount	**1,626,807**	**23,727**	**1,650,534**
Additions	**518,417**	**11,856**	**530,273**
Acquisition of a subsidiary (Note 29)	**30,177**	**–**	**30,177**
Amortisation (Notes (b) and 21)	**(51,266)**	**(8,955)**	**(60,221)**
Exchange differences	**4,742**	**62**	**4,804**
Closing net book amount	**2,128,877**	**26,690**	**2,155,567**
At 30 June 2022			
Cost	**2,724,456**	**46,965**	**2,771,421**
Accumulated amortisation	**(595,579)**	**(20,275)**	**(615,854)**
Net book amount	**2,128,877**	**26,690**	**2,155,567**

7. RIGHT-OF-USE ASSETS *(continued)*

(a) The land is outside Hong Kong and held on leases of between 30 years to 99 years.

(b) Amortisation of RMB44,640,000, RMB8,955,000 and RMB6,626,000 (2021: RMB43,824,000, RMB6,557,000 and RMB1,355,000) are charged to the "cost of goods sold" and "administrative expenses" 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 2020			
Cost	146,694	248,221	394,915
Accumulated amortisation	—	(107,107)	(107,107)
Net book amount	146,694	141,114	287,808
Year ended 30 June 2021			
Opening net book amount	146,694	141,114	287,808
Additions	—	55,279	55,279
Amortisation (Notes (a) and 21)	—	(24,595)	(24,595)
Exchange differences	—	(5,355)	(5,355)
Closing net book amount	146,694	166,443	313,137
At 30 June 2021			
Cost	146,694	298,145	444,839
Accumulated amortisation	—	(131,702)	(131,702)
Net book amount	146,694	166,443	313,137
Year ended 30 June 2022			
Opening net book amount	**146,694**	**166,443**	**313,137**
Additions	**—**	**11,196**	**11,196**
Acquisition of a subsidiary (Note 29)	**8,412**	**—**	**8,412**
Amortisation (Notes (a) and 21)	**—**	**(22,673)**	**(22,673)**
Exchange differences	**—**	**2,246**	**2,246**
Closing net book amount	**155,106**	**157,212**	**312,318**
At 30 June 2022			
Cost	**155,106**	**311,587**	**466,693**
Accumulated amortisation	**—**	**(154,375)**	**(154,375)**
Net book amount	**155,106**	**157,212**	**312,318**

8. INTANGIBLE ASSETS *(continued)*

(a) Amortisation of RMB22,673,000 and nil (2021: RMB24,354,000 and RMB241,000) are charged to the "administrative expenses" and capitalised in construction in progress included in "property, plant and equipment", respectively.

(b) Impairment test for goodwill

Goodwill is allocated to the Group's CGU identified. The goodwill of the Group is mainly 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 that there was no impairment on goodwill as at 30 June 2022 (30 June 2021: nil).

(c) As at 30 June 2022, other intangible assets mainly represent patent, trademark, computer software and sea area use right (30 June 2021: same).

9. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2022:

	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$740,720,000	100.00%
Nine Dragons Paper Industries (Chongqing) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$763,847,770	100.00%
Nine Dragons Paper Industries (Tianjin) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$756,468,000	100.00%

9. SUBSIDIARIES *(continued)*

	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
Nine Dragons Paper Industries (Quanzhou) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$362,100,000	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$518,057,000	100.00%
Nine Dragons Paper Industries (Hebei) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	US$163,193,000	100.00%
Nine Dragons Paper Industries (Hubei) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	RMB3,000,000,000	100.00%
Nine Dragons Paper Industries (Beihai) Co., Ltd.	PRC, limited liability company	Manufacture of paper/PRC	RMB10,000,000,000	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.	USA, limited liability company	Manufacture of paper/USA	US$556,629,000	100.00%

(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 ASSOCIATES AND A JOINT VENTURE

There was no associate nor joint venture of the Group as at 30 June 2022 which, in the opinion of the executive directors, are individually material to the Group. For those individually immaterial associates 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:

	Associates RMB'000 (Note (a))	Joint venture RMB'000 (Note (b))	Total RMB'000
At 1 July 2020	101,953	28,468	130,421
Addition	58,851	—	58,851
Share of results	192,381	(6,278)	186,103
Dividends declared	(177,762)	—	(177,762)
Exchange differences	—	1,473	1,473
At 30 June 2021	175,423	23,663	199,086
At 1 July 2021	175,423	23,663	199,086
Share of results	116,907	(393)	116,514
Disposals	(44,253)	—	(44,253)
Exchange differences	—	(515)	(515)
At 30 June 2022	248,077	22,755	270,832

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

Name of entity	Place of incorporation	% of ownership interest 2022	2021	Principal activities
ACN (Tianjin) Resources Co., Ltd. ("ACN Tianjin")	PRC	**30**	30	Sales of recovered paper
Hainan ACN Resources Co., Ltd. ("ACN Hainan")	PRC	**30**	30	Sales of recovered paper
Turbo Best Holdings Limited ("Turbo Best") (Note (i))	Hong Kong	**Not applicable**	40	Investment holdings

(i) The Group acquired the 60% equity interest of Turbo Best from the joint venture partner during the year ended 30 June 2022, and Turbo Best changed from an associate to a subsidiary of the Group (Note 29).

10. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE *(continued)*

(b) Particulars of the Group's joint venture are set out below:

Name of entity	Place of incorporation	% of ownership interest 2022	% of ownership interest 2021	Principal activities
Global Fame Developments Limited ("Global Fame")	BVI	**50**	50	Leasing

11. INVENTORIES

	30 June 2022 RMB'000	30 June 2021 RMB'000
At cost:		
Raw materials	**5,551,699**	4,731,333
Finished goods	**6,618,401**	3,483,159
	12,170,100	8,214,492

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB57,546,222,000 for the year ended 30 June 2022 (2021: RMB49,883,117,000).

12. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2022 RMB'000	30 June 2021 RMB'000
Trade receivables (Note (b))		
— third parties	**3,682,958**	3,865,099
— related parties (Note 30(d))	**—**	7,816
	3,682,958	3,872,915
Bills receivables (Note (d))		
— third parties	**1,268,153**	2,475,295
— related parties (Note 30(d))	**—**	17,320
	1,268,153	2,492,615
Trade and bills receivables	**4,951,111**	6,365,530
VAT recoverable	**1,484,845**	762,773
Other receivables and deposits		
— third parties	**587,696**	437,817
— related parties (Note 30(d))	**47,675**	50,133
	635,371	487,950
Prepayments		
— third parties	**1,739,184**	1,834,433
— related parties (Note 30(d))	**2,456,307**	1,816,282
	4,195,491	3,650,715
Less: prepayments included in non-current assets	**(896,824)**	(1,012,244)
Other receivables and prepayments	**5,418,883**	3,889,194

(a) As at 30 June 2022, the fair value of trade, bills and other receivables approximate their carrying amounts due to their short term maturities (30 June 2021: same).

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 2022, the ageing analysis of trade receivables based on invoice date was as follows:

	30 June 2022 RMB'000	30 June 2021 RMB'000
0–30 days	**3,113,623**	3,276,699
31–60 days	**527,862**	528,094
Over 60 days	**41,473**	68,122
	3,682,958	3,872,915

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

(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. No provision was made for trade receivables as at 30 June 2022 as the credit losses for these balances was not material (30 June 2021: same).

Trade receivables are analysed below:

	30 June 2022 RMB'000	30 June 2021 RMB'000
Fully performing under credit term (Note (i))	**3,376,682**	3,739,576
Past due (Note (ii))	**306,276**	133,339
Total trade receivables	**3,682,958**	3,872,915

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

(ii) Trade receivables that are past due 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. Bills receivables as at 30 June 2022 mainly represent bank acceptance notes (30 June 2021: 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 2022 RMB'000	30 June 2021 RMB'000
RMB	**4,676,693**	5,989,260
US$	**641,665**	470,977
HK$	**103,538**	96,384
Others	**164,586**	296,859
	5,586,482	6,853,480

(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 2022 (2021: same).

(g) Prepayments mainly represent advance to suppliers for purchase of raw materials and prepayments for acquisition of equipment and land use rights.

13. CASH AND CASH EQUIVALENTS

	30 June 2022 RMB'000	30 June 2021 RMB'000
Cash and cash equivalents		
— Cash at banks	**9,652,968**	10,029,998
— Cash in hand	**1,376**	1,061
	9,654,344	10,031,059
Cash and cash equivalents denominated in:		
— RMB	**8,429,794**	8,745,234
— US$	**883,207**	973,238
— HK$	**42,216**	38,698
— Others	**299,127**	273,889
	9,654,344	10,031,059

(a) As at 30 June 2022, the maximum exposure to credit risk is the carrying amount of cash at banks of RMB9,652,968,000 (30 June 2021: RMB10,029,998,000).

(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.

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:					
Year ended 30 June 2022					
Balance as at 1 July 2021	**4,692,220,811**	**469,222**	**480,531**	**3,884,720**	**4,365,251**
Reduction of share premium and transfer to contributed surplus (Note (a))	**–**	**–**	**–**	**(2,800,000)**	**(2,800,000)**
Balance as at 30 June 2022	**4,692,220,811**	**469,222**	**480,531**	**1,084,720**	**1,565,251**
Issued and fully paid:					
Year ended 30 June 2021					
Balance as at 1 July 2020 and 30 June 2021	4,692,220,811	469,222	480,531	3,884,720	4,365,251

(a) A reduction of RMB2,800,000,000 standing to the credit of the share premium account of the Company and the transfer of such amount to the contributed surplus account was approved by the shareholders at the Annual General Meeting on 6 December 2021.

15. OTHER RESERVES

	Contributed surplus RMB'000 (Note (a))	Capital reserve RMB'000	Statutory reserve and enterprise expansion fund RMB'000 (Note (b))	Merger reserve RMB'000 (Note (c))	Currency translation reserve RMB'000	Total RMB'000
Year ended 30 June 2021						
Balance as at 1 July 2020	1,264,116	251,406	3,557,306	(335,183)	(8,286)	4,729,359
Appropriation to statutory reserve and enterprise expansion fund	–	–	938,113	–	–	938,113
Dividends	(1,032,289)	–	–	–	–	(1,032,289)
Currency translation differences	–	–	–	–	(41,759)	(41,759)
Balance at 30 June 2021	231,827	251,406	4,495,419	(335,183)	(50,045)	4,593,424
Year ended 30 June 2022						
Balance as at 1 July 2021	**231,827**	**251,406**	**4,495,419**	**(335,183)**	**(50,045)**	**4,593,424**
Reduction of share premium and transfer to contributed surplus	**2,800,000**	**–**	**–**	**–**	**–**	**2,800,000**
Acquisition of non-controlling interests in a subsidiary	**–**	**(5,139)**	**–**	**–**	**–**	**(5,139)**
Appropriation to statutory reserve and enterprise expansion fund	**–**	**–**	**784,007**	**–**	**–**	**784,007**
Dividends	**(1,548,433)**	**–**	**–**	**–**	**–**	**(1,548,433)**
Currency translation differences	**–**	**–**	**–**	**–**	**(220,103)**	**(220,103)**
Balance at 30 June 2022	**1,483,394**	**246,267**	**5,279,426**	**(335,183)**	**(270,148)**	**6,403,756**

15. OTHER RESERVES *(continued)*

(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 and the amount transferred from share premium.

(b) 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 capital of respective companies. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC companies. The enterprise expansion fund can only be used to increase capital of respective companies or to expand their production operations upon approval by the relevant authority.

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

(c) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital of the subsidiaries acquired by the Group from the controlling shareholders of the Company less considerations paid.

16. BORROWINGS

	30 June 2022 **RMB'000**	30 June 2021 RMB'000
Non-current		
— Long-term bank and other borrowings	**36,861,721**	17,523,289
Current		
— Short-term bank borrowings	**4,492,142**	11,398,244
— Current portion of long-term bank borrowings	**2,887,138**	5,189,351
	7,379,280	16,587,595
	44,241,001	34,110,884

(a) As at 30 June 2022, borrowings of RMB41,941,001,000 (30 June 2021: RMB28,788,287,000) are guaranteed by the Company, and borrowings of RMB1,500,000,000 (30 June 2021: RMB1,500,000,000) are guaranteed by a subsidiary.

16. BORROWINGS *(continued)*

(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 2022 RMB'000	30 June 2021 RMB'000
6 months or less	31,516,583	19,873,744
6–12 months	8,282,920	7,132,477
1–5 years	4,359,478	7,059,444
Over 5 years	82,020	45,219
	44,241,001	34,110,884

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

	30 June 2022 RMB'000	30 June 2021 RMB'000
Within 1 year	7,379,280	16,587,595
Between 1 and 2 years	20,528,865	8,590,195
Between 2 and 5 years	15,280,836	8,887,875
Over 5 years	1,052,020	45,219
	44,241,001	34,110,884

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

	30 June 2022				
	RMB	US$	EURO	HK$	VND
Long-term bank and other borrowings	3.33%	2.46%	1.08%	2.22%	Not applicable
Short-term bank borrowings	2.55%	1.73%	1.58%	1.52%	3.29%

	30 June 2021				
	RMB	US$	EURO	HK$	VND
Long-term bank and other borrowings	3.45%	1.58%	1.64%	1.74%	Not applicable
Short-term bank borrowings	2.92%	1.15%	0.50%	Not applicable	Not applicable

(e) The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

16. BORROWINGS *(continued)*

(f) The Group's borrowings were denominated:

	30 June 2022 RMB'000	30 June 2021 RMB'000
RMB	**24,338,276**	17,269,464
US$	**15,079,917**	8,432,246
EURO	**1,704,618**	4,546,797
HK$	**2,958,303**	3,862,377
VND	**159,887**	—
	44,241,001	34,110,884

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

	30 June 2022 RMB'000	30 June 2021 RMB'000
At floating rates:		
— expiring within one year	**36,876,146**	33,379,416
— expiring beyond one year	**30,451,672**	19,065,953
	67,327,818	52,445,369

17. DEFERRED INCOME TAX

	30 June 2022 RMB'000	30 June 2021 RMB'000
Deferred income tax assets	**(154,146)**	(80,454)
Deferred income tax liabilities	**4,414,832**	4,199,472
Deferred income tax liabilities, net	**4,260,686**	4,119,018

17. DEFERRED INCOME TAX *(continued)*

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

	For the year ended 30 June 2022 RMB'000	2021 RMB'000
Beginning of the year	**4,119,018**	3,502,870
Charged to the consolidated income statement (Note 24)	**135,874**	613,252
Acquisition of a subsidiary (Note 29)	**9,840**	—
Exchange differences	**(4,046)**	2,896
End of the year	**4,260,686**	4,119,018

(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 2020	(335,704)	3,838,574
(Credited)/charged to the consolidated income statement	(276,934)	890,186
Exchange difference	27,334	(24,438)
At 30 June 2021	(585,304)	4,704,322
At 1 July 2021	(585,304)	4,704,322
(Credited)/charged to the consolidated income statement	(182,377)	318,251
Acquisition of a subsidiary (Note 29)	—	9,840
Exchange difference	(18,957)	14,911
At 30 June 2022	(786,638)	5,047,324

As at 30 June 2022, 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 RMB1,799,994,000 (30 June 2021: approximately RMB1,540,916,000) 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

	30 June 2022 RMB'000	30 June 2021 RMB'000
Trade payables		
— third parties	**2,231,685**	1,847,961
— related parties (Note 30(d))	**419,283**	428,355
	2,650,968	2,276,316
Bills payables		
— third parties	**4,016,977**	2,073,282
	6,667,945	4,349,598
Other payables (Note (c))	**3,233,447**	1,949,613
Staff welfare benefits payable	**363,444**	401,321
Lease liabilities	**27,483**	24,383
	3,624,374	2,375,317
Less: non-current portion		
Lease liabilities	**(20,314)**	(17,748)
Staff welfare benefits payable and others	**(87,154)**	(104,555)
	(107,468)	(122,303)
Current portion	**3,516,906**	2,253,014

(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 2022 is as follows:

	30 June 2022 RMB'000	30 June 2021 RMB'000
0–90 days	**2,484,165**	2,081,521
Over 90 days	**166,803**	194,795
	2,650,968	2,276,316

(b) Bills payables are mainly with maturity period of 90 to 360 days.

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

19. REVENUE

	For the year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Sales of packaging paper	**59,922,416**	56,328,190
Sales of printing and writing paper	**3,655,895**	4,334,853
Sales of high value specialty paper products	**662,116**	664,779
Sales of pulp	**297,675**	246,238
	64,538,102	61,574,060
Timing of revenue recognition		
A point in time	**64,538,102**	61,574,060

(a) The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the year ended 30 June 2022 and 2021.

(b) **Contract liabilities:**

The Group has recognised the following revenue-related contract liabilities:

	For the year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Related to sales of paper goods and pulp	**374,065**	361,072

(i) **Revenue recognised in relation to contract liabilities**

Revenue recognised related to carried-forward contract liabilities amounted to RMB361,072,000 for the year ended 30 June 2022 (2021: RMB380,307,000).

(ii) **Unsatisfied performance obligations**

The Group has adopted a practical expedient methodology by omitting disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

20. OTHER INCOME, OTHER EXPENSES AND OTHER GAINS — NET

	For the year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other income		
— VAT refund (Note (a))	**723,186**	531,300
— subsidy income	**133,390**	124,995
— sales of electricity	**33,771**	49,442
— income from transportation services	**19,887**	41,808
Other expenses		
— cost of sales of electricity	**(47,915)**	(30,008)
— cost of transportation services	**(14,342)**	(22,709)
Other gains — net		
— losses on disposal of property, plant and equipment	**(40,842)**	(40,059)
— Others	**160,960**	100,422
	968,095	755,191

(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	
	2022	2021
	RMB'000	RMB'000
Raw materials and consumables used	**55,290,217**	46,626,684
Changes in finished goods	**(3,135,242)**	(1,674,089)
Employee benefit expenses (Note 22)	**3,652,758**	3,348,144
Depreciation (Note 6)	**2,937,717**	2,675,219
Less: amounts charged to other expenses	**—**	(6,166)
	2,937,717	2,669,053
Repairs and maintenance expenses	**924,538**	773,069
Transportation expenses	**937,311**	935,230
Other taxes	**432,251**	389,672
Amortisation of right-of-use assets (Note 7)	**60,221**	51,736
Less: amount capitalised in property, plant and equipment	**(6,626)**	(1,355)
	53,595	50,381
Amortisation of intangible assets (Note 8)	**22,673**	24,595
Less: amount capitalised in property, plant and equipment	**—**	(241)
	22,673	24,354
Auditor's remuneration	**9,120**	9,120
Others	**699,218**	608,633
	61,824,156	53,760,251

22. EMPLOYEE BENEFIT EXPENSES

	For the year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	**3,217,371**	2,975,417
Allowances and benefits	**435,387**	372,727
	3,652,758	3,348,144

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Pensions costs — defined contribution plans

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

	For the year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Gross scheme contributions	**148,606**	106,991

(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 2022 is set out below:

Name of director	Fees RMB'000	Allowance RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Ms. Cheung Yan	8,928	–	–	6,000	–	14,928
Mr. Liu Ming Chung (i)	8,376	–	–	3,000	–	11,376
Mr. Zhang Cheng Fei (i)	8,100	–	–	2,995	–	11,095
Mr. Zhang Yuan Fu	836	–	5,687	–	15	6,538
Mr. Lau Chun Shun	4,800	–	–	3,000	15	7,815
Mr. Ken Liu	3,883	–	–	5,000	–	8,883
Mr. Zhang Lianpeng	2,400	–	–	5,000	–	7,400
Independent non-executive directors						
Ms. Tam Wai Chu, Maria	442	–	–	128	–	570
Mr. Lam Yiu Kin	442	–	–	128	–	570
Mr. Ng Leung Sing	442	–	–	128	–	570
Mr. Chen Kefu	401	–	–	116	–	517
	39,050	–	5,687	25,495	30	70,262

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

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

The remuneration of each of the director and chief executive officer of the Company for the year ended 30 June 2021 is set out below:

Name of director	Fees RMB'000	Allowance RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Ms. Cheung Yan	8,128	–	–	1,997	–	10,125
Mr. Liu Ming Chung (i)	7,576	–	–	3,993	–	11,569
Mr. Zhang Cheng Fei (i)	7,300	–	–	2,995	–	10,295
Mr. Zhang Yuan Fu	837	–	5,237	–	15	6,089
Mr. Lau Chun Shun	4,000	–	–	1,997	15	6,012
Mr. Ken Liu	3,262	–	–	2,496	–	5,758
Mr. Zhang Lianpeng	1,600	–	–	3,993	–	5,593
Independent non-executive directors						
Ms. Tam Wai Chu, Maria	442	–	–	130	–	572
Mr. Lam Yiu Kin	442	–	–	130	–	572
Mr. Ng Leung Sing	442	–	–	130	–	572
Mr. Chen Kefu	402	–	–	118	–	520
	34,431	–	5,237	17,979	30	57,677

(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.

During the year ended 30 June 2022, 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 (2021: same).

During the year ended 30 June 2022, no director waived or has agreed to waive any emoluments during the years presented (2021: same).

22. EMPLOYEE BENEFIT EXPENSES *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2022 include three (2021: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2021: two) individuals during the year ended 30 June 2022 are as follows:

	For the year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	**18,750**	16,160
Allowances and benefits	**149**	97
	18,899	16,257

The emoluments of these remaining individuals of the Group fell within the following bands:

	For the year ended 30 June	
	2022	2021
Annual emolument band		
RMB7,460,000 to RMB7,870,000 (equivalent to HK$9,000,000 to HK$9,500,000)	**–**	2
RMB9,110,000 to RMB9,530,000 (equivalent to HK$11,000,000 to HK$11,500,000)	**1**	–
RMB9,530,000 to RMB9,940,000 (equivalent to HK$11,500,000 to HK$12,000,000)	**1**	–

23. FINANCE INCOME AND FINANCE COSTS

	For the year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Finance income:		
Interest income from bank deposits	**187,617**	123,535
Finance costs:		
Interest on borrowings	**(985,467)**	(714,915)
Other incidental borrowing costs	**(72,155)**	(86,415)
Less: amounts capitalised on property, plant and equipment (Note (a))	**217,262**	97,033
	(840,360)	(704,297)
Other finance costs	**(58,553)**	(55,237)
	(898,913)	(759,534)

(a) The capitalisation interest rate is 2.88% for the year ended 30 June 2022 (2021: 2.76%).

24. INCOME TAX EXPENSE

	For the year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax and withholding income tax (Notes (a) and (b))	**(93,196)**	669,003
— USA income tax (Note (c))	**—**	—
— Vietnam income tax (Note (d))	**19,843**	25,276
— Hong Kong profits tax (Note (e))	**—**	—
	(73,353)	694,279
Deferred income tax (Note 17)		
— PRC corporate income tax and withholding income tax	**129,194**	669,778
— USA income tax	**—**	(63,748)
— Vietnam income tax	**6,680**	7,222
	135,874	613,252
	62,521	1,307,531

24. INCOME TAX EXPENSE *(continued)*

(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 2022 as those subsidiaries fulfil the requirements of High and New Technology Enterprise ("HNTE") according to relevant rules and regulations (2021: 15%). The HNTE designation should be reassessed every three years according to relevant rules and regulations.

In accordance with the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Implementing the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources Cai Shui [2008] No. 47 (《財政部、國家稅務總局關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》財稅[2008]47號), and the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources (2021) (《資源綜合利用企業所得稅優惠目錄(2021年版)》) issued by the Circular of the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Ecology and Environment on 16 December 2021, an enterprise, which uses the raw materials under the catalogue to produce recycled resource products under the catalogue and the products meet the national or industrial standards, is entitled to incentive tax arrangement such that only 90% of the sales revenue of the products is subject to the calculation of the taxable income. The Group's sales of recycled products qualify for the incentive tax arrangement and therefore 10% of the Group's revenue from sales of recycled products was deducted from the taxable income of the Group in the calculation of CIT from 1 January 2021 onwards. The estimated benefit from this tax incentive amounting to RMB550,209,000 (including the tax incentive amounting to RMB209,832,000 related to the period from 1 January 2021 to 30 June 2021) was included in the determination of the current income tax charge for the year ended 30 June 2022 (year ended 30 June 2021: Nil).

(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 2022 was 5% (2021: 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 2022 in respect of operations in USA (2021: same).

(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 2022 in respect of operations in Vietnam (2021: same).

(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 2022 (2021: nil).

24. INCOME TAX EXPENSE *(continued)*

(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	
	2022	2021
	RMB'000	RMB'000
Profit before income tax	**3,373,022**	8,475,549
Less: share of results of associates and a joint venture	**(116,514)**	(186,103)
	3,256,508	8,289,446
Tax calculated at applicable tax rates of the group entities	**899,592**	1,941,164
Income tax incentive from comprehensive utilisation of resources related to the period from 1 July 2021 to 30 June 2022 (Note (a))	**(340,377)**	—
Income tax incentive from comprehensive utilisation of resources related to the period from 1 January 2021 to 30 June 2021 (Note (a))	**(209,832)**	—
Effect of preferential tax rates	**(364,897)**	(651,672)
Tax losses for which no deferred income tax assets was recognised	**155,069**	74,791
Others	**(77,034)**	(56,752)
Income tax expense	**62,521**	1,307,531

25. EARNINGS PER SHARE

— **Basic**

	For the year ended 30 June	
	2022	2021
Profit attributable to equity holders of the Company (RMB'000)	**3,275,360**	7,101,141
Weighted average number of ordinary shares in issue (shares in thousands)	**4,692,221**	4,692,221
Basic earnings per share (RMB per share)	**0.70**	1.51

— **Diluted**

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year ended 30 June 2022 (year ended 30 June 2021 : same).

26. DIVIDENDS

	For the year ended 30 June 2022 RMB'000	2021 RMB'000
Interim dividend, paid, of RMB8.0 cents (2021: RMB10.0 cents) per ordinary share (Note (a))	**375,378**	469,222
Final dividend, proposed, of RMB2.0 cents (2021: RMB33.0 cents) per ordinary share (Note (b))	**93,844**	1,548,433
	469,222	2,017,655

(a) An interim dividend for the six months ended 31 December 2021 of RMB8.0 cents per ordinary share, totaling approximately RMB375,378,000 (six months ended 31 December 2020: RMB469,222,000) has been approved in a meeting held by the BoD on 22 February 2022.

(b) At a meeting held on 27 September 2022, the BoD proposed a final dividend of RMB2.0 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 2023.

27. NOTES OF CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	For the year ended 30 June 2022 RMB'000	2021 RMB'000
Profit for the year	**3,310,501**	7,168,018
Adjustments for		
Income tax expense (Note 24)	**62,521**	1,307,531
Depreciation (Note 6)	**2,937,717**	2,675,219
Amortisation (Notes 7, 8 and 21)	**76,268**	74,735
Share of profit of associates and a joint venture (Note 10)	**(116,514)**	(186,103)
Finance income (Note 23)	**(187,617)**	(123,535)
Finance costs (Note 23)	**898,913**	759,534
Exchange gain on financing activities — net	**(380,692)**	(383,711)
Exchange loss on operating activities — net	**94,929**	27,266
Others	**39,073**	15,576
	6,735,099	11,334,530
Changes in working capital		
Inventories	**(3,955,608)**	(2,968,768)
Trade, bills and other receivables, and prepayments	**(154,478)**	(2,864,354)
Trade, bills and other payables and contract liabilities	**1,769,158**	(1,217,762)
Cash generated from operations	**4,394,171**	4,283,646

27. NOTES OF CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

	1 July 2021 RMB'000	Financing cash inflows — net RMB'000	Non-cash items RMB'000	30 June 2022 RMB'000
Borrowings	**34,110,884**	**9,866,404**	**263,713**	**44,241,001**
Lease liabilities	**24,383**	**(9,653)**	**12,753**	**27,483**
	34,135,267	**9,856,751**	**276,466**	**44,268,484**

	1 July 2020 RMB'000	Financing cash inflows — net RMB'000	Non-cash items RMB'000	30 June 2021 RMB'000
Borrowings	26,287,523	9,107,172	(1,283,811)	34,110,884
Lease liabilities	18,511	(7,272)	13,144	24,383
	26,306,034	9,099,900	(1,270,667)	34,135,267

28. CAPITAL COMMITMENTS

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

	30 June 2022 RMB'000	30 June 2021 RMB'000
Property, plant and equipment	**8,316,524**	9,791,124

29. BUSINESS COMBINATION

The Group entered into a sales and purchase agreement with Mass Winner Holdings Limited to acquire the remaining 60% equity interest of Turbo Best during the year ended 30 June 2022 (the "Acquisition"). The Acquisition was completed on 31 August 2021 (the "Acquisition Date"). After the Acquisition, Turbo Best becomes a wholly-owned subsidiary of the Company. Set out below is the summarised information of Turbo Best.

	31 August 2021 RMB'000
Fair value of the consideration:	
— Fair value of 40% equity interest in Turbo Best held by the Group prior to the Acquisition	51,544
— Cash	77,316
Total purchase consideration	128,860
Identifiable assets and liabilities at the acquisition date:	
Cash and cash equivalents	15,760
Property and equipment (Note 6)	80,082
Right-of-use assets (Note 7)	30,177
Deferred income tax liabilities (Note 17)	(9,840)
Others	4,269
Total identifiable net assets	120,448
Goodwill (Note 8)	8,412

Reconciliation of total cash considerations of the business combination and cash outflow on the acquisition is as follows:

	31 August 2021 RMB'000
Cash considerations	77,316
Cash and cash equivalents acquired	(15,760)
Payment for the business combination conducted in the year	61,556

The acquired businesses did not contribute material revenue or profit to the Group for the period from the Acquisition Date to 30 June 2022. Had the business combination been completed at 31 August 2021, the impact to the consolidated pro-forma revenue and profit for the year ended 30 June 2022 would not have been material.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Name and relationship with major related parties

Name	Relationship
America Chung Nam Inc. ("ACN Inc")	A company beneficially owned by Ms. Cheung Yan and Mr. Liu Ming Chung, executive directors of the Company
ACN Tianjin	An associate of the Group
ACN Hainan	An associate of the Group
Global Fame	A joint venture of the Group
Come Sure Packing Products (Quanzhou) Co., Ltd. ("Come Sure Quanzhou")	A subsidiary of an associate before 31 August 2021

(b) Transactions with related parties

During the year ended 30 June 2022, the Group had the following significant transactions with related parties. These transactions are conducted in the normal course of the Group's business:

	For the year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Sales of goods:		
— Come Sure Quanzhou	**25,498**	129,729
Purchase of recovered paper and pulp:		
— ACN Tianjin and ACN Hainan	**29,462,555**	26,976,136
— ACN Inc	**3,355,828**	3,886,314
	32,818,383	30,862,450

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

(c) Key management compensation

Compensation for key management including the compensation for directors as disclosed in Note 22 is as follows:

	For the year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Salaries, allowance and benefits	**77,943**	58,611

30. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties

	30 June 2022 RMB'000	30 June 2021 RMB'000
Balances due from:		
— ACN Inc	**1,198,461**	1,396,129
— ACN Tianjin	**1,249,197**	326,121
— ACN Hainan	**8,649**	94,032
— Global Fame	**43,401**	42,228
— Come Sure Quanzhou	**—**	30,112
— Other related parties	**4,274**	2,929
	2,503,982	1,891,551

	30 June 2022 RMB'000	30 June 2021 RMB'000
Balances due to:		
— ACN Inc	**326,713**	237,907
— ACN Tianjin	**92,114**	105,403
— ACN Hainan	**456**	85,045
	419,283	428,355

Balances with related parties as at 30 June 2022 were unsecured, interest free and repayable in accordance with agreed terms with related parties (30 June 2021: same).

(e) Provision of guarantee to the joint venture

As at 30 June 2022, the Group has provided guarantee of RMB23,862,000 to Global Fame related to its borrowings (30 June 2021: RMB26,044,000).

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 2022 RMB'000	30 June 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**104**	121
Interests in subsidiaries		**10,978,572**	10,978,572
		10,978,676	10,978,693
Current assets			
Amounts due from subsidiaries		**550,450**	1,895,213
Cash and cash equivalents		**31,501**	23,945
		581,951	1,919,158
Total assets		**11,560,627**	12,897,851
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**480,531**	480,531
Share premium		**1,084,720**	3,884,720
Other reserves	(a)	**2,897,552**	1,645,985
Retained earnings	(b)	**37,199**	217,156
Total equity		**4,500,002**	6,228,392
LIABILITIES			
Non-current liabilities			
Borrowings		**2,300,000**	2,499,482
Current liabilities			
Amounts due to subsidiaries		**4,382,441**	2,259,490
Other payables		**378,184**	474,019
Borrowings		**–**	1,436,468
		4,760,625	4,169,977
Total liabilities		**7,060,625**	6,669,459
Total equity and liabilities		**11,560,627**	12,897,851

Ms. Cheung Yan
Chairlady

Mr. Liu Ming Chung
Deputy Chairman and Chief Executive Officer

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

(a) Movement of other reserves

	Contributed surplus RMB'000
At 1 July 2020	2,678,274
2020 final dividends	(1,032,289)
At 30 June 2021	1,645,985
At 1 July 2021	**1,645,985**
Reduction of share premium and transfer to contributed surplus	**2,800,000**
2021 final dividends	**(1,548,433)**
At 30 June 2022	**2,897,552**

(b) Movement of retained earnings

	RMB'000
At 1 July 2020	498,015
Profit of the year	188,363
2021 interim dividends	(469,222)
At 30 June 2021	217,156
At 1 July 2021	**217,156**
Profit of the year	**195,421**
2022 interim dividends	**(375,378)**
At 30 June 2022	**37,199**

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